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## SOUTH HAMS AUDIT COMMITTEE - THURSDAY, 5TH APRIL, 2012

Agenda, Reports and Minutes for the meeting

### Agenda No    Item

1.    **Agenda Letter** (Pages 1 - 6)

2.    **Reports**

Reports to Audit:

- a)    AM: Item 5 - Joint Corporate Risk Policy and Strategic Risk Assessment (Pages 7 - 32)
- b)    AM: Item 6 - Audit Committee Update (Pages 33 - 50)
- c)    AM: Item 7 - Audit Commission - Certificate of Claims and Returns (Pages 51 - 60)
- d)    AM: Item 8 - Audit Commission - Audit Plan 2011/12 (Pages 61 - 80)
- e)    AM: Item 9 - Protecting the Public Purse Checklist 2012/13
- f)    AM: Item 10 - Internal Audit Strategy and Terms of Reference 2012/13 (Pages 81 - 94)
- g)    AM: Item 11 - Internal Audit Plan 2012/13 (Pages 95 - 108)
- h)    AM: Item 12 - Progress against the 2011/12 Internal Audit Plan with EXEMPT appendices (Pages 109 - 130)
- i)    PM: Item 5 - Code of Corporate Governance 2011/12 - Compliance Review (Pages 131 - 172)

3.    **Minutes** (Pages 173 - 182)



# Agenda Item 1

Please reply to: Jo Doney  
Service: Corporate Services  
Direct Telephone: 01803 861466 Direct Fax: 01803 866669  
E-Mail: Jo.Doney@southhams.gov.uk

To: Chairman & Members of the Audit Committee  
(Cllrs Bramble, Bruce-Spencer, Cane, Hodgson and Pennington);

Our Ref: CS/JD

cc: Cllr Hicks (Lead Executive Member)  
Remainder of the Council  
Usual press and officer circulation

23 March 2012

Dear Councillor

A meeting of the **Audit Committee** will be held in the **Cary Room**, Follaton House, Plymouth Road, Totnes on **Thursday 5 April 2012 at 10.30am** when your attendance is requested.

Yours sincerely

Jo Doney  
Member Support Officer

<p><b>FOR ANY QUERIES ON THIS AGENDA PLEASE CONTACT JO DONEY MEMBER SUPPORT OFFICER ON DIRECT LINE 01803 861466</b></p>
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## **A G E N D A**

1. **Minutes** – to approve as a correct record and authorise the Chairman to sign the minutes of the Audit Committee held on 24 November (pages 1 to 4);
2. **Urgent Business** - brought forward at the discretion of the Chairman;
3. **Division of Agenda** - to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;
4. **Declarations of Interest** - Members are invited to declare any personal or prejudicial interests, including the nature and extent of such interests, they may have in any items to be considered at this meeting;
5. **Joint Corporate Risk Policy and Strategic Risk Assessment** – to consider a report that informs Members of the work of the Senior Management Team in relation to raising the profile of the importance of effective risk management across both Councils.

\*To note consideration may be given to exclude press and public in relation to **EXEMPT** Appendix B as defined in Paragraph 10 of Schedule 12A to Local Government Act 1972 (pages 5 to 29);

6. **Audit Committee Update** – to consider a report which informs Members of emerging national issues and the progress of the Audit Commission in delivering their responsibilities as the authority’s external auditors (page 30 to 46);
  7. **Audit Commission – Certificate of Claims and Returns** – to consider a report that summarises the findings from the certification of 2010/11 claims (pages 47 to 56);
  8. **Audit Commission – Audit Plan 2011/12** – to consider a report which sets out the work for the 2011/12 audit (pages 57 to 75);
  9. **Protecting the Public Purse Checklist 2012/13** – to consider a report that informs Members of the position of the Council against the checklist included in the Audit Commission publication ‘Protecting the Public Purse 2011 (Fighting Fraud against Local Government) (November 2011) (pages 76 to 87);
  10. **Internal Audit Strategy and Terms of Reference 2012/13** – to consider which enables the Audit Committee to review the Internal Audit Strategy 2012/13 (pages 88 to 100);
  11. **Internal Audit Plan 2012/13** - To consider a report that enables Members to review and comment on the internal audit plan for 2012/13 (pages 101 to 114);
  12. **Progress against the 2011/12 Internal Audit Plan with EXEMPT appendices** – to consider a report that informs Members of the principal activities and findings of the Council’s Internal Audit team for 2011/12 to 29 February 2012 (pages 115 to 126);
- N.B.** Legal and financial officers will not, as a general rule, be present throughout all meetings, but will be on standby if required. Members are requested to advise Member Support Services in advance of the meeting if they require any information of a legal or financial nature.

\* \* \* \* \*

**MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER**

**THIS AGENDA HAS BEEN PRINTED ON ENVIRONMENTALLY FRIENDLY PAPER**

If you or someone you know would like this publication in a different format, such as large print or a language other than English, please call Darryl White on 01803 861247 or by email at: [darryl.white@southhams.gov.uk](mailto:darryl.white@southhams.gov.uk)

**Members of the public may wish to note that the Council's meeting rooms are accessible by wheelchairs and have a loop induction hearing system**



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Please reply to: Darryl White  
Service: Corporate Services  
Direct Telephone: 01803 861247 Direct Fax: 01803 866669  
E-Mail: darryl.white@southhams.gov.uk

To: Chairman & Members of the Audit and Standards Committees      Our Ref: CS/DW  
(Cllrs Bramble, Bruce-Spencer, Cane, Carson, Hodgson, Pennington and  
Westacott and Messrs Allison, Dredge, Dunham, O'Connell and Winterton)

cc: Remainder of the Council for information;  
Usual press and officer circulation.

15 December 2017

Dear Councillor

A joint meeting of the **Audit and Standards Committees** will be held in the **Cary Room**, Follaton House, Plymouth Road, Totnes on **Thursday, 5 April 2012** at **2.00 pm** when your attendance is requested.

Yours sincerely

Delyth Jenkins Evans  
Monitoring Officer

<p><b>FOR ANY QUERIES ON THIS AGENDA PLEASE CONTACT DARRYL WHITE MEMBER SUPPORT SERVICES MANAGER ON DIRECT LINE 01803 861247</b></p>
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## **A G E N D A**

1. **Election of Chairman**
2. **Urgent Business** - brought forward at the discretion of the Chairman;
3. **Division of Agenda** - to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;
4. **Declarations of Interest** - Members are invited to declare any personal or prejudicial interests, including the nature and extent of such interests, they may have in any items to be considered at this meeting;

5. **Code of Corporate Governance 2011/12 – Compliance Review** – to consider a report which informs Members of the results of the compliance review of the Code of Corporate Governance (pages 1 to 42).

**Members of the public may wish to note that the Council's meeting rooms are accessible by wheelchairs and have a loop induction hearing system**

\* \* \* \* \*

- N.B.** Legal and financial officers will not, as a general rule, be present throughout all meetings, but will be on standby if required. Members are requested to advise Member Support Services in advance of the meeting if they require any information of a legal or financial nature.

\* \* \* \* \*

**MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER**

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AGENDA  
ITEM

5

## SOUTH HAMS/WEST DEVON COUNCIL

AGENDA  
ITEM

5

<b>NAME OF COMMITTEE</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>3 April 2012 (West Devon) 5 April 2012 (South Hams)</b>
<b>REPORT TITLE</b>	<b>Joint Corporate Risk Policy and Strategic Risk Assessment</b>
<b>Report of</b>	<b>Corporate Director (Alan Robinson)</b>
<b>WARDS AFFECTED</b>	<b>All</b>

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### Summary of report:

This report advises Members of the work of the Senior Management Team (SMT) in relation to raising the profile of the importance of effective risk management across both Councils. It proposes the adoption of a Joint Corporate Risk Policy and suggests that the Audit Committees review the current strategic risk assessment, which is regularly monitored by SMT and was developed last summer following major organisational change.

### Financial implications:

There are no direct financial implications arising from the report, although effective corporate risk management may help protect the Councils from future losses.

### RECOMMENDATIONS:

1. That West Devon Borough Council Audit Committee recommends to Council formal adoption of the Joint Risk Management Policy;
2. That South Hams District Council Audit Committee recommends to Council formal adoption of the Joint Risk Management Policy;
3. That the Audit Committees of both Councils reviews the strategic risks identified by officers, commenting on the level of risk and the risk management actions proposed with the objective of improving corporate risk management.

**Officer contact:** Alan Robinson - [alan.robinson@swdevon.gov.uk](mailto:alan.robinson@swdevon.gov.uk) or by 'phone on 01803 861440

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## 1. BACKGROUND

- 1.1 The Audit Committees of both Councils have regularly received updates relating to risk management issues. The focus of the reports has often been on either the processes of risk management or reviewing a range of predominantly operational risks.
- 1.2 As Members will be aware, during periods of significant change there are both opportunities and risks. The new SMT was formed in April 2011 and the shared middle management tier was established in October 2011. During the summer of 2011, SMT developed a new Risk Register in the light of significant external changes, including new government policies, increasing customer and community expectations and a significant reduction in financial resources, as well as major organisational restructuring.
- 1.3 It is suggested that the strategic risks, managed by SMT, could usefully be shared with Members. This will ensure that corporate risk has both an officer and member focus and provides the opportunity for two different perspectives to be taken into account.

## **2. CORPORATE RISK MANAGEMENT POLICY**

- 2.1 A draft Joint Risk Management Policy is attached (Appendix A) for Members' consideration. Both Councils are required to demonstrate to external auditors that effective risk management arrangements are in place and that the approach is rooted in policy. Both Councils provide a wide range of services and there is significant potential for risk. For the purposes of the policy, risk is defined as an occurrence that could impact on the Councils. Risk management is regarded as a tool for exploiting opportunities as well as a safeguard against potential threats. Risks can be related to a wide range of issues, including economic/financial, environmental, social, political, technological, legislative/legal, competitive/contractual, and customer/community. To be effective risk management needs to be embedded within the culture of the organisations and operate at all levels to ensure that both strategic and operational risks are managed. However it must be acknowledged that risk will always exist and can never be eliminated, merely reduced.

## **3. STRATEGIC RISK REGISTER**

- 3.1 The risks currently monitored by SMT are set out in five tables (Appendix B) as follows:
  - Table 1 - Strategic Political Risks
  - Table 2 - Strategic Management Risks
  - Table 3 - Strategic Staffing Risks
  - Table 4 - Strategic Financial and Asset Risks
  - Table 5 - Corporate Issues Risks
- 3.2 The summary tables include mitigating and management actions undertaken or proposed to manage the identified risks. Monitoring requires both a proactive approach to assessing potential risk, as well as retrospective reviews to provide

learning across the organisations. Appended to the risk tables is a Risk Scoring Matrix which has been used to identify risk status. A risk rating is developed by assessing risk impact/severity and multiplying it by the likelihood/probability of the risk occurring. The risk score is the assessment based on the mitigation being successful. The final attachment within Appendix B is a table which summarises the strategic risks, identifying the key risks at the point of the last review. The tables are therefore living documents and will regularly change in response to issues arising.

**4. ISSUES FOR CONSIDERATION**

- 4.1 This report provides the opportunity for the Committees to consider the draft policy, as well as identify and influence the approach to managing strategic risk at a corporate level. The risk template used in Appendix B will also accompany future reports in support of new initiatives, projects and partnerships to encourage more effective officer assessment of risk as part of securing member approval. Member reports will, therefore, no longer have the rather simplistic risk management summary currently used, except to support routine reports.
- 4.2 Whilst this report focuses on corporate risk, within each service the Head of Service and relevant Middle Managers will also continue to identify and manage operational risks. Operational risk will be identified and managed as part of each services emerging 'blue print' i.e. strategy and action plan to 2015.

**5. LEGAL IMPLICATIONS**

- 5.1 The Audit Committees have a role in keeping under review and recommending to their respective Councils improvements in relation to effective risk management.
- 5.2 There are no direct legal implications arising from the report although a strategic focus on risk management is good practice.
- 5.3 An assessment has been carried out as to whether the public interest in withholding the information in Appendix B outweighs the public interest in disclosing it. For some parts of the Risk Register, the public interest lies in non-disclosure due to the potential commercial/financial/legal nature of some of the risks identified.

**6. FINANCIAL IMPLICATIONS**

- 6.1 There are no direct financial implications of the report, although effective corporate risk management may help protect the Councils from future losses.

**7. OTHER CONSIDERATIONS**

<b>Corporate priorities engaged:</b>	All
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<b>Statutory powers:</b>	None specifically identified
<b>Considerations of equality and human rights:</b>	Factored into individual risk assessments where appropriate. Equalities Impact Review of the Risk Management Policy in hand.
<b>Biodiversity considerations:</b>	Factored into individual risk assessments where appropriate
<b>Sustainability considerations:</b>	Factored into individual risk assessments where appropriate
<b>Crime and disorder implications:</b>	Factored into individual risk assessments where appropriate
<b>Background papers:</b>	None
<b>Appendices attached:</b>	<p>A - Draft Joint Risk Management Policy</p> <p>B:</p> <ul style="list-style-type: none"> <li>• Table 1 - Strategic Political Risk</li> <li>• Table 2 - Strategic Management Risks</li> <li>• Table 3 - Strategic Staffing Risk</li> <li>• Table 4 - Strategic Financial and Asset Risks</li> <li>• Table 5 - Corporate Issues Risks</li> <li>• Risk Scoring Matrix</li> <li>• Summary of Corporate Risk Matrix</li> </ul>

**SOUTH HAMS DISTRICT COUNCIL/WEST DEVON BOROUGH COUNCIL**  
**DRAFT JOINT RISK MANAGEMENT POLICY**

## **INTRODUCTION**

For the purposes of this policy, risk is defined as something happening, or not happening, that may impact on the achievement of the Councils' objectives and adversely affect our communities. Risk Management will be regarded as a tool for exploiting opportunities as well as a safeguard against potential threats. The objective is for the Councils to become more effective at evaluating risk and mitigating it, rather than being risk adverse.

Both Councils provide a diverse range of services. The nature of the services and the operating context provides significant potential for risk. It is essential for the Councils to have a risk management approach where the likelihood of adverse impact is minimised by anticipating and controlling the exposure to risk.

The risk management policy aims are as follows:

- Anticipating and responding to a changing landscape, which may include social, environmental, economic, political and legislative requirements;
- Embedding risk management as an integral part of the culture of the Councils;
- Motivating management and staff to manage risk effectively in accordance with best practice;
- Protecting the Councils' property, services, financial resources and public image;
- Preventing injury, damage or loss to reduce the cost of risk to the Councils;
- Raising and promoting awareness of the need for risk management by all.

Both Councils recognise that some risks will always exist and cannot be eliminated but acknowledge that there is a responsibility to manage both strategic and operational risks and create a structured approach to their management. This will be achieved as follows:

- Each report to Members will include an appropriate risk assessment of the proposal being considered by Members.

- In cases where significant new risks emerge, or the status of an existing risk becomes critical, then immediate urgent action will be taken by a lead officer, with the post holder to be identified depending on the risk issue, in consultation with appropriate Members;
- Each Service Blueprint will identify key operational risks to objectives affecting the Service Action Plan, and these will be recorded in risk registers;
- The Senior Management Team will comprehensively review the Corporate Risk Tables on a quarterly basis, with the responsible SMT member undertaking a monthly 'light touch' review of those risk areas allocated to that SMT member.
- A Corporate Director will hold quarterly meetings with the Corporate Risk Management Group. This group will comprise the Chief Internal Auditor, the Risk and Health & Safety Advisor, Officers with insurance responsibilities and a Legal Officer. Where necessary, the Corporate Management Group will also include appropriate Heads of Service and/or Middle Managers.
- On a six monthly basis, a Corporate Director will provide update reports to the Audit Committees of each Council;
- The Risk Management Policy will be reviewed every two years.

The risk management framework links with the Council's System of Internal Control and Code of Corporate Governance, all of which form part of the assurance streams that enable the Councils to publish an Annual Governance Statement as required by the Accounts and Audit Regulations (Statutory Instrument).

## **CONCLUSION**

Risk management is a central part of both Councils' corporate management process. It is concerned with identifying, evaluating and controlling risks. Embedding risk management into the corporate culture provides the Councils with the tools to deal with uncertainties. It is impossible to predict what may happen so thought has to be given as to what the Councils' exposures are. The purpose of risk management is to mitigate loss. Whilst often measured in monetary terms, losses will also include the cost of disruption and adverse impact on reputation.

Alan Robinson  
21 March 2012

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# Audit Committee update

South Hams District Council

Audit 2011/12

**The Audit Commission is a public corporation set up in 1983 to protect the public purse.**

**The Commission appoints auditors to councils, NHS bodies (excluding NHS foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.**

**We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.**

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# Introduction

- 1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.
- 2 This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit Committee. The paper concludes by asking a number of questions which the Committee may wish to consider in order to assess whether it has received sufficient assurance on emerging issues.
- 3 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.
- 4 Finally, please also remember to visit our website ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)) which now enables you to sign-up to be notified of any new content that is relevant to your type of organisation.

Alun Williams

District Auditor

23 March 2012

# Progress report

## Financial statements – Interim Audit

5 Each year, in support of our audit opinion on the financial statements, we carry out walkthrough tests to confirm our understanding of the key financial systems, to confirm that they have been implemented as designed and to identify risks of material misstatement. We have completed our walkthrough tests of the majority of your main financial systems with the exception of 'Property, Plant and Equipment' which we intend to complete in June 2012. This is undertaken at a later date as the majority of the processes/controls are carried out after the year end.

6 We have not identified any issues to report as a result of our 2011/12 walkthroughs completed to date.

7 We have agreed a joint working protocol with Internal Audit who undertake testing on the key controls within your key financial systems. We plan to rely on Internal Audit's work and have agreed to review the results of their work when it is complete in April 2012.

8 Each year we are required to evaluate the Council's internal control environment of which IT is a key aspect. Our IT risk assessment work is in progress currently and we will report the outcome to your next meeting.

## VFM conclusion

9 We are currently undertaking work in relation to our Value For Money (VFM) Conclusion. We will report our findings to you in due course.

# Government response to consultation on the future of local public audit

**10** In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011 the government published a consultation paper and, in January 2012, announced its response to the consultation to which it received 453 responses, the majority from audited bodies.

**11** The Audit Commission has recently announced the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice for the period 2012/13 to 2016/17 (see 'update on the externalisation of the Audit Practice' below). The government envisages the retention of the Audit Commission as a small residuary body until the end of those contracts, to oversee them and to make any necessary changes to individual audit appointments.

**12** Thereafter, the government proposes that a new local public audit regime will apply, the key features of which are as follows.

- Local government bodies will appoint their own auditor on the advice of an independent audit appointment panel, with a maximum of two terms of five years permissible.
- The audit will continue to cover arrangements for securing economy, efficiency and effectiveness, but without imposing further burdens on audited bodies. There will be further consultation on the approach to value for money.
- The power to issue a public interest report will be retained.
- Audit firms will be able to provide non-audit services to audited bodies, subject to complying with ethical standards and gaining approval from the independent auditor appointment panel.
- The National Audit Office will be responsible for developing and maintaining audit codes of practice and providing support to auditors.
- The National Fraud Initiative will continue. Discussions on how this will be achieved are ongoing.

**13** The government response provides little detail on the audit arrangements for local health bodies. The Department of Health is working through the implications of Monitor's changing role and the proposed establishment of Clinical Commissioning Groups, and will specify the detailed arrangements for the audit of local health bodies, under the new framework, in due course.

**14** The government is holding further discussions with audited bodies and audit firms to develop its proposals. The government intends to publish draft legislation for pre-legislative scrutiny in Spring 2012.

# Update on the externalisation of the Audit Practice

**15** The Audit Commission's Managing Director, Audit Policy wrote to audited bodies on 6 March 2012 on the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice and on the process for making auditor appointments for 2012/13 and subsequent years.

**16** The key points are as follows.

- Contracts will be let from 2012/13 on a five-year basis to the following firms.

Firm	Contract areas
DA Partnership	North East & North Yorkshire
Ernst and Young	Eastern South East
Grant Thornton	North West West Midlands London (South), Surrey & Kent South West
KPMG	Humberside & Yorkshire East Midlands London (North)

- The Commission has been able to secure very competitive prices that will save local public bodies over £30 million a year for a minimum of five years. The savings secured will be passed back to audited bodies through significant reductions in scales of audit fees. The Commission intends to publish the final scales of audit fees for 2012/13 in April 2012.
- The Commission Board will confirm the 'interim' auditor appointments for the first five months of 2012/13 on 22 March 2012.
- The Commission will then write to all audited bodies on or shortly after 23 April 2012 to set out its proposals for 'permanent' auditor appointments for 2012/13 and subsequent years. Where a body is currently audited by an auditor from the Audit Practice, the Commission will propose as the appointed auditor the firm that was awarded the contract in each area, unless there are good reasons that to do so would be inappropriate.

- To support the consultation process, the Commission is arranging a series of introductory meetings in each contract area between 30 April 2012 and 16 May 2012. The purpose of these meetings is to give audited bodies in each area an opportunity to meet the new firm proposed as their auditor and its senior partners, and hear how the firm plans to manage its new portfolio and its approach to the audits.

**17** The Commission is working with auditors to ensure a smooth transfer between the Audit Practice and the incoming firm. In particular, the new auditor will be expected to place maximum reliance on the work of the current auditor. Audited bodies can also help by ensuring they plan their 2011/12 accounts closedown effectively to enable auditors to issue their opinion by the statutory deadline for publication of accounts, 30 September 2012.

**18** Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

**19** Further details are available on the Commission's website. We will continue to keep you updated on developments.

**20** Against this background, the Audit Practice's focus remains.

- Fulfilling our remaining responsibilities – delivering your 2011/12 audit to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.



# Other matters of interest

## 2010/11 Accounts

**21** In December 2011 the Audit Commission published a report - Auditing the Accounts 2010/11 - which summarises its findings of the accounts audits in 2010/11.

**22** The report covers the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and other local public bodies. In addition to auditors' work on the 2010/11 financial statements, the report also covers:

- the results of the first year of International Financial Reporting Standards (IFRS) implementation;
- auditors' work on the Whole of Government Accounts returns;
- auditors' local value for money work;
- public interest reports and statutory recommendations issued by auditors since December 2010; and
- the key challenges facing bodies for 2011/12.

**23** Auditors were able to give opinions on the accounts by the target date of 30 September 2011 at most organisations and this performance compares well with the previous year.

**24** However, the challenges presented by the transition to IFRS are demonstrated by an increase in the number of bodies, from seven last year to eighteen this year, where the auditor's opinion was still outstanding after 31 October. There was also a significant increase in the number of bodies needing to make material adjustments to their accounts following the audit.

**25** On 18 January 2012, the Audit Commission published 'Let's be clear: Making local authority IFRS accounts more accessible and understandable'.

**26** This briefing supplements the report on the 2010/11 accounts referred to above and focuses on a long-running debate of how to make local government accounts easier to understand.

**27** While the statutory accounts give comprehensive information on each local authority's financial position and performance, reflecting the range of activities which they cover, they are a poor way of communicating the key information to lay readers.

**28** The briefing notes that:

- elected members and local people would benefit from having access to well-presented extracts from the accounts, which would provide the key information on each authority's financial position and performance;
- the accounting profession and the Audit Commission could do more to encourage auditors and preparers of accounts to reduce clutter in statutory accounts; and

- each authority could do more to ensure their accounts are shorter and more accessible. Those preparing accounts need to look critically at the previous year's accounts. They should identify how these accounts could be sharper and more focused before starting work on the next set.

**29** The briefing concludes by identifying possible steps to make local authority accounts more accessible and easier to understand, and the implications of doing so.

**30** Further information on this is available on the Audit Commission's website.

## Managing Workforce Costs

**31** The Audit Commission and Local Government Association have jointly launched 'Work in progress: Meeting local needs with lower workforce costs'.

**32** The joint report - which can be found on the Audit Commission's website - is aimed at councils as employers and shows how local authorities across England are reducing their workforce costs, with some finding creative solutions.

**33** As government funding for councils shrinks by over a quarter between 2011/12 and 2014/15, councils need to reduce their workforce costs substantially while still providing much needed services. Not all councils face the same financial challenges, but the message is that all must reassess what they do, how they do it, and what their priorities are. Those opting for major restructuring will take more time to realise savings.

**34** Councils are finding ways to cut their pay bills without losing jobs, but the report says that redundancies are inevitable. Local government was already reducing posts before the cuts in government funding. In the past year an estimated 145,000 jobs have gone and this figure will increase in the future. So far many redundancies have been voluntary, but the report warns that compulsory ones are set to rise.

**35** The report is supported by a number of resources including:

- an agency workers expenditure tool which shows councils how much they spend on agency workers, compared with groups of similar councils;
- a workforce expenditure tool which shows councils how much they spend on staff as a proportion of their net current expenditure, and how this has changed over time;
- five case studies which provide examples of the different approaches councils are taking to reduce the costs of employing people while protecting valuable services. The case studies show what the councils did and why - and the benefits achieved; and
- a practical guide on how to undertake effective pay benchmarking, providing a series of steps to follow when starting a pay benchmarking process and highlighting the main issues that should be considered.

**36** The report is supplemented with a briefing for elected members that includes a number of questions designed to help members assess how well their council decides the size, shape and cost of its workforce and how these decisions will affect services and communities.

**37** The questions are in two parts:

- the information that should be available to members about the workforce; and
- the savings strategies councils could follow in the light of that information.

## **CIPFA's Prudential Code for Capital Finance**

**38** CIPFA has updated its Prudential Code for Capital Finance in Local Authorities. This new version reflects the introduction of IFRS which required:

- PFI schemes to be included on organisations' balance sheets; and
- The accounting treatment of leases to be reviewed – with many more likely to be considered as finance leases and thus also included on the relevant balance sheets.

**39** Although local authorities determine their own capital programmes, they are required to have regard to CIPFA's Prudential Code (the Code) in order to ensure that these capital investment plans are affordable, prudent and sustainable.

**40** To demonstrate that these objectives have been met, the Code sets out the indicators that must be used and the factors that must be taken into account.

**41** The Code does not include suggested indicative limits or ratios and these are for the local authority to set itself, subject to some overriding controls.

**42** The prudential indicators required by the Code should be considered alongside its Treasury Management performance indicators. These indicators are both are designed to support and record local decision making and are not designed to be comparative performance indicators.

## **2011/12 Accounts: CIPFA Guidance Notes for Practitioners**

**43** CIPFA has published a set of guidance notes to provide support in preparing the 2011/12 year-end accounts. These offer constructive advice on all aspects of the requirements for 2011/12 and provide detailed guidance on the key changes, including accounting for:

- heritage assets;
- business rate supplements;
- community infrastructure levies;
- related party disclosures;
- exit packages;

- trust funds;
- financial instruments; and
- interests in joint ventures.

## Annual fraud and corruption survey 2011/12

**44** On 2 April 2012 the Audit Commission will be issuing its annual survey to collect information regarding all detected fraud and corruption for the 2011/12 financial year.

**45** The electronic survey will be open for audited bodies to complete and submit between 2 April 2012 and 11 May 2012.

## National Fraud Initiative consultation

**46** The Audit Commission has recently consulted on its proposed work programme and scales of fees for the 2012/13 National Fraud Initiative (NFI).

**47** The NFI, which takes place biannually, has helped trace over £650 million in fraud, error and overpayments since it began in 1996 and has attracted international recognition.

**48** The work programme will remain unchanged from NFI 2010/11 and, in recognition of the financial pressures that public bodies are facing, the Audit Commission proposes that the scale of fees for mandatory participants will remain the same as for NFI 2010/11. For South Hams District Council this is £2,100.

**49** The consultation closed on 23 March 2012 and the final work programme and scales of fees will be published in May 2012.

## Local government capital finance system

**50** In late 2011 the Department for Communities and Local Government (DCLG) issued a consultation document on proposed changes to the Local Government capital finance system.

**51** A summary of the consultation responses was published on 8 February 2012 and the Regulations, which come into force on 31 March and 1 April 2012, have been laid before Parliament.

**52** DCLG's commentary confirms the intended effects of the amended Regulations are:

- to bring securitisation (the exchange of future revenues for an immediate lump sum payment) within the capital finance framework;
- to relax the rules on bond investments; and
- to clarify the definition of capital expenditure.

## Openness and accountability in local pay

**53** On 17 February 2012 DCLG published guidance which sets out the key policy principles that underpin the pay accountability provisions in the Localism Act.

**54** Relevant authorities are required to prepare a pay policy statement that must articulate its policies on the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.

**55** The statement must be:

- Prepared for each financial year, beginning with 2012/13;
- approved by full Council; and
- published on its website.

## For information: Board Governance Essentials

**56** The Public Chairs' Forum and CIPFA have published a joint 'how to' guide for Chairs and Boards of public bodies.

**57** 'Board Governance Essentials: A Guide for Chairs and Boards of Public Bodies' offers advice across four key areas.

- Good corporate governance.
- Roles, responsibilities and relationships.
- Standards of behaviour in public life.
- Effective financial management and transparency.

**58** This guide may provide interesting reading for all members.

## Local Government Finance Bill

**59** In December 2011 the government introduced proposals to devolve greater financial powers and freedoms to councils. The Local Government Finance Bill sets out the legislative foundations to implement the changes from April 2013. The most significant proposals relate to non-domestic rates, which are currently pooled and redistributed nationally.

**60** The Bill provides for councils to:

- retain a portion of their business rate growth;
- borrow against future income from business rates to pay for roads and transport projects alongside other local priorities;
- ensure a stable starting point for all authorities. No authority will be worse off as a result of their business rates base at the start of the scheme;
- establish a national baseline alongside a system of top ups and tariffs. Councils with business rates in excess of a set baseline would pay a tariff to government whilst those below would get an individually assessed top up from government; and
- create a levy to take back a share of growth from those councils that gain disproportionately from the changes. This money would be used to

fund a safety net providing financial help to those authorities which experience significant drops in business rates, for example caused by the closure or relocation of a major business.

**61** The Bill provides for much of the detail of the arrangements, including the sharing of business rate growth between billing and precepting authorities, to be left to secondary legislation.

## Key considerations

**62** The Audit Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

- Has the Council reviewed the Audit Commission's report on the 2010/11 accounts and, in particular, considered the key challenges facing bodies for 2011/12?
- Has the Council reviewed its 2010/11 accounts and identified ways in which these could be streamlined or clarified?
- Has the Council reviewed the Audit Commission / Local Government Association joint report on managing workforce costs and is the Audit Scrutiny Committee satisfied that appropriate use has been made of the supporting materials?
- Has the Council circulated the briefing for elected members on the Audit Commission's workforce report to Members? Is the Audit Committee satisfied that the questions within the briefing have been properly considered by the Council?
- Has the Council reviewed its prudential indicators in the light of CIPFA's revised prudential code?
- Has the Council reviewed CIPFA's guidance notes for the 2011/12 financial statements and made satisfactory arrangements for their implementation?
- Has the Council completed the Audit Commission's annual fraud and corruption survey?
- Has the Council considered the implications of the amendments to the capital financing regulations?

## Contact details

**63** If you would like further information on any items in this briefing, please feel free to contact either your District Auditor or Audit Manager.

**64** Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



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March 2012

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# Certification of claims and returns - annual report

South Hams District Council

Audit 2010/11

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# Introduction

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**Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.**

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements and I was not required to undertake work;
- for claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

# Summary of my 2010/11 certification work

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My work gave rise to amendment of only one of the three claims and returns for the year ended 31 March 2011 that the Authority was required to submit for certification. In the case of the amended claim, Housing and Council Tax Benefit Subsidy, I did have to issue a qualification letter accompanying my certificate.

Table 1: **Summary of 2010/11 certification work**

<b>Number of claims and returns certified</b>	<b>3</b>
Total value of claims and returns certified	£50,610,142
Number of claims and returns amended due to errors	1
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	1
Total cost of certification work	£21,634

# Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit subsidy claim	27,019	Yes	£401 increase in subsidy due to SHDC.	Yes, due to the identification of 2 cases of underpaid benefit.
National non-domestic rates return	23,353	Yes	N/A	No

## Housing and council tax benefit subsidy claim

1 I completed work on your Housing and council tax benefit subsidy claim in accordance with the certification instruction agreed with the Department of Work and Pensions (DWP).

- 2 My testing identified two classification errors where overpayments had been incorrectly classified. Additional testing was undertaken by the Authority of all cases in the affected cells to ensure that all overpayments were correctly classified. Five further errors were identified and appropriate amendments were made to the claim prior to certification.
- 3 My testing identified one case where the basic pay of a claimant had been incorrectly determined. The Authority completed additional testing on all related cases where the same assessor had assessed basic pay. Two further errors were identified and appropriate amendments were made to the claim prior to certification.
- 4 My testing identified two cases where claimants had overlapping tax credits (i.e. two amounts of tax credits identified as being paid to the claimant during the same period) which had resulted in underpayments to the claimants. The Authority ran a report to identify other cases of overlapping tax credits. There were twenty one additional overlapping cases of which thirteen cases had underpayments. Appropriate amendments were made to the claimants' benefit entitlement by the Authority. As there is no eligibility to subsidy for benefit which has not been paid, no amendment to the claim was required.
- 5 In accordance with the certificate instruction, a qualification letter was issued in respect of your Housing and council tax benefits subsidy claim due to the identified underpayments (paragraph 4).

## Recommendations

- R1 The Council should implement appropriate training for assessors in relation to classification of overpayments and basic pay calculations.
- R2 The Council should ensure that claim assessments do not include periods of overlapping tax credits

### National non-domestic rates return

- 6 I completed work on your national non-domestic rates return in accordance with the certification instruction agreed with the Department of Communities and Local Government.
- 7 In line with the Certification instruction and my audit approach, I completed detailed (Part A & B) testing of your national non-domestic rates return in 2010/11. In 2009/10 I completed Part A only testing. At least every three years I am required to complete Part B testing as well as Part A. and this was necessary in 2010/11. In 2011/12, I plan to complete part A testing only, providing that your control environment remains strong.
- 8 My 2010/11 testing did not identify any errors. Therefore the return was certified without amendment or the need for a qualification letter.



Table 3: **Claims between £125,000 and £500,000**

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Qualification letter
Disabled facilities grant claim	238	N/a	N/a

**Disabled facilities grant claim**

9 I completed work on your Disabled facilities grant claim in accordance with the certification instruction agreed with the Department of Communities and Local Government.

10 My testing did not identify any errors. Therefore the claim was certified without amendment or the need for a qualification letter.

# Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 4: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
R1 The Council should implement appropriate training for assessors in relation to classification of overpayments and basic pay calculations.	M	We will be devising and running on line refresher training to cover both of these elements.	October 2012	Paul Eels
R2 The Council should ensure that claim assessments do not include overlapping tax credits.	M	Atlas should minimise this. However we are now running a monthly report to identify cases where overlapping tax credits are present. This is checked by a quality officer and persistent inaccurate inputting by assessors will be addressed via internal processes.	March 2012	Paul Eels

# Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 5: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit subsidy claim	£16,093	£16,945	N/A
National non-domestic rates return	£3,122	£1,785	Part A & B testing required in 2010/11 (Part A only in 2009/10)
Disabled facilities grant claim	£799	£595	Different skill mix used in 2009/10.
Planning & Reporting	£1,620	£1,493	N/A
<b>Total</b>	<b>£21,634</b>	<b>£20,818</b>	

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



# Audit plan

South Hams District Council

Audit 2011/12

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Agenda Item 2d

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# Introduction

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**This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.**

## **Responsibilities**

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

**P** comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

**My** audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

# Accounting statements and Whole of Government Accounts

---

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

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## Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

## Identifying audit risks

I need to understand the Authority to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering the financial performance of the Authority;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Authority's information systems.

## Identification of significant risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below.



Table 1: **Significant risks**

Risk	Audit response
The Council has a shared management team with West Devon Borough Council and has plans for further integration of services in the future. The payroll costs of these staff are being apportioned between the two councils, increasing the risk of misstatement.	I will review the basis of apportionment to ensure that staff costs are being correctly allocated to the Council.

### Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
- maximise the work that can be undertaken before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 2: **Proposed work**

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	General ledger Debtors Payroll	General ledger Debtors Payroll			

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
	Housing benefits	Housing benefits			
Final visit			Pensions assets and liabilities – auditor to Devon CC Pension Fund (Audit Commission)	Pensions liabilities and assets – Barnet Waddingham and our own consulting actuary PWC Valuation of property, plant and equipment – SHDC and our own consulting property expert Gerald Eve	All material accounts balances and amounts Year-end feeder system reconciliations Treasury Management Fixed assets

Page 66 I will agree with you a schedule of working papers required to support the entries in the accounting statements.

## Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

# Value for money

## I am required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

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### Identification of significant risks

I have considered the risks that are relevant to my value for money conclusion. I have not identified the any significant risks but I have identified an inherent risk that I will address through my work.

Table 3: **Inherent risk**

Risk	Audit response	Separate audit output?
<b>Financial management:</b> Councils are facing significant cuts in funding from central government, as well as reductions in other sources of income. The Council faces significant challenges in delivering its financial plans over the next few years	I will review the Council's 2012/13 budget setting process, including the assumptions made.  I will review the Council's current and future savings plans.	No

# Key milestones and deadlines

The Authority is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 4: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	January – March 2012	None, unless significant issues to report
Opinion: receipt of accounts and supporting working papers	30 June 2012	N/A
Opinion: substantive testing	August – September 2012	N/A
Present Annual Governance Report at the Audit Committee	September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

# The audit team

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The key members of the audit team for the 2011/12 audit are as follows.

Table 5: **Audit team**

Name	Contact details	Responsibilities
Alun Williams District Auditor	al-williams@audit-commission.gov.uk 0844 798 5603	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
Mark Bartlett Audit Manager	m-bartlett@audit-commission.gov.uk 0844 798 1250	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.
John Sedgwick Team Leader	j-sedgwick@audit-commission.gov.uk 0844 798 5670	Day to day supervision of the systems (interim) and final accounts audits. Key point of contact for the finance team

# Independence and quality

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## Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

## Quality of service

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I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ ([c-westwood@audit-commission.gov.uk](mailto:c-westwood@audit-commission.gov.uk)) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

# Fees

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**The fee for the audit is £94,953, as set out in my letter of 11 April 2011.**

## The audit fee

The Audit Commission has set a scale audit fee of £94,953 which represents a 5 per cent reduction on the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

## Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Director of Finance and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

## Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and

- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 6: **Fees**

	2011/12 proposed	2010/11 actual	Variance (%)
Audit	£94,953	£99,950	-5
Certification of claims and returns	£21,000	£21,634	-3
Non-audit work	Nil	Nil	
<b>Total</b>	<b>£115,953</b>	<b>£121,584</b>	

*The Audit Commission is committed to paying a rebate of £7,596 to reflect attainment of internal efficiency savings, reducing the net amount payable to the Audit Commission to £108,357.*



# Appendix 1 – Independence and objectivity

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Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Page 73 Table 7: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.</p>	All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.

*Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards*

# Appendix 2 – Basis for fee

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In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
  - internal controls are operating effectively; and
  - I secure the co-operation of other auditors.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Authority provides:
  - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by 30 June 2012;
  - other information requested within agreed timescales;
  - prompt responses to draft reports; and
- there are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

# Appendix 3 – Glossary

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## **Accounting statements**

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

## **Annual Audit Letter**

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

## **Annual Governance Report**

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

## **Annual Governance Statement**

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

## **Audit of the accounts**

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

## **Audited body**

A body to which the Audit Commission is responsible for appointing the external auditor.

## **Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

## **Auditing standards**

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

## **Auditor(s)**

Auditors appointed by the Audit Commission.

## **Code (the)**

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

## **Commission (the)**

The Audit Commission for Local Authorities and the National Health Service in England.

## **Ethical Standards**

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

## **Group accounts**

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

## **Internal control**

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

## **Materiality**

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

## **Significance**

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

## **Those charged with governance**

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

## **Whole of Government Accounts**

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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- any director/member or officer in their individual capacity; or
- any third party.



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AGENDA  
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**10**

## SOUTH HAMS DISTRICT COUNCIL

AGENDA  
ITEM

**10**

<b>NAME OF COMMITTEE</b>	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	<b>5<sup>TH</sup> APRIL 2012</b>
<b>REPORT TITLE</b>	<b>INTERNAL AUDIT STRATEGY &amp; TERMS OF REFERENCE – 2012/13</b>
<b>Report of</b>	<b>S.151 OFFICER CHIEF INTERNAL AUDITOR</b>
<b>WARDS AFFECTED</b>	<b>ALL/CORPORATE</b>

**Summary of report:**

The purpose of this report is to allow the Audit Committee to review the Internal Audit Strategy 2012/13, and seek their approval for the document as required by the CIPFA 'Code of Practice for Internal Audit in Local Government' (2006).

The standards for proper practice for internal audit are contained in the CIPFA Code of Practice. The Chief Internal Auditor maintains an Audit Manual which reflects these standards and sets out the procedures expected of the Council's Internal Audit team.

Both the Code of Practice and Audit Manual require that the Terms of Reference and Audit Strategy are presented to the Audit Committee for review and approval. These documents are discussed in the report with the updated Audit Strategy attached at Appendix A.

**Financial implications:**

None, within the existing budget for internal audit.

**RECOMMENDATIONS:**

**That the Audit Committee review and approve the Internal Audit Strategy 2012/13.**

**Officer contact:**

Allan Goodman, Chief Internal Auditor  
allan.goodman@southhams.gov.uk

## **1. BACKGROUND**

- 1.1 The Accounts and Audit Regulations, 2003 (Regulation 6) and 2006 state that:  
*"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices."*
- 1.2 For the purposes of the Regulations, proper practice is that contained in the CIPFA 'Code of Practice for Internal Audit in Local Government' (2006). A copy of this document has been made available to the members of the Audit Committee.
- 1.3 The Chief Internal Auditor maintains an Audit Manual which sets out the standards and procedures expected of the team and has been updated to reflect the requirements of the 2006 Code of Practice. It is not intended to present the latest version, Audit Manual 2012, to the Audit Committee because of the detailed nature of the document.
- 1.4 However both the Code of Practice and Audit Manual 2012 require that the Terms of Reference and Audit Strategy are presented to the Audit Committee for review and approval.

## **2. AUDIT STRATEGY 2012/13 (Appendix A)**

- 2.1 Standard 7 of the CIPFA Code of Practice requires the Chief Internal Auditor to produce an audit strategy, and this is also reflected in the Council's Internal Audit Manual 2012.
- 2.2 The Strategy is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Terms of Reference and how it links to the organisational objectives and priorities.
- 2.3 It should be kept up to date with the organisation and its changing priorities and communicate the contribution that Internal Audit makes to the organisation and includes:
  - Internal Audit objectives and outcomes;
  - How the Chief Internal Auditor will form and evidence his or her opinion on the control environment to support the system of Internal Control and Annual Governance Statement;
  - How Internal Audit's work will identify and address significant local and national issues and risks;
  - How the service will be provided, i.e. internally, externally, or a mix of the two; and
  - The resources and skills required to deliver the strategy.
- 2.4 The Code says that the Strategy should be approved, but not directed, by the Audit Committee.

### 3. INTERNAL AUDIT: TERMS OF REFERENCE

3.1 The Terms of Reference were updated and presented to the Audit Committee in April 2010 with the following headings:

- Statutory Requirements;
- Internal Audit's Purpose, Authority and Responsibility;
- Independence;
- Audit Management;
- Scope of Internal Audit's Work;
- Audit Reporting; and
- Audit Committee.

3.2 The Terms of Reference state that the Chief Internal Auditor '*will advise the Audit Committee on behalf of the Council on the content of the terms of reference and the need for any subsequent amendment. The terms of reference should be approved and regularly reviewed by the Audit Committee*'.

3.3 The Chief Internal Auditor has reviewed the Terms of Reference presented to the April 2010 Committee and concluded that there are no changes required for 2012/13, but will present the document again to members at its third anniversary April 2013 regardless of its status.

### 4. LEGAL IMPLICATIONS

4.1 Accounts and Audit Regulations 2006.

### 5. FINANCIAL IMPLICATIONS

5.1 None, within existing budgets.

### 6. RISK MANAGEMENT

6.1 The risk management implications are:

Opportunities	Benefits
To provide an adequate and effective system of internal audit operating in accordance with the proper practices contributes to the overall control environment (system of internal control and governance framework) and the Annual Governance Statement.	An internal audit plan considering all areas of risk to the Council contributes to the overall control environment (system of internal control and governance framework) and the required Annual Governance Statement.

<b>Issues/Obstacles/Threats</b>	<b>Control measures/mitigation</b>
<p>Audit's objectives and responsibilities do not reflect the Accounts and Audit Regulations 2003 and 2006 requirements of providing an adequate and effective system of internal audit in accordance with the proper practices.</p>	<p>The Audit Strategy updated and presented to the Audit Committee annually is a high level statement of how the internal audit service will be delivered in accordance with the Terms of Reference.</p> <p>An Audit Manual documenting the audit processes is maintained and reflects the CIPFA 'Code of Practice for Internal Audit in Local Government' which sets out the standards that internal audit is expected to achieve.</p>

<b>Corporate priorities engaged:</b>	All
<b>Statutory powers:</b>	Section 111 Local Government Act 1972; and Accounts and Audit Regulations 2003 and 2006.
<b>Considerations of equality and human rights:</b>	No specific equality and human rights issues arising from this report.
<b>Biodiversity considerations:</b>	No specific biodiversity issues arising from this report.
<b>Sustainability considerations:</b>	No specific sustainability issues arising from this report.
<b>Crime and disorder implications:</b>	No specific crime and disorder issues arising from this report.
<b>Background papers:</b>	Internal Audit Terms of Reference – Audit Committee April 2010; South Hams District Council Internal Audit Manual - 2012
<b>Appendices attached:</b>	Appendix A – Internal Audit Strategy 2012/13



**Internal Audit Strategy 2012/13**

# **South Hams District Council**

## **Internal Audit Strategy**

### **Introduction**

The Accounts and Audit Regulations, 2003 (Regulation 6) and 2006 state that:

*"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices."*

For the purposes of the Regulations, proper practice is that contained in the CIPFA 'Code of Practice for Internal Audit in Local Government' (2006).

Standard 7 of this Code requires the Chief Internal Auditor to produce an audit strategy, and this is reflected in the Council's Internal Audit Manual 2012, which states that the Strategy:

- Is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Terms of Reference and how it links to the organisational objectives and priorities. The strategy can be presented as a document in its own right or integrated into an existing document, such as the business or service plan. It sets the context within which more detailed plans can be developed. The strategy should be kept up to date with the organisation and its changing priorities;
- Will communicate the contribution that Internal Audit makes to the organisation and should include:
  - (a) Internal Audit objectives and outcomes;
  - (b) how the Chief Internal Auditor will form and evidence his or her opinion on the control environment to support the Annual Governance Statement;
  - (c) how Internal Audit's work will identify and address significant local and national issues and risks;
  - (d) how the service will be provided, i.e. internally, externally, or a mix of the two; and
  - (e) the resources and skills required to deliver the strategy.
- Should be approved, but not directed, by the Audit Committee.

### **Internal Audit Objectives and Outcomes**

The primary objective of the Internal Audit team is to provide an independent and objective opinion to the Council on the control environment by evaluating its effectiveness in achieving the organisation's objectives through examining, evaluating and reporting on the adequacy of the control environment as a contribution to the proper, economic, efficient use of resources.

To achieve this primary objective, the Council's Chief Internal Auditor aims to fulfil the statutory responsibilities for Internal Audit by:

## **South Hams District Council**

### **Internal Audit Strategy**

- Identifying all of the systems, both financial and non financial, that form the Council's control environment and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- Creating an audit plan that will enable Internal Audit to carry out reviews covering all of the Audit Universe over a period of 5-years, prioritised through a risk assessment;
- Translating the 5-year audit plan into an annual plan by reassessing the risk for each audit area against emerging risks and the Council's Risk Registers;
- Undertaking individual audit reviews, to the standards set by CIPFA's Code of Practice for Internal Audit, to independently evaluate the effectiveness of internal control;
- Providing managers with an opinion on and recommendations to improve the effectiveness of risk management, control and governance processes as to:
  - the extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds;
  - the completeness, suitability, reliability and integrity of financial and other management information developed within Council (Data Quality);
  - the systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by management of the Council or externally. These include in particular the Council's Contract and Financial Procedure Rules;
  - whether operations are being carried out as planned and objectives and goals are being met.
- Providing managers with advice and consultancy on risk management, control and governance processes;
- Liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication, and to enable them to place reliance upon the work of Internal Audit; and
- Providing the Council through the Audit Committee with an opinion on internal control as a contribution to the System of Internal Control and Annual Governance Statement.

#### **Opinion on Internal Control**

As stated above one of the key objectives of Internal Audit is to communicate to management within the Council information that provides an independent and objective opinion on their control environment and risk exposure, and to prompt management to implement agreed actions.

Significant issues and risks are to be brought to the attention of the S.151 Officer and Deputy as and when they arise. For routine work a written monthly report summarising the main issues from all audit reports and the performance of the Internal Audit team is to be provided by the Chief Internal Auditor copied to these officers. A formal monthly meeting must also be held to discuss issues arising and other matters.

The Chief Internal Auditor must report progress against the annual audit plan and any emerging issues and risks to the Audit Committee quarterly in a format agreed between the parties.

## **South Hams District Council** **Internal Audit Strategy**

The Chief Internal Auditor must also provide a written annual report to the Audit Committee timed to support their recommendation to approve the Annual Governance Statement to the Council.

The Chief Internal Auditor's annual report to the Audit Committee must:

- (a) Include an opinion on the overall adequacy and effectiveness of the Council's control environment;
- (b) Disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- (d) Draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the Annual Governance Statement;
- (e) Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- (f) Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

### **Local and National Issues and Risks**

The audit planning process is subject to a risk assessment at all stages of the process: the 5-year plan; annual plan and individual audit reviews.

Prioritising the 5-year plan is completed using a risk assessment scoring methodology that takes account of: the £k value; inherent risk (definition below); political sensitivity; when last audited; and the impact on other systems.

Updating the original risk assessment above to create an annual audit plan includes taking account of emerging risks, both local and national, through consideration of the:

- Council's Risk Registers;
- Minutes of the Council, Executive, Scrutiny Panels and Senior Management Team;
- issues arising from the previous year's audit reviews, including those covering the Risk Management and Corporate Governance frameworks (Annual Governance Statement);
- National issues highlighted by professional bodies such as CIPFA's Finance Advisory Network (FAN), National Anti Fraud Network (NAFN) or the Council's external auditor; and
- Liaison with other Internal Audit teams on a formal and informal basis.

A further risk assessment is required at the commencement of each individual audit review to establish the level of testing required. This considers:

- When the system was last audited, the results of that review and whether the recommendations made have been implemented;
- Any changes to the system since the last audit;



## **South Hams District Council**

### **Internal Audit Strategy**

- The results of an analytical review (comparison of the data for the year of audit with the previous year's equivalent, taking account of expected changes);
- The inherent risk: the level of risk to the Council of the system if there were no controls in place, such as the vulnerability to fraud and if there are any known incidents of fraud;
- The quality, experience and morale of officers involved in the system; and
- Impact on the control environment of service reviews by managers and the results of any relevant performance indicators.

#### **Provision of Internal Audit**

The Internal Audit service is provided on behalf of the Council by a small team of in-house auditors. Past benchmarking of the cost of Internal Audit when compared with other Councils has shown that it is a cost effective service that continues to meet the requirements of its stakeholders.

The Chief Internal Auditor has established policies and procedures in an Audit Manual to guide staff in performing their duties and complying with the latest available CIPFA Code of Practice. The manual is regularly reviewed and updated to reflect changes in working practices and standards.

#### **Performance Management and Quality Assurance**

The CIPFA Standards and the Council's Audit Manual state that performance, quality and effectiveness should be assessed at two levels:

- (a) For each individual audit; and
- (b) For the internal audit service as a whole.

The documents also state that the Chief Internal Auditor should have in place a performance management and quality assurance framework to demonstrate that the internal audit service is:

- (a) Meeting its aims and objectives;
- (b) Compliant with the CIPFA Code of Practice;
- (c) Meeting internal quality standards;
- (d) Effective, efficient, continuously improving; and
- (e) Adding value and assisting the organisation in achieving its objectives.

This performance management and quality assurance framework must include, but not be limited to:

- (a) A comprehensive set of targets to measure performance, developed in consultation with appropriate parties. Performance measures should be included in any service level agreement. The Chief Internal Auditor should measure, monitor and report appropriately on the progress against these targets;
- (b) Seeking user feedback for each individual audit and periodically for the whole service;
- (c) A periodic review of the service against the strategy and the achievement of its aims

## **South Hams District Council** **Internal Audit Strategy**

- and objectives. The results of this should inform the future strategy;
- (d) Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual; and
- (e) An action plan to implement improvements.

The following table shows the key performance indicators used by the service.

Once collated the indicators must be reported to the S.151 Officer on either a monthly or annual basis in line with collection and to the Audit Committee quarterly and/or annually. Performance indicators should be presented with prior year's equivalent to aid comparison.

*Table 1: Internal Audit Key Performance Indicators*

	<b><u>Current Target, and, Frequency of Measure</u></b>
➤ Achievement of the annual audit plan.	90% Covalent Monthly
➤ Percentage of draft audit reports issued within 10 working days of the completion of the audit.	100% Annually
➤ Percentage of final audit reports issued within 10 working days of the discussion and agreement of the draft audit report.	100% Annually
➤ Reliance of work of IA by the external auditor	Yes/No Annually
➤ Customer Survey: Responses Received; Audit Planning - Consultation; Objectives Quality of Audit Report - Clarity; Accuracy; Value; Presentation Communication - Feedback; Helpfulness; Professionalism; Timeliness.	90% Annually 90% Annually 90% Annually
➤ Overall cost, with/without oncosts/recharges	£ Annually
➤ Average cost per audit day: direct costs, and with/without oncosts/recharges.	£ Annually £ Annually
➤ The percentage of audit reports where the agreed recommendations were satisfactorily actioned, or follow up indicator to align with other audit teams to be agreed later with the Chairman and reported to the Committee.	90% Annually

Performance indicators or targets may be amended from time to time with the prior agreement of the Audit Committee.

## **South Hams District Council** **Internal Audit Strategy**

The Chief Internal Auditor needs to ensure that the performance and the effectiveness of the service improve over time, in terms of both the achievement of targets and the quality of the service provided to the user.

### **West Devon Borough Council (Shared Service)**

The Internal Audit team consists of 3 whole time posts, the Chief Internal Auditor, Senior Auditor and an Auditor. These posts are employed by South Hams District Council but staff costs are shared on a proportionate basis with West Devon Borough Council, based on the internal audit team delivering an audit plan of 95 days to West Devon Borough Council. The shared internal audit service is providing an annual saving of £20,000 to South Hams District Council.

Separate Terms of Reference and Audit Strategy Documents are presented to the West Devon Borough Council's Audit Committee.

### **Collaboration with Teignbridge District Council (Shared Service)**

Several years ago the Shared Service Joint Steering Group considered the proposals of a business case for a shared service presented by South Hams (SHDC), Teignbridge (TDC) and West Devon District/Borough Councils.

For SHDC and TDC the accepted proposal was for an extension of the collaboration between the internal audit teams with exchange of audit resources, skills, training and key documents.

Details are available in the related report to the Audit Committee (minute reference: A14/08). At this meeting members also accepted in principle of the mutual assurance of the high priority of both Councils' audit plan in times of crisis, subject to the specific approval of the Chairman. TDC Audit Committee made the same commitment.

This arrangement has not been formally rescinded and therefore continues.

## **Resources and Skills**

### **Resources**

The CIPFA Standards and the Council's Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management;
- The Chief Internal Auditor should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals.

## **South Hams District Council** **Internal Audit Strategy**

The approved Internal Audit establishment for the Council consists of 3 whole time posts, the Chief Internal Auditor, Senior Auditor and an auditor. As the Auditor is also the European Grants officer, audit time of 180 days has been contributed to the plan in prior years, with other time accounted for separately. As the European Grant work now is mainly audit related work on the RDPE Local Action Groups (LAGs), the decision was taken for 2012/13 to include all of the posts time and time related overheads in the 2012.13 audit plan.

With a target of completion of 90% of the annual audit plan, this level of staffing has proved to be adequate to date.

### **Shared Services - West Devon and Teignbridge**

No additional staff resource has been made available to the South Hams team in providing **West Devon Borough Council** with 95 days of service. This arrangement has been enabled by reducing the frequency of lower priority audit work to once in 5 years from the previous 3 year duration and critically examining the approach to some of the significant financial systems, such as benefits, with the external auditor. The decision was taken following liaison with the Audit Commission and ensuring that the CIPFA Code of Practice does not prevent such a change.

The ongoing issue is whether the coverage is sufficient to enable the Chief Internal Auditor to provide an opinion on the Council's control environment. This can be achieved particularly with an increased time allowed for follow up work to be thoroughly completed (taking coverage into a second year), and ensuring that sample testing in the other larger systems such as creditors and debtors includes areas not covered annually.

In addition the regular reassessment of the plan, based on emerging risk, will bring forward work on areas covered once in 5 years if significant changes occur.

### **Dealing with Alleged Fraud**

The main threat to completing the targeted % of the annual audit plan is the requirement for Internal Audit to investigate fraud. A contingency budget is built into the audit plan to provide cover for such eventualities, as well as other unexpected tasks such as advice to managers on control or internal financial regulations, contributions to the setting up of new systems or unexpected additional work on planned audits.

In extreme cases the contingency budget may prove insufficient for large scale investigations. In the circumstances where this occurs and where there is likely to be an impact on the remainder of the annual audit, the Chief Internal Auditor must discuss the situation with the s.151 Officer to enable a decision to be made to seek additional temporary resources if appropriate. The same comment applies to other staffing shortages brought about by long term sickness absence, vacant posts etc.

### **Mutual Assurance for/by Teignbridge District Council**

As discussed above under the title 'Provision of Internal Audit', the Audit Committee has accepted (as has TDC's Audit Committee) that the teams will mutually assure the high

## **South Hams District Council**

### **Internal Audit Strategy**

priority work of each others plan in the time of crisis, with the specific approval of the Chairmen. This has not been formally rescinded by members at either Council.

In practical terms, such work will reduce the available resources for low priority audit work for the team providing assistance. However, the outcome may be the delivery of plans to an acceptable level at both Councils, without the additional cost of external resources. It is the responsibility of the audit managers of SHDC and TDC, in association with the S.151 Officer and the Chairman of the Audit Committee, to ensure that making additional resources available to the other team does not result in a shortfall in audit coverage that may undermine the System of Internal Control.

#### **Skills**

The Chief Internal Auditor's duty is to recruit staff with the appropriate professional background, personal qualities and potential. He or she is responsible for ensuring that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes.

Internal Audit staff must also be properly trained to fulfil all their responsibilities. The Chief Internal Auditor will periodically assess individual auditors against these predetermined skills and competencies using the Council's formal appraisal system.

Any training or development needs identified will be included in an appropriate ongoing development programme that is recorded and regularly reviewed and monitored both within and outside of the appraisal process. A copy of the appraisal training programme will be sent to personnel with the appraisal as the corporate system requires.

Time will be allowed within the annual audit plan to allow internal audit staff to receive the relevant training.

In addition, the Chief Internal Auditor will allocate work to reflect the skills and experience required for the specific task, although it is essential that a balance is struck between knowledge and client relationships built through continuity and the need for audit staff to develop by auditing areas that they have not previously covered.

In some circumstances, there may be a skill shortage within the Internal Audit team as a whole e.g. specialist audit areas such as technical computer audit. Where this applies the advice of specialists should be sought from within the Council, from colleagues at Teignbridge District Council or other neighbouring Councils or the external auditor.

In extreme situations, the services of a consultant may need to be bought in but the Chief Internal Auditor will only do this with the consent of the s.151 Officer. The Audit Committee will be informed in such cases.

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AGENDA  
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## SOUTH HAMS DISTRICT COUNCIL

AGENDA  
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11

<b>NAME OF COMMITTEE</b>	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	<b>5<sup>TH</sup> APRIL 2012</b>
<b>REPORT TITLE</b>	<b>INTERNAL AUDIT - PLAN FOR 2012/13</b>
<b>Report of</b>	<b>S.151 OFFICER, and CHIEF INTERNAL AUDITOR</b>
<b>WARDS AFFECTED</b>	<b>ALL</b>

### Summary of report:

The 'CIPFA Code of Practice for Internal Audit in Local Government 2006' defines internal audit as 'an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient use of resources'.

The purpose of this report is to provide Members with the opportunity to review and comment upon the internal audit plan for 2012/13. The plan aims to optimise the use of the scarce and finite audit time available and enable the Chief Internal Auditor to provide an opinion on the adequacy, effectiveness and reliability of the Council's system of internal control, which will subsequently feed into the Annual Governance Statement.

### Financial implications:

None, within existing budgets for Internal Audit provision.

### RECOMMENDATIONS:

**That the Audit Committee review and comment upon the Internal Audit Plan 2012/13 and the linked 2012/13 Computer Audit Plan.**

### Officer contact:

For further information concerning this report, please contact:  
Allan Goodman, Chief Internal Auditor [allan.goodman@southhams.gov.uk](mailto:allan.goodman@southhams.gov.uk)

## **1. BACKGROUND**

- 1.1 The Accounts and Audit Regulations 2003 and 2006 and Section 54 of the Local Government Act 1972 provide the legal basis for the establishment of internal audit in local authorities. Paragraph 5 of the Act states that 'A relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems'.
- 1.2 The 'CIPFA Code of Practice for Internal Audit in Local Government 2006' defines internal audit: 'Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient use of resources'.
- 1.3 The Code requires that the legal, constitutional and professional basis of the service is set out in Terms of Reference, which were presented to the Audit Committee in April 2010 and remain fit for purpose.
- 1.4 In addition, an Internal Audit Strategy states, at a high-level, how the internal audit service will be delivered and developed in accordance with the Terms of Reference. The Internal Audit Strategy 2012/13 accompanies this plan but under separate cover.

## **2. INTERNAL AUDIT PLAN FOR 2012/13**

- 2.1 The internal audit plan for the forthcoming year 2012/13 is based on the 5 year plan.

### 5-year Audit Plan 2010/11 to 2014/15

- 2.2 A 5-year plan has been drawn up to cover the period 2010/11 to 2014/15 which was presented to and accepted by the Audit Committee in April 2010.
- 2.3 Once the relevant systems and processes were identified an assessment of risk was applied based on a statistical methodology derived from an Institute of Internal Auditors approach, that took account of the:
  - Value of transactions;
  - Complexity of the system;
  - Inherent risk (vulnerability to fraud or error);
  - Political sensitivity;
  - Time since last audit; and
  - Impact on other systems.
- 2.4 The resulting scores formed the basis of the priority rating, and the number of days to be spent on each system as a proportion of the days available.



- 2.5 A rating of 1 is audit work carried out annually as required in cases of high internal risk plus external influences such as the External Auditor or other inspection regimes; 2 is to an annual audit as a result of the assessed risk to the Council; and, 3 is a lower audit risk and frequency of coverage of once in five years.

#### Annual Audit Plan 2012/13 (Appendix A)

- 2.6 The 2012/13 annual plan has been developed from the 5-year Audit Plan 2010/11 to 2014/15 discussed above following an updated risk assessment using the criteria discussed at 2.3 to 2.5 above. In addition work is carried out to identify any emerging risks using information from: the Council/Committee minutes; external sources such as CIPFA and the Audit Commission; the Council's risk register; and cumulative audit knowledge. Heads of Service were also invited to contribute to the annual audit plan.

- 2.7 Other factors that result in a variation to the original 5-year plan are:

- Where there has been, or expected to be, significant changes to a system e.g. new computer software;
- Legislative changes; and
- Adjustment of days for some individual audits to reflect the practicalities of carrying out the work;

- 2.8 The 2012/13 audit plan also sets out the proposed quarters in which the audit work will take place, although in certain areas this will always be flexible. In normal circumstances the timing and detailed work plans will be drawn up following consultation with the client managers.

#### Computer Audit Plan 2012/13 (Appendix B)

- 2.9 For 2012/13, the computer audit work is to be resourced internally from the annual audit plan (26 days), and linked wherever it is practical, to the work in the main audit plan.
- 2.10 The intention is to maintain the coverage set out in the 5-year Computer Audit Plan presented to the Audit Committee in April 2010.

### **3. LEGAL IMPLICATIONS**

- 3.1 In accordance with the Constitution, it is the responsibility of the Audit Committee to consider the internal audit plan for the forthcoming year (Appendix A).
- 3.2 There are no direct legal implications of the internal audit plan.

### **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications of the internal audit plan outside of the existing budgets.

## 5. RISK MANAGEMENT

5.1 The risk management implications are:

Opportunities	Benefits
<p>The audit plan and its coverage contribute to the Council's system of internal control and therefore provide reasonable assurance that service objectives will be met.</p>	<p>Audit plans include all areas of potential coverage and direct audit resources to the areas most beneficial to the Council and so scarce audit resources are used in a way that provides the necessary assurance.</p> <p>The audit plan is reassessed through the year to compare emerging risks with the original risk assessment.</p> <p>Any emerging risk that is considered to require audit coverage during the year is included at the expense of the lowest priority areas.</p> <p>The revision is reported to senior managers including the s.151 Officer and Audit Committee.</p>
<p>A shared internal audit service between South Hams and West Devon provides the opportunity for both Councils to employ a dedicated professional team at a reduced cost to the council tax payer.</p>	<p>Improved efficiency in audit coverage by aligning, where local circumstances permit, audit plans.</p> <p>Auditors are able to make use of research on a given topic for more than one audit, and share good practice observed with managers at both Councils.</p>
<p>By carrying out the appropriate internal audit work to the required professional standard, the Council's external auditor may place reliance upon the work of internal audit.</p>	<p>The external auditor places reliance upon the work of internal audit, and makes no additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts.</p>

Issues/Obstacles/Threats	Control measures/mitigation
<p>The audit plan and its coverage may not contribute to the Council's system of internal control as required by the related guidance.</p>	<p>Identification of the Audit Universe and subsequent assessment of risk.</p> <p>The audit plan is presented for review and comment to senior managers (including the s.151 Officer), Audit Committee and the external auditor.</p> <p>The Audit Committee's role includes monitoring performance against the plan and action on significant issues identified.</p> <p>The audit plan is linked to the Council's priorities.</p>

## 5. RISK MANAGEMENT (Continued)

Issues/Obstacles/Threats	Control measures/mitigation
<p>Audit plans do not direct audit resources to the areas most beneficial to the Council and so scarce audit resources are kept away from areas of high risk.</p>	<p>An assessment of risk was applied to an 'Audit Universe', based on a statistical methodology that took account of the:</p> <ul style="list-style-type: none"> <li>• Value of transactions;</li> <li>• Complexity of the system;</li> <li>• Inherent risk (vulnerability to fraud or error);</li> <li>• Political sensitivity;</li> <li>• Time since last audit; and</li> <li>• Impact on other systems.</li> </ul>
<p>The external auditor places no reliance upon the work of internal audit, resulting in additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts.</p>	<p>Audit work, including recording and reporting, carried out to the required standards of the latest CIPFA Code of Practice for Internal Audit in Local Government. Regular liaison with the external audit managers and staff.</p>

<b>Corporate priorities engaged:</b>	The report meets all of the corporate priorities
<b>Statutory powers:</b>	Accounts and Audit Regulations 2003 and 2006 Section 54 of the Local Government Act 1972
<b>Considerations of equality and human rights:</b>	There are no considerations required of equality and human rights for this report
<b>Biodiversity considerations:</b>	There are no biodiversity considerations for this report
<b>Sustainability considerations:</b>	There are no sustainability considerations for this report
<b>Crime and disorder implications:</b>	There are no crime and disorder considerations for this report
<b>Background papers:</b>	Internal Audit Plan 2011/2012 Strategy and Terms of Reference 5-Year Internal Audit Plan – Audit Committee June 2010
<b>Appendices attached:</b>	Appendix A – Internal Audit Plan 2012/13 Appendix B – Computer Audit Plan 2012/13



**South Hams  
District Council**

**INTERNAL AUDIT – ANNUAL PLAN 2012/13**

The CIPFA. 'Code of Practice for Internal Audit in Local Government' (2006) is still the latest version and defines Internal Audit: Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient use of resources.

Objectives: the audit plan upholds the Council’s objectives and commitments as with every audit we are seeking continuous improvement of services, making best use of available resources to fulfil priorities and deliver services with skill, competence and integrity.

**FUNDAMENTAL SYSTEMS**

Fundamental systems are those that the Council’s external auditor considers to be so important that a failure in key controls may lead to their withholding or qualifying the opinion on the Council’s statement of accounts. We therefore need to audit these systems on an annual basis; days based on the risk score, benchmarking and experience.

	Priority Rating	Council Objective	<i>Shared Service: Joint areas of coverage with TDC to be agreed at a later date.</i>	Proposed Quarter	2012/13 Days
<b>Main Accounting System and Budgetary Control</b>	1	All	Accounts for the Council’s activities and assists in meeting the budgets set by the Council. Linking systems and audits: Accounts: All financial systems; Budgets: Council Tax (Setting); Computer audit: Access to system.	4	13
<b>Payments</b>	1	All	Pays the Council’s creditors promptly and accurately and processes other internal debit items. Linking systems and audits: Main Accounting; Treasury Management; Council Tax (Refunds); Business Rates (NDR) Refunds; Housing Benefits; Petty Cash. Computer audit: Access to system. <b>Audit to include the controls over the use of purchase cards.</b>	2	11
<b>Payroll</b>	1	All	Ensures accurate calculation and timely payment of salaries and wages to employees. Linking systems and audits: Main Accounting; Computer audit: Access to system. <b>Audit to include any redundancy payments and process for increments.</b>	3	10
<b>Council Tax</b>	1	All	Calculates, bills, accounts for and assists in recovery of cash paid by Council Tax payers. Linking systems and audits: Main Accounting; Housing Benefits; Cash Collection; Computer audit: Access to system.	3	14

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**FUNDAMENTAL SYSTEMS (Continued)**

	Priority Rating	Council Objective		Proposed Quarter	2012/13 Days
<b>Business Rates (NDR)</b>	1	All	Calculates, bills, accounts for and assists in recovery of cash paid by NDR payers. Linking systems and audits: Main Accounting; Council Tax; Creditors; Computer audit: Access to system.	3	12
<b>Benefits</b>	1	All	Ensures accurate calculation and timely payment of Housing Benefits. Linking systems and audits: Main Accounting; Council Tax; Creditors; Computer audit: Access to system.	4	20
<b>Debtors</b>	1	All	Invoices, accounts for and assists in recovery of cash due to the Council. Linking systems and audits: Main Accounting; Cash Collection; Computer audit: Access to the system	2	10
<b>Treasury Management</b>	1	All	Manages the Council's cash flow and invests monies to maximise the interest earned. Linking systems and audits: Main Accounting; Creditors; Cash Collection; Computer audit: Access controls re Financial Director software.	3	7
<b>Capital Expenditure</b>	1	All	Audit of expenditure of a capital nature to ensure that monies spent in line with the Capital Programme and Contract and Financial Procedure Rules.	3	8
<b>TOTAL: FUNDAMENTAL SYSTEMS</b>					<b>105</b>

**OTHER SYSTEMS AND AUDIT WORK**

The planned audit work is presented as 'Other Essential' audits where there is requirement for them to be completed annually, and 'Other' those completed once in 5 years Both are in service group order. The 'Priority Rating' is derived from a statistical assessment of risk that includes the value of transactions, complexity, susceptibility to fraud or error, last audit coverage, impact on other systems and political sensitivity. A rating number of 1 is audit work carried out annually as required in cases of high internal risk plus external influences such as the External Auditor; 2 is an annual audit as a result of the assessed risk to the Council; and, 3 a lower audit risk and frequency of coverage (once in 5 years). Those audits brought forward from last year will have their rating enhanced with a plus sign (+).

Council's Priorities The link to the Council's published priorities. Proposed Quarter column shows the proposed quarter of the year in which a specific audit will be started. It has been drawn up giving regard to known audit needs, service and external pressures. However, the plan is flexible enough to take account of unforeseen matters for both internal audit and service managers, so the proposed quarter is effectively indicative.

Continued Overleaf

OTHER ESSENTIAL SYSTEMS AND AUDIT WORK					
	Priority Rating	Council Objective		Proposed Quarter	2012/13 Days
<b>ASSETS</b>					
Salcombe Harbour	2	Various	Audit work based on a sub-plan, having regard to emerging risks, to ensure coverage of all harbour activities over a period of 5 years.	3	10
Dartmouth Lower Ferry	2	Various	Audit work based on a sub-plan, having regard to emerging, to ensure coverage of all ferry activities over a period of years.	2	9
<b>Sub-Total</b>					<b>19</b>
<b>ENVIRONMENT SERVICES</b>					
Street Scene, including Car and Boat Parking	2	Various	Audit covers all aspects of the Street Scene services including car parking based on a rolling sub-plan, having regard to emerging risks, with pay and display, season tickets and standard charges as key areas.	4	9
<b>Sub-Total</b>					<b>9</b>
<b>ENVIRONMENTAL HEALTH &amp; HOUSING</b>					
Private Sector Housing Renewal	2	Homes	Coverage will include system for providing disabled facilities grants & other related grant and loan schemes.	3	8
<b>Sub-Total</b>					<b>8</b>
<b>ICT &amp; CUSTOMER SERVICES</b>					
Performance Indicators, and Data Quality	2	All	Our work on performance indicators is a requirement of the Council's Data Quality Strategy.	1	5
E-Mail Monitoring	2	All	Regular review of the use of E-mail with the aid of dedicated software, to ensure the Council's policy is adhered to.	2	4
Internet Monitoring	2	All	Regular review of the use of the Internet with the aid of dedicated software, to the ensure Council's policy for Internet use is adhered to.	2	4
Computer Audit	2	All	Computer audit subject to a separate planning process <b>(Appendix B)</b> .	4	26
<b>Sub-Total</b>					<b>39</b>

Continued Overleaf

## OTHER ESSENTIAL SYSTEMS AND AUDIT WORK (Continued)

	Priority Rating	Council Objective	Proposed Quarter	2012/13 Days
<b>OTHER</b>				
<b>Audit of Government Grants – RDPE Rural Community LAGs</b>	2	Various	Quarterly and ad hoc audit and submission of grant claims prepared by Devon Renaissance on behalf of the 'Accountable Body' (the Council).	1/2/3/4 50
<b>Follow Up Of Previous Year's Audits</b>	2	Various	A revisit of the previous year's recommendations to ensure that the agreed actions have been implemented and are working satisfactorily.	1/2/3/4 10
<b>Contingency (unplanned)</b>	2	Various	An allowance for the numerous unexpected audit tasks and control advice to managers, including investigation of any suspected irregularities.	1/2/3/4 55
<b>Sub-Total</b>				<b>115</b>
<b>NON-FINANCIAL/CORPORATE</b>				
<b>Corporate Governance</b>	2	All	Audit of the Council's Local Code of Corporate Governance and subsequent report with the S.151 and Monitoring Officer to Audit Committee and the Standards Committee. To include Gifts and Hospitality and Equality issues and links to the Annual Governance Statement.	4 8
<b>Exemptions to Contract Standing Orders or Financial Instructions</b>	2	All	To review applications from managers for exemption to Contract Standing Orders or Financial Instructions in certain circumstances, normally in respect of procurement of goods and services. Includes a summary report to Executive.	1/2/3/4 5
<b>System of Internal Control (SIC) and Annual Governance Statement (AGS)</b>	2	All	Internal Audit in its annual report to the Council must include an opinion on the internal control environment and bring to the Council's attention any issues that will impact on the preparation of the AGS. (Control Environment = achievement of objectives, policy and decision making, complying with policies etc., risk management, financial management, best value and performance management) The AGS is to be approved at a meeting of the Council on the recommendation of Audit Committee, who should seek to satisfy themselves that they have obtained sufficient, relevant and reliable evidence to support the disclosures made.	1 5
<b>Risk Management/Business Continuity</b>	2	All	Audit of the Council's risk management process as required by the Council's Strategy, and business continuity. Budget also includes: Advice to the Risk Management Group and individual risk workshops. <b>Also separately planned, audits based on the Council's risk register depending on resource availability: 2012/13 Procurement.</b>	4 5
<b>Sub-Total</b>				<b>23</b>

Continued Overleaf

**OTHER ESSENTIAL SYSTEMS AND AUDIT WORK (Continued)**

	Priority Rating	Council Objective		Proposed Quarter	2012/13 Days
<b>PARTNERSHIP WORKING</b>					
<i>Shared Services</i>					
West Devon Borough Council	2	All	Internal audit service based on a risk based audit plan agreed with the S.151 Officer and WDBC Audit Committee.	1/2/3/4	95
Teignbridge District Council	-	All	Exchange of audit knowledge and resources where mutually beneficial, as highlighted in previous reports to members. Mutual assurance of significant areas of each Councils' audit plans agreed by the Audit Committees.	-	-
<i>External Bodies</i>					
Dartmouth Town Council	2	All	Systems based and final accounts audit carried out to the standards set by the Town Council's external auditor.	1	5
External Auditor	-	All	Liaison and by agreement, audit work on financial systems, ICT, data quality etc.	-	-
<b>Sub-Total</b>					<b>100</b>

**TOTAL: OTHER ESSENTIAL****313****OTHER SYSTEMS AND AUDIT WORK**

	Priority Rating	Council Objective		Proposed Quarter	2012/13 Days
<b>ASSETS</b>					
Community Parks and Open Spaces	3	Community Environment	Consideration of controls over related income and expenditure. Last audited in 2008/09.	1	9
Building Maintenance	3	All	Review of the procedures for identifying and carrying out repairs to the Council's assets. Last audited in 2009/10 and links to Asset Management audit.	1	9
<b>Sub-Total</b>					<b>18</b>
<b>CORPORATE SERVICES</b>					
Print Room	3	All	Audit of the systems in place to control all aspects of the print room's business. Last audited in 2006/07.	2	9
<b>Sub-Total</b>					<b>9</b>

Continued Overleaf



**OTHER SYSTEMS AND AUDIT WORK (Continued)**

	Priority Rating	Council Objective		Proposed Quarter	2012/13 Days
<b>ENVIRONMENT SERVICES</b>					
<b>Health and Safety at Work</b>	3	All	Review of the Council's arrangements to ensure health and safety requirements are met. Last audited in 2008/09.	3	9
<b>Sub-Total</b>					<b>9</b>
<b>ENVIRONMENT SERVICES</b>					
<b>Pannier Markets</b>	3	Economy Community	Audit of the controls over the provision of pannier markets including income and safety/security issues. Last audited in 2008/09.	1	9
<b>Sub-Total</b>					<b>9</b>
<b>FINANCE &amp; AUDIT</b>					
<b>Insurance</b>	3	All	Review of all aspects of the Council's insurance including cover, costs, claims and recharging. Last audited in 2007/08.	3	9
<b>Sub-Total</b>					<b>9</b>
<b>IT &amp; CUSTOMER SERVICES</b>					
<b>Complaints System</b>	3	All	A review of the controls over the new complaints system to ensure that the Council's process for responding is working satisfactorily. Last audited 2008/09.	2	5
<b>Sub-Total</b>					<b>5</b>
<b>OTHER</b>					
<b>Building Control</b>	3+	Various	Review of the latest position for the Building Control Partnership and its impact on the Council. Shared Service: Joint audit work with WDBC & TDC. Last audited 2009/10.	3	5
<b>Capital Receipts</b>	3	Various	Audit of income of a capital nature to ensure in line with the Financial Procedure Rules. Links with the Asset Management audit and last audited in 2008/09.	4	5
<b>Inventories</b>	3	All	Audit of the equipment inventories for Follaton House. Inventories for other Council properties are audited cyclically under the respective heading.	2	3
<b>Procurement</b>	3	All	To consider the Council's policies and arrangements for procurement to include the review of any leasing agreements. Last audited 2008/09.	2	10
<b>Schemes with Other Organisations</b>	3	Various	A review of the transactions and governance of a sample of the schemes in place excluding the AONB which will be covered separately. Last audited 2008/09.	2	9
<b>Sub-Total</b>					<b>32</b>

Continued Overleaf

**OTHER SYSTEMS AND AUDIT WORK (Continued)**

	Priority Rating	Council Objective		Proposed Quarter	2012/13 Days
<b>PLANNING &amp; COMMUNITY DELIVERY</b>					
Land Charges including Street Naming	3	Various	Audit of the systems in place surrounding the maintaining of the local land register and requests for certificates of search. Audit to include street naming. Last audited 2007/08.	1	9
Major Development Projects (including Sherford)	3	Various	Review of the expenditure relating to significant projects for the Council including Sherford. Last audited 2009/10 (Sherford).	2	6
<b>Sub-Total</b>					<b>15</b>
<b>CORPORATE/NON-FINANCIAL</b>					
Advice to Information Compliance and Other Groups	3	All	Attending several officer groups to provide advice. Time previously charged to Contingency.	1/2/3/4	3
Asset Management	3+	Various	Audit to establish the progress being made by the Council in the management of its assets. Last audited 2008/09.	1	7
Corporate Management Cost Centre	3	All	A review of the expenditure charged to this cost centre to ensure that the Financial Procedure Rules are met.	2	6
Shared Services	3	All	A review of the process for identifying and creating a shared service, to include governance issues, recharging etc. Following on from 2011/12 equivalent.	4	5
<b>Sub-Total</b>					<b>21</b>
<b>TOTAL: OTHER SYSTEMS AND AUDIT WORK</b>					<b>127</b>
<b>AUDIT MANAGEMENT</b>					
Audit Administration			-		20
Audit Management, including Audit Planning			-		20
Audit Monitoring Reports to Management and the Audit Committee			-		15
Training			-		15
Miscellaneous e.g. Financial Regulations etc.			-		5
<b>Sub-Total</b>					<b>75</b>
<b>TOTAL RESOURCES REQUIRED 2012/13 From above</b>					<b>620</b>

<b>RESOURCES AVAILABLE</b>			<b>2012/13 Days</b>
Chief Internal Auditor			234
Senior Auditor			260
Auditor			260
Sickness	Basis of Estimate: CIPFA Guidance plus 10	-	-18
Bank Holidays			-30
Annual Leave			-86
<b>TOTAL RESOURCES AVAILABLE</b>			<b>620</b>

Allan Goodman, Chief Internal Auditor

March 2012



**SOUTH HAMS DISTRICT COUNCIL**

**INTERNAL AUDIT**

**ANNUAL COMPUTER AUDIT PLAN – 2012/13**

**South Hams  
District Council**

<b>AUDIT AREAS</b>	<b>Priority Rating</b>	<b>Council Objective</b>	<b>Proposed Quarter</b>	<b>2012/13 Days</b>
<b>Installation &amp; Healthcheck, including: Using CIPFA Guidance –</b> <ul style="list-style-type: none"> <li>• Database Management</li> <li>• Environment Controls</li> <li>• Input Data and Running Files</li> <li>• Access control</li> <li>• Back-up</li> <li>• Disaster Recovery</li> </ul>	1	All	4	7
<b>Departmental IT/ Cost Effectiveness Using CIPFA Guidance –</b> <ul style="list-style-type: none"> <li>• Management Controls;</li> <li>• Procurement Of ICT Facilities; and</li> <li>• Financial Management of ICT.</li> </ul>	3	All	4	7
<b>Project Management &amp; Systems Development Using CIPFA Guidance -</b> <ul style="list-style-type: none"> <li>• Project Management Controls; and</li> <li>• Post Implementation Review.</li> </ul>	3	All	4	8
<b>Other Reviews</b> <ul style="list-style-type: none"> <li>• Follow up of prior year reports;</li> <li>• Emerging Issues including any advice needed by ICT related Transformation 2015 projects; and</li> <li>• Other – through liaison with the external auditors and updating of the risk assessment.</li> </ul>	2	All	4	4
<b>TOTAL RESOURCES REQUIRED</b>				<b>26</b>
<b>RESOURCES AVAILABLE</b>				<b>2012/13 Days</b>
Computer Audit in Main Audit Plan (Appendix A)				26
<b>TOTAL RESOURCES AVAILABLE</b>				<b>26</b>

The computer audit plan was also derived from an audit assessment of all of the systems within the Council requiring audit, 'the Computer Audit Universe'. Once these systems were identified an assessment of risk was applied, based on a statistical methodology in the same way as the main audit plan (see Appendix A). The 5-year computer audit plan is based on the CIPFA 'Computer Audit Guidelines'. The priority rating has been simplified. Work will be carried out either annually or once twice in 6 years depending on the audit risk. Our computer audit plan also upholds the Council's aims and priorities as with every audit we are seeking continuous improvement of services, making best use of available resources to fulfil priorities and deliver services with skill, competence and integrity.

## SOUTH HAMS DISTRICT COUNCIL

<b>NAME OF COMMITTEE</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>5th April 2012</b>
<b>REPORT TITLE</b>	<b>PROGRESS AGAINST THE 2011/12 INTERNAL AUDIT PLAN</b>
<b>Report of</b>	<b>Chief Internal Auditor</b>
<b>WARDS AFFECTED</b>	<b>All/Corporate</b>

**Summary of report:**

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2011/12 to the 29<sup>th</sup> February 2012, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by the section against the 2011/12 annual audit plan, reviewed by this Committee in April 2011.

**Financial implications:**

None, within existing budgets.

**RECOMMENDATIONS:**

**That the Audit Committee considers the progress made against the 2011/12 Internal Audit Plan and comments on the summary of issues arising.**

**Officer contact:**

Allan Goodman, Chief Internal Auditor

Email: [allan.goodman@southhams.gov.uk](mailto:allan.goodman@southhams.gov.uk)

## 1. BACKGROUND

- 1.1 The Terms of Reference for Internal Audit were presented to the Audit Committee in April 2011 (Minute reference A.30/10) and cover:

Purpose, Authority and Responsibility;  
Independence;  
Audit Management;  
Scope of Internal Audit's Work;  
Audit Reporting; and  
Audit Committee.

- 1.2 The Audit Strategy was updated for 2011/12 and was approved by the Audit Committee in April 2011 (Minute reference A.39/10 refers) and covers:

Objectives and Outcomes  
Opinion on Internal Control  
Local and National Risk Issues  
Provision of Internal Audit  
Resources and Skills

## 2. PROVISION OF INTERNAL AUDIT AND PROGRESS – 2011/12

### Audit Plan 2011/12

- 2.1 The 2011/12 audit plan (Appendix A) was presented and accepted by the Audit Committee at their meeting of April 2011 (A.40/10 refers).

### Local and National Risk Based Amendments to the Plan

- 2.2 The audit plan is continuously reviewed and updated to reflect emerging risks, and these are incorporated into the audit plan either through the contingency days or by change to the plan, depending on the significance.
- 2.3 There are no proposed amendments to the 2011/12 plan as at the 29<sup>th</sup> February 2012, other than the carrying forward of Building Control and Asset Management to 2012/13 audit plan for completion in Quarter 1..
- 2.4 Overspends on the estimated time for individual audits occur as the time in the audit plan is an estimate based on risk and generally not the amount of time needed to do the work required. All efforts are made to 'cut our cloth according to our means', but in some circumstances where control issues are identified, a risk based assessment is carried out. This constitutes consideration, depending on the significance, of whether additional time should be spent and if so where the work is to be charged, either contingency or by change to the audit plan.
- 2.5 The following table sets out the significant overspends on time budgets (3.5 days or more) on individual audits as totalled in Appendix A, and the reasons for the overrun:

Audit	Planned Days	Days Used	Reason for Overspend
-	-	-	None over 3.5 days
-	-	10	As para 2.4 - Culmination of overspends below 3.5 days for finalised audits
<b>Total</b>	-	<b>10</b>	<b>Overspends to date – 10 days</b>

### Resources and Skills

- 2.6 Sickness to the end of February 2011 is 9 days (2010/11 equivalent 10 days).
- 2.7 The number of audit days provided by the Auditor at the end of February was 191 days set against the planned 180 days for the year (2010/11 equivalent 197 days).
- 2.8 In 2011/12, training has been or is being provided to the audit team as follows:

#### Chief Internal Auditor

- Council Contracts & Your Actions (in-house);
- Future of Local Audit (DCLG; Taunton).

#### Senior Auditor:

- Council Contracts & Your Actions (in-house);
- Word 2007 Introduction (E Academy);
- Excel 2007 Introduction (E Academy);
- Excel 2007 Intermediate (E Academy).

#### Auditor:

- Council Contracts & Your Actions (in-house)
- E Academy – various modules including Word 2007; Word 2007 Intermediate; Excel 2007; Excel 2007 Intermediate; Excel 2007 Advanced; Questioning; Listening etc.

### Progress Against the Plan

- 2.9 The 2011/12 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the final position for each audit, and replicates a part of the monitoring report presented to the S.151 Officer on a monthly basis.
- 2.10 The reporting of individual high priority recommendations is set out at **Exempt Appendix B**. This is an ongoing part of the report to advise the Audit Committee in detail of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.

- 2.11 **Exempt Appendix C** provides a summary of the main issues raised for all of the audits where a final audit report has been issued. This too forms part of the report to the S.151 Officer. In addition, the Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.
- 2.12 **Exempt Appendix D** provides a summary of unplanned work carried out by the team. This work is by definition unexpected work, which ranges from advice to managers on control issues, to the investigation of potential irregularities. Tasks are budgeted from the 'Contingency' line of the audit plan.

Non Compliance with Financial Procedure Rules

- 2.13 There are no significant issues to bring to the attention of the Committee so far this year.

Fraud, Corruption or Bribery

- 2.14 No actual, suspected or allegations of fraud, corruption or bribery have been identified so far this year.

Performance Indicators

- 2.15 Internal Audit's performance indicators are mainly collected annually and will be reported to the Audit Committee in full in the year-end report. The full list of those recorded is set out in the Audit Strategy 2011/12.
- 2.16 At this stage in the year, the key indicator 'Completion of 2011/12 Audit Plan' is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2010/11 audit plan.	90	98	As reported to the Audit Committee June 2011.
Audits at the end of February at various stages of completion from 2011/12 audit plan and their 2010/11 equivalents.			
SHDC	-	74%	(83% at February 2011).
WDBC	-	84%	(61% at February 2011).
Combined plan Target to end of February 2011 = 81%	90	78%	(83% at February 2011).

Internal Audit – Shared Services

- 2.17 The following has been achieved since the last Audit Committee:

Shared service with West Devon

- Revised Anti-Fraud and Corruption Strategy aligned and updated to reflect recent manager reviews and shared services and recommended for approval by the Councils' September Audit Committees. Council approved in November 2011;



- Revised Contract Procedure Rules updated and aligned for both Councils' and recommended for approval by the Audit Committee for South Hams and the Standards Committee for West Devon. Council approved in November 2011;
- Progress on the 2011/12 audit plan reported to the West Devon Audit Committee;
- Work on a recharging process to ensure that costs related to the sharing of services is charged to the relevant Council and cross subsidising is avoided.

Teignbridge

- Exchange of audit programmes, advice, official guidance and best practice;
- Liaison over Contract Procedure Rules; Anti-Fraud and Corruption Strategy, Anti Money Laundering Policy and Risk Management.

**3. LEGAL IMPLICATIONS**

3.1 Statutory Powers: **Accounts and Audit Regulations 2003, 2006, 2011**

**4. FINANCIAL IMPLICATIONS**

4.1 None, within existing budgets.

**5. RISK MANAGEMENT**

5.1 The risk management implications are:

<b>Opportunities</b>	<b>Benefits</b>
A risk based audit plan directs scarce audit resources away towards areas of high risk to the Council.	Audit work completed in line with the audit plan and to the required quality standards will ensure that the external auditor places reliance upon the work of internal audit, resulting in no additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.

<b>Issues/Obstacles/Threats</b>	<b>Control measures/mitigation</b>
The directing of scarce audit resources away from areas of high risk may undermine the opinion provided to the Council by the Chief Internal Auditor on the System of Internal Control..	Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year.
The external auditor placing no reliance upon the work of internal audit, resulting in additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.	Regular liaison with the external auditor. Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year. Regular monitoring of progress by the S.151 Officer and the Audit Committee.
The Council's Annual Governance Statement cannot be signed if Internal Audit fails to complete the work set out in the approved risk based audit plan due to unforeseen circumstances.	Regular monitoring of performance by the S.151 Officer and the Audit Committee. Audit approach adheres to the appropriate professional standards. Closer links with our neighbouring Council's audit team will provide reasonable assurance that higher risk audits are covered each year.

<b>Corporate priorities engaged:</b>	All/Corporate
<b>Statutory powers:</b>	Accounts and Audit Regulations 2003, 2006, 2011
<b>Considerations of equality and human rights:</b>	There are no specific equality and human rights issues arising from this report.
<b>Biodiversity considerations:</b>	There are no specific biodiversity issues arising from this report.
<b>Sustainability considerations:</b>	There are no specific sustainability issues arising from this report.
<b>Crime and disorder implications:</b>	There are no specific crime and disorder issues arising from this report.
<b>Background papers:</b>	CIPFA Code of Practice for Internal Audit in Local Government 2006; SHDC 5-year Audit Plan 2010/11 to 2015/16.
<b>Appendices attached:</b>	<b>Appendix A:</b> Audit Plan 2011/12 – Progress to 29 <sup>th</sup> February 2012 <b>Exempt Appendix B:</b> Planned Audit 2011/12 – Final Reports: Detailed Items <b>Exempt Appendix C:</b> Planned Audit 2011/12 – Summary of Results <b>Exempt Appendix D:</b> Unplanned Audit 2011/12 – Summary of Results

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
MAS & Budgetary Control	11	■								55% complete
Creditor Payments	9									
Payroll	10	■	■	■	■		■			Summary to Audit Committee - April 2012
Council Tax	12	■	■							Issued 08.12.2012. Discussion delayed due to work pressures on manager etc.
Business Rates (NDR)	10	■	■	■	■			■		Summary to Audit Committee - April 2012
Benefits	20	■								45% complete
Debtors	9	■								50% complete
Treasury Management	7	■	■	■	■	■				Summary to Audit Committee - April 2012
Capital Expenditure	8	■	■							Draft issued 14.02.2012
<b>Fundamental Systems</b>	<b>96</b>									
Email Monitoring	4	■	■	■	■	■				Summary to Audit Committee - November 2011
Internet Monitoring	4	■	■	■	■	■				Summary to Audit Committee - November 2011
Computer Audit	26									
Car and Boat Parking	9									
Dartmouth Lower Ferry	9	■	■	■	■		■			Summary to Audit Committee - April 2012
Private Sector Housing Renewal	8	■	■	■	■		■			Summary to Audit Committee - April 2012
National & Performance Indicators incl. Data Quality	5	■	■	■	■		■			Summary to Audit Committee - November 2011
Salcombe Harbour	10	■	■	■	■		■			Summary to Audit Committee - April 2012
Grants - RDPE Rural Community LAGs	60	82 days used	-	-						252 project claims audited; plus 82 Management & Admin invoices.

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APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Follow Up of Previous Year's Audits	10	4 days used	-	-	-	-	-	-	-	
Contingency (Unplanned)	50	46 days used	-	-	-	-	-	-	-	See table at Appendix D.
Corporate Governance	8	■								10% completed
Exemptions to Contract or Financial Procedure Rules	4	2.5 days used	-	-	-	-	-	-	-	9 Exemption applications received April to February 2012 with 7 approved.
System of Internal Control (SIC) & Annual Governance Statement (AGS)	5	■	■	■	■	-	-	-	-	AGS recommended to the Council for approval following report to the Audit Committee - July 2011. Published September 2011.
Risk Management / Business Continuity	5									
West Devon Borough Council	85 + 4	89 days used	-	-	-	-	-	-	-	Separate report to WDBC Audit Committee
Dartmouth Town Council	5	■	■	■	■	-	-	-	-	Summary to Audit Committee - September 2011
<b>Other Essential</b>	<b>307</b>									
Elections	8	■	■	■	■		■			Summary to Audit Committee - April 2012
CST/Cash Collection	8	■	■	■	■			■		Summary to Audit Committee - November 2011
Public Conveniences	8	■	■	■	■		■			Summary to Audit Committee - September 2011
Recycling	9	■	■	■	■		■	■		Summary to Audit Committee - September 2011
Leisure Client and Tourism	8	■	■	■	■			■		Summary to Audit Committee - September 2011
Travel and Subsistence	8	■	■	■	■		■			Summary to Audit Committee - September 2011
Building Regulations incl Other Building Control Work	10	-	-	-	-	-	-	-	-	Carried forward to 2012/13.
Employment Estates	8	■	■	■	■			■		Summary to Audit Committee - September 2011
Stores	5	■	■	■	■			■		Summary to Audit Committee - April 2012

**APPENDIX A**

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Advice to Information Compliance/Other Groups	3	0.5 day used	-	-	-	-	-	-	-	
Asset Management	7	-	-	-	-	-	-	-	-	Carried forward to 2012/13.
Shared Services	8	■								See Miscellaneous below.
<b>Other</b>	<b>90</b>									
Audit Administration	20	25 days used	-	-	-	-	-	-	-	Office move; additional staff briefings compared with previous year; update to Windows 2007.
Audit Management, including Audit Planning	15	16 days used	-	-	-	-	-	-	-	
Audit Monitoring against the Plan, including Reports to Management and Audit Committee	20	9 days used	-	-	-	-	-	-	-	
Training	10	5 days used	-	-	-	-	-	-	-	
Miscellaneous e.g. Financial Regulations etc.	5	2 days used	-	-	-	-	-	-	-	Revised Contract Procedure Rules; Anti Fraud and Corruption Strategy, to September 2011 Audit Committee. Anti Money Laundering
<b>Other</b>	<b>70</b>									
<b>Overall Total</b>	<b>601</b>									
<b>Included above:</b>										
Installation & Healthcheck	7									
Computer and Network Management & Security	9									
Change Control	7									
Other Reviews	3									
<b>Computer Audit</b>	<b>26</b>									

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AGENDA  
ITEM

**5**

## SOUTH HAMS DISTRICT COUNCIL

AGENDA  
ITEM

**5**

<b>NAME OF COMMITTEE</b>	<b>Joint Audit and Standards Committees</b>
<b>DATE</b>	<b>5 April 2012</b>
<b>REPORT TITLE</b>	<b>CODE OF CORPORATE GOVERNANCE - 2011/12 COMPLIANCE REVIEW</b>
<b>Report of</b>	<b>S.151 Officer Monitoring Officer Chief Internal Auditor</b>
<b>WARDS AFFECTED</b>	<b>All/Corporate</b>

### Summary of report:

The purpose of this report is to inform Members of the results of the 2011/12 compliance review of the 2011 Code of Corporate Governance.

The Code describes South Hams District Council's intention to discharge its responsibilities, and how the Code will be tested and monitored annually.

Overall responsibility for Governance rests with the Council, but monitoring of compliance with the Code will be carried out on its behalf by the S.151 Officer, Monitoring Officer and Chief Internal Auditor reporting annually to the Audit and Standards Committees.

The Accounts and Audit (Amendment) (England) Regulations 2006 require the Council to publish an Annual Governance Statement, which describes the Governance Framework and review of the effectiveness of the Code of Corporate Governance and System of Internal Control.

### Financial implications:

None: within existing budgets.

### RECOMMENDATION – AUDIT COMMITTEE

**That the Audit Committee note the findings of the Compliance Review of the Council's Code of Corporate Governance 2011, and significant governance issues to be taken to the 2011/12 Annual Governance Statement.**

## RECOMMENDATION – STANDARDS COMMITTEE

**That the Standards Committee note the findings of the Compliance Review of the Council’s Code of Corporate Governance 2011, the significant governance issues to be taken to the 2011/12 Annual Governance Statement and approve the action plan.**

**Officer contact:**

**For further information concerning this report, please contact:**

Lisa Buckle, S.151 Officer (01803) 861413 or email [lbuckle@westdevon.gov.uk](mailto:lbuckle@westdevon.gov.uk)

Allan Goodman, Chief Internal Auditor (01803 861375) [allan.goodman@southhams.gov.uk](mailto:allan.goodman@southhams.gov.uk)

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### 1. BACKGROUND

- 1.1 CIPFA/SOLACE provided updated guidance on Corporate Governance in the 2007 document ‘Delivering Good Governance in Local Government – Framework’, which also introduced the Annual Governance Statement. This was the basis of the Council’s 2008 revised Code of Corporate Governance approved by the Executive in May 2008.
- 1.2 The document describes governance as being about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, culture and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate lead their communities.

#### **The Principles of Corporate Governance**

- 1.3 In 2004, the Independent Commission for Good Governance in Public Services (set up by CIPFA and the Office for Public Management) published a set of common principles that it wants all public sector organisations to adopt as a standard.
- 1.4 Their report ‘Good Governance Standard for Public Services’ sets out six core principles it says should underpin the governance arrangements of all bodies and which form the basis of the CIPFA/SOLACE guidance and the Council’s 2008 Code of Corporate Governance:
  - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles;
  - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

- Developing the capacity and capability of Members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

### **The 2011 Code of Corporate Governance Replaced the 2008 Version**

- 1.5 The 2011 Code was adopted on behalf of the Council by the March 2011 Executive. As the 2008 version, it is structured with an Appendix for each of the six core principles.
- 1.6 Backing each of the six principles is a series of 'supporting principles', each of which in turn translates into a range of specific requirements of the Council under the Code.
- 1.7 The Council's 2011 Code of Corporate Governance reflects the model provided by the CIPFA/SOLACE Application Note to Delivering Good Governance in Local Government: a Framework: March 2010.
- 1.8 The only difference between the 2008 Code and the revised 2011 document is the requirement to reflect the CIPFA *Statement on the Role of the Chief Financial Officer in Public Service Organisations* – June 2009. These changes are highlighted in blue italics text at Appendices A to F.

### **Discharging Responsibilities under the Code Including Monitoring**

- 1.9 Overall responsibility for Governance rests with the Council.
- 1.10 However, direct responsibility for monitoring compliance will rest with the Section 151 Officer (S.151), the Monitoring Officer and Chief Internal Auditor. These officers are a group of individuals within the Council who have the appropriate knowledge, expertise and levels of seniority to consider the extent to which South Hams complies with the principles and elements of corporate governance set out in the framework.
- 1.11 Much of the work involves issues of legal and financial propriety and includes:
- Identifying systems, processes and documentation that provide evidence of compliance e.g. the Constitution;
  - Identifying the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
  - Identifying issues that have not been addressed in the Council and consider how they should be addressed; and
  - Identifying the individuals who would be responsible for undertaking any actions that are required.
- 1.12 The Code of Corporate Governance sets out the requirement for it to be monitored and tested for compliance on an annual basis.

1.13 It states that the subsequent report with an action plan for significant governance issues will be presented to the **Audit Committee** whose Terms of Reference include 'to monitor the effective development and operation of risk management and corporate governance in the Council'; and, the **Standards Committee** who are charged to 'promote and maintain effective processes for governance issues, including the receipt of an annual review of the Council's Code of Corporate Governance and approval of any action plan arising from the review'.

## **Results for the 2011/12 Review**

1.14 The Appendices A to F set out the 2011 Code of Corporate Governance and the compliance review results. In the left hand and central columns is the 2011 Code, and in the right hand column the actions that the Council is taking that satisfy its requirements. ***Bold blue print indicates a change compared with the 2010/11 review***, text not in bold means that arrangements have remained unchanged.

***1.15 The main changes in arrangements during 2011/12 are the:***

### ***The Connect Strategy***

- ***This sets out the priorities for the period 2011-2015 and the four detailed Delivery Plans (Community Life, Economy, Environment and Homes) for each of the new priorities;***

### ***Management Reviews***

- ***A shared Senior Management Team was appointed and became effective from 1 April 2011 and a new middle manager structure from 1<sup>st</sup> October 2011.***

### ***The 2015 Transformation Programme:***

#### ***Shared Services – Financial Controls and Governance Arrangements***

***Project objectives: The purpose of the project is to review our existing arrangements and to revise these arrangements as and where required to ensure they continue to be fit for purpose. This will ensure the functions, responsibilities, processes and procedures that define how Shared Services is set up, managed and controlled are fully understood and are transparent.***

***Monitored by a the Shared Service Joint Steering Group, supported by a sub-group of Members, the project deliverables include:***

- ***To consolidate the existing elements of the framework for the Governance of the Shared Services arrangements (both financial and legal);***
- ***To review the current arrangements to ensure they are fit for purpose. (Arrangements have developed service by service through an organic approach. This project will ensure there is a consistent approach across the organisations, or where differences exist, that they are justified and transparent)***

- To ensure compliance with existing arrangements e.g. new operating agreements to be in place for the Senior Management Team
- To review the Scheme of Delegation to reflect the changes which have occurred as a result of the Senior Management Team
- To review the Councils' current arrangements for the shared services recharging of salaries and services through invoicing arrangements
- To liaise with other Councils who are in Shared Services arrangements to learn from best practice
- To change any existing arrangements if required, after full consultation
- To review the procedures in place for a shared S151 Officer and the formal arrangements for a designated Deputy S151 Officer in each Council

1.16 At the end of each Appendix is a separate table noting the gaps in the governance arrangements for that Principle, which will be carried into the Annual Governance Statement 2011/12.

## 2. ANNUAL GOVERNANCE STATEMENT 2011/12

2.1 The results of the annual review described above must be reflected in the Council's Annual Governance Statement (AGS) with the annual published accounts.

2.2 Appendices A to F demonstrate that for Principles 1, 5 and 6 there are no gaps in the governance arrangements.

2.3 However, the following issues may be taken to the Council's AGS as required under the guidance:

Issues for Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles:

Compliance Review Findings for this Principle	Action Plan with Responsible Officer & Target Date
<i>The Council's Partnership Policy and Guidance and reporting requirements would benefit from a review and update as a shared approach with West Devon Borough Council.</i>	<i>The Council's Risk and Health &amp; Safety Advisor, in association with a Director, should review the Council's Partnership Management Framework and ensure that the related Policy and Guidance is updated as a shared document with West Devon Borough Council.</i>  <i>Risk and Health &amp; Safety Advisor Director 30<sup>th</sup> September 2012</i>
<i>The Council has entered into shared working arrangements with West Devon Borough and Teignbridge District Councils under which some officers' services are shared. These officers have Shared Service Operating Agreements by means of which their services are made available to the partner authorities as well as</i>	<i>Fresh Operating Agreements should be completed with the new Heads of Service and Middle Managers appointed under the senior management and middle manager reviews.</i>  <i>Monitoring Officer 30 June 2012</i>

*their employer. It is likely that some Operating Agreements will no longer be valid following the current senior management review.*

Issues for Principle 2 (continued): Members and officers working together to achieve a common purpose with clearly defined functions and roles:

Compliance Review Findings for this Principle	Action Plan with Responsible Officer & Target Date
<p><i>The Financial Controls and Governance Arrangements for Shared Services are being reviewed as a project of the 2015 Transformation Programme. The project is being managed by the S.151 Officer, Monitoring Officer and Chief internal Auditor and tasks include:</i></p> <p><i>a) To consolidate the existing elements of the framework for the Governance of the Shared Services arrangements (both financial and legal):</i></p> <p><i>Parts 1, 2, 6 and 7 of the Constitution have been completed and the relevant member approvals obtained.</i></p> <p><i>On 29th March 2012 South Hams District Council will be asked to approve new delegations to member bodies and officers covering the Council's Functions and Responsibilities (Part 3 of the Constitution).</i></p> <p><i>Contract Procedure rules and Anti Fraud, Corruption and Bribery Policy and Strategy have been aligned as far as possible and approved by Members.</i></p> <p><i>b) Recharging the salaries of Shared Service officers</i></p> <p><i>Extensive detailed work has been carried out by a small group of officers on the recharging of salaries for the 2011/12 financial year for shared officers, following the Senior Management Review (effective from 1st April 2011) and the Middle Manager Review (effective from 1st October 2011). Officers have produced a methodology for recharging the salary costs of shared costs of shared officers using an appropriate ratio e.g. call volumes, property numbers, caseloads etc. and as a last resort time recording. The work carried out includes establishing from the Heads of Service the relevant recharge requirements for every member of staff, which will feed into a review of the method used for 2011/12 against other options.</i></p>	<p><i>The S.151 Officer, Monitoring Officer and Chief Internal Auditor, as the Project Managers for the Financial Controls and Governance Arrangements for Shared Services project of the 2015 Transformation Programme, should ensure that key tasks are completed in line with the formal project plan reported and monitored by the Shared Services Joint Steering Group .</i></p> <p><i>S.151 Officer Monitoring Officer Chief Internal Auditor Timescales in Line with those reported to the Shared Services Joint Steering Group</i></p>

Issues for Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour:

Compliance Review Findings for this Principle	Action Plan with Responsible Officer & Target Date
<p><i>The Localism Act 2011 requires local authorities to adopt a code of conduct for their Members. There is no longer any prescription to what it should contain.</i></p> <p><i>The Authority may set its own rules about declaring interests but Members will be required to disclose 'dischargeable pecuniary interest. Failure to disclose will be a criminal offence.</i></p>	<p><i>The Monitoring Officer should devise a new member code of conduct, and arrangements for operating it, at the earliest opportunity following receipt of the regulations from the Department for Communities and Local Government (DCLG).</i></p> <p><i>Monitoring Officer</i>  <i>1<sup>st</sup> July 2012</i>  <i>(unless date changes upon receipt of the regulations)</i></p>

Issues for Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:

Compliance Review Findings for this Principle	Action Plan with Responsible Officer & Target Date
<p><i>The Council's Risk Management Policy is in the course of being updated and aligned as a single document with West Devon Borough Council, with likely presentation to the April 2012 Audit Committees.</i></p> <p><i>Other improvements to the Risk Management Framework are being developed but these have yet to be finalised against the revised Strategy.</i></p>	<p><i>The Council's Risk and Health &amp; Safety Advisor, in association with a Director, should review the Council's Risk Management Framework and ensure that it meets the requirements of a revised Policy and good practice.</i></p> <p><i>Risk and Health &amp; Safety Advisor</i>  <i>Director</i>  <i>30<sup>th</sup> June 2012</i></p>

2.4 The AGS itself is the subject of a separate report to the Audit Committee (June meeting) whose role is to review the Statement and supporting evidence provided and if satisfied recommend approval of the AGS to the Council.

### 3. PROGRESS on the 2010/11 ACTION PLAN

3.1 The results of the annual review for 2010/11 presented to the joint meeting of the Audit Committee and Standards Committee were reflected in the Council's Annual Governance Statement (AGS) with the annual published accounts.

3.2 The following table show the review findings from last year and the action taken against the action plan.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles:

Compliance Review Findings for this Principle	Progress on Action Plan to Date
<p><b>Operating Agreements</b>            The Council has entered into shared working arrangements with West Devon Borough and Teignbridge District Councils under which some officers services are shared. These officers have Shared Service Operating Agreements by means of which their services are made available to the partner authorities as well as their employer. It is likely that some Operating Agreements will no longer be valid following the current senior management review.  <i>Recommendation</i>            Fresh Operating Agreements should be completed with the new Heads of Service appointed under the senior management review within six weeks of appointment.</p>	<p>The requirements have been extended following the middle managers review, and as a consequence the issue has been raised again in this report with a revised completion date.            Progress is being monitored by the Shared Services Joint Steering Group under the 2015 Transformation Programme - Financial Controls and Governance Arrangements for Shared Services project.</p>
<p><b>Scheme of Delegation</b>            The Monitoring Officer's report to the March 2011 Council meeting advised Members that the Scheme of Delegation will need to be revised following the outcome of the senior management review. All of the new Directors and Shared Heads of Service will be working across both Councils. They must be formally empowered to act by means of a resolution of each Council because it is essential that there is no doubt that they have proper authority, particularly (for example) where formal notices or permissions are issued or contracts signed. Interim measures have been accepted by Members pending a review of the Constitution when senior managers are in post.  <i>Recommendation</i>            Once the outcome of the Senior Management Review is known, a further detailed report should be presented to a future meeting of Council, which will seek approval to amend and update the Scheme of Delegation and other relevant parts of the Constitution to reflect the management and other changes (such as new legislation).</p>	<p>On 29th March 2012 South Hams District Council will be asked to approve new delegations to member bodies and officers covering the Council's Functions and Responsibilities (Part 3 of the Constitution).</p>

#### 4. LEGAL IMPLICATIONS

4.1 The legal implications are itemised through the report, which is required under Accounts and Audit (Amendment) (England) Regulations 2006.

#### 5. FINANCIAL IMPLICATIONS

5.1 None, within existing budgets.

#### 6. RISK MANAGEMENT

6.1 The Risk Management implications are shown at the end of this report in the Strategic Risks Template.



<b>Corporate priorities engaged:</b>	All
<b>Statutory powers:</b>	Accounts and Audit Regulations 2003 & 2006
<b>Considerations of equality and human rights:</b>	No specific equality and human rights issues arising from this report.
<b>Biodiversity considerations:</b>	No specific biodiversity issues arising from this report.
<b>Sustainability considerations:</b>	No specific sustainability issues arising from this report.
<b>Crime and disorder implications:</b>	No specific crime and disorder issues arising from this report.

<b>Background papers:</b>	<ul style="list-style-type: none"> <li>• CIPFA/SOLACE Application Note to Delivering Good Governance in Local Government: a Framework: March 2010;</li> <li>• CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations – June 2009;</li> <li>• CIPFA/SOLACE (2007) Delivering Good Governance in Local Government – Framework;</li> <li>• CIPFA/SOLACE (2007) Delivering Good Governance in Local Government – Guidance Note for English Authorities;</li> <li>• CIPFA/SOLACE document, Corporate Governance in Local Government: A Keystone for Community Governance: CIPFA (2001).</li> </ul>
<b>Appendices attached:</b>	<p><b>Appendix A</b> – 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;</p> <p><b>Appendix B</b> – Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles;</p> <p><b>Appendix C</b> – Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;</p> <p><b>Appendix D</b> – Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;</p> <p><b>Appendix E</b> – Principle 5: Developing the capacity and capability of Members and officers to be effective; and</p> <p><b>Appendix F</b> – Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.</p>

## STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Adoption of a Code of Corporate Governance	Adoption of the Code of Corporate Governance, in line with the guidance provided by CIPFA/SOLACE, will enable the Council to formally demonstrate that it committed to good governance: doing the right thing, for the right people, in the right way.  A sound Governance Framework.	3	2	6	↔	<p>The Council will be able to readily demonstrate to the community and other stakeholders that the principles of Corporate Governance are being adhered to.</p> <p>The adoption of Code of Corporate Governance, written in line with the CIPFA/SOLACE framework and guidance will make it possible to readily monitor compliance.</p>	The Council S.151 Officer Monitoring Officer Chief Internal Auditor
2	Review of the Code of Corporate Governance	The Council may not be able to readily demonstrate to stakeholders and inspectors that the principles of Corporate Governance are being adhered to.	2	2	4	↔	<p>Monitoring compliance of the Code of Corporate Governance will enable the Council to address any weaknesses in the Governance Framework identified and feed the Annual Governance Statement (AGS) process.</p> <p>The Terms of Reference of the Audit Committee include 'to monitor the effective development and operation of risk management and corporate governance in the Council'; and, the Standards Committee to 'promote and maintain effective processes for governance issues, including the receipt of an annual review of the Council's Code of Corporate Governance and approval of any action plan arising from the review'.</p>	Audit Committee Standards C'ttee S.151 Officer Monitoring Officer Chief Internal Auditor

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
3	Annual Governance Statement (AGS)	<p>Risk that if the Corporate Governance process is not formalised and brought together, some aspects may fall by the wayside.</p> <p>The Council may not approve the AGS or the Leader and Chief Executive be able to sign because issues are identified, resulting in adverse comment.</p> <p>The Council may not act within the 'Accounts and Audit Regulations', and be publicly criticised by the external auditor as a result.</p>	3	2	6	↔	<p>The Council will produce an Annual Governance Statement, in line with the latest guidance, describing the governance framework and reflecting issues identified from a number of assurance streams including the review of the Code of Corporate Governance.</p> <p>The Annual Governance Statement will include an action plan to address any issues identified by the compliance monitoring of Corporate Governance, and will be reviewed by the Council's external auditors and published with the Council's accounts.</p>	<p>The Council Audit Committee S.151 Officer Monitoring Officer Chief Internal Auditor</p>

Direction of travel symbols ↓ ↑ ↔

## Applying the Principles of Good 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:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>a) Exercising strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcome for service users.</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>Develop and promote the Council's purpose and vision;</li> <li>Review on a regular basis the Council's vision for the local area and its impact on its governance arrangements;</li> </ul> <ul style="list-style-type: none"> <li>Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners;</li> </ul>	<p><b><i>Purpose and Vision</i></b></p> <p>The Strategic direction is set by Members at formal meetings. The December 2010 meeting of the Council approved four new high level priorities: Community Life, Economy, Environment and Homes.</p> <p><b><i>The Council's vision and ambition was recommended in the report to the January 2011 Executive, 'Shared Services and Beyond', as well as the development of the Transformation Programme.</i></b></p> <p><b><i>The Leader presented a report to the March 2011 meeting of the Council recommending that the Shared Services and Beyond document be formally adopted and 'South Hams Voice' be developed as the means by which the Council increases engages with the voluntary/community sector, business sector and the community at large.</i></b></p> <p>Each service of the Council completes a service plan (<b><i>Blueprint from 2012/13</i></b>) annually with objectives and action plans linked to the Priorities, including those with frontline community and customer responsibilities. The plans also consider any risks to objectives and how these may be mitigated, and future financial and work force planning.</p> <p><b><i>Partnerships</i></b></p> <p>Article 11 of the Constitution allows Members and officers to enter into joint arrangements with other bodies in order to promote the economic, social or environmental well-being of its area.</p> <p>The Executive approved the adoption of a Partnership Policy and Guidance document in October 2009, which contains Appendices to guide officers in considering the purpose of joining a partnership, risk management, governance arrangements, information sharing, monitoring and scrutiny .</p> <p><b><i>Connect Partnership</i></b></p> <p><b><i>On 14<sup>th</sup> July 2011, the Executive approved the Connect Strategy. This sets out the priorities for the period 2011-2015 and the four detailed Delivery Plans (Community Life, Economy, Environment and Homes) for each of the new priorities for that period.</i></b></p> <p><b><i>The Connect Strategy is produced by the South Hams and West Devon Connect Partnership, replacing the Local Strategic Partnerships, and brings together key stakeholders from the community, voluntary, business and public sectors.</i></b></p> <p><b><i>The Strategy links to plans of partner organisations and the Partnerships Governance arrangements include Delivery Group comprising of the key stakeholders monitor plans and report to a Board, Elected Member Board etc.</i></b></p>

**Applying the Principles of Good Governance – Principle 1 (Continued)**

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

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>a) Exercising strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcome for service users. (Continued)</p>	<ul style="list-style-type: none"> <li>Publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.</li> </ul>	<p><b><i>Publishing Activities and Achievements</i></b></p> <p>The Leader of the Council presents an annual report to the Council of the achievements made against each of the Priorities in the public session of the meeting. The Leader fields questions from Members with technical assistance by officers.</p> <p>Each Executive member periodically attends Council to update Members on the aims, challenges and future direction for their service area.</p> <p>A booklet issued with Council Tax and NDR bills includes a statement that sets out some of the Council's achievements. It is a joint booklet with the other precepting authorities and sets out how council tax money will be spent by each of them.</p> <p>The Council's joint magazine with Devon County Council, 'South Hams Connect' is sent to all households in the district and contains some key performance results for each Priority and is available on the Council's web site (Issue: Winter 2011).</p> <p><b><i>It contains details of the activities and functions linked to the Priorities including the Voluntary Voice, Business Voice, Town and Parish Voice and Community Voice.</i></b></p> <p>An Annual Report in the form of the full audited statement is available from the Head of Finance and Audit or on the Council's website. The full statement's availability is also advertised in the press.</p> <p><b><i>Financial Statements</i></b></p> <p><b><i>The financial statements are approved by the S.151 Officer by 30th June and subsequently approved by the Audit Committee by 30th September</i></b> as required by the Council's Constitution (Article 10).</p> <p>They are produced in line with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and published, including on the Council's website.</p> <p>The statements explain the Council's financial position and performance, annual activities and achievements.</p> <p>The Council's responsibilities for the effectiveness of the Council's system for risk management, internal control and corporate governance are published separately in an Annual Governance Statement that accompanies the financial statements.</p>

**Applying the Principles of Good Governance – Principle 1 (Continued)**

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

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>b) Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.</p>	<ul style="list-style-type: none"> <li>Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available;</li> <li>Put in place effective arrangements to identify and deal with failure in service delivery.</li> </ul>	<p><b>Quality of Service and Data</b></p> <p>This Data Quality Assurance Strategy outlines the approach that is needed to maintain the highest possible standards, controls and validation throughout all the data processes. It clearly indicates the role each individual has to play in the production and analysis of data and recognises the need that data is accurate, reliable and timely in informing service provision and in supporting good decision-making.</p> <p>The Council uses a suite of performance indicators that included measurement of the quality of service. A 'Balanced Scorecard' system of regular reporting of the key indicators to the Senior Management Team (SMT), and Members (Scrutiny Panel).</p> <p>The basis of the indicators and the processes that produce them are subjected to audit by the Council's internal auditors with generally satisfactory results.</p> <p><i>Performance measures are being reviewed for 2012/13 with new or revised indicators linked to drivers, goals and the service/Council priorities.</i></p> <p>Service plans with service objectives and action plans linked to the Council's Priorities are completed annually by all sections of the Council, including those with frontline community and customer responsibilities. The plans also consider any risks to meeting service objectives and how these may be mitigated.</p> <p>The Council's Customer First charter outlines the standards and level of service the Council aims to deliver. This is available on the Council's website and is also publicised in the Council's magazine which is delivered to all households.</p> <p>It pledges that 'The council already strives to provide a good service to its customers but we want to do even better, and <i>Customer First</i> will help us to do exactly that. If we miss our standards for responding to your letters or emails by more than three days you may be entitled to compensation'.</p> <p>Consultations and customer surveys are regularly issued either corporately or by individual services and are discussed further at Principle 6 (Appendix F).</p> <p><b>Failure in Service Delivery</b></p> <p>Arrangements to identify and deal with failure in service delivery are in place for problems of all sizes e.g. Members and senior managers monitor response to any large scale issues that may arise.</p> <p>The Council's website includes a Complaints and Suggestions page which outlines the procedure for making a complaint, a complaint about a Member, suggestions, and how to contact the Local Government Ombudsman.</p> <p><i>A procedure for dealing with complaints is included within the Complaints Policy, which was updated in December 2011 linked to the introduction of new internal complaint management software.</i></p>

**Applying the Principles of Good Governance – Principle 1 (Continued)**

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

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>c) Ensuring that the Council makes best use of resources and that tax payers and service users receive excellent value for money.</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>Decide how value for money is to be measured and make sure that the Council or partnership has the information needed to review value for money and performance effectively.</li> <li>Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the Council meets its policy and service objectives and provides effective stewardship of public money and value for money in its use;</li> </ul>	<p><b>Performance and Value for Money</b></p> <p><i>The Connect Strategy has four detailed Delivery Plans (Community Life, Economy, Environment and Homes). Wherever possible the delivery plans seek to maximise opportunities from shared services to deliver efficiencies, be more cost-effective and improve outcomes for local people. The targets set within these plans will be achievable and realistic delivering outcomes for local communities. Progress against targets will be reported regularly to the Connect Partnership Board and Elected Member Board.</i></p> <p>The Audit Commission's Annual Governance Report is presented to the Audit Committee (September 2011) and included an unqualified value for Money conclusion for 2010/11. The assessment of the Council's arrangements for securing economy, efficiency and effectiveness is against criteria's including financial resilience.</p> <p>Their Annual Audit Letter was presented to the November 2011 Audit Committee. This report summarises the key findings of how South Hams has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. The letters and reports are made available on the Council's website.</p> <p>The Council is a member of the Sparsity Partnership for Authorities delivering Rural Services (SPARSE) a grouping of the most rural local authorities in England. SPARSE provides service managers with comparative analysis reports based on audited data. An electronic performance management and information system (Covalent) is in use. All managers are required to record their performance indicators (PIs) and this is the basis of the 'Balanced Scorecard' reports described earlier.</p> <p>The system is also used to identify and manage risks, actions to improve performance, recording controls to mitigate risks and the deployment of resources. It provides managers with the opportunity to compare performance with other Devon Council's, as well as flagging up whether data has met or missed its target or due date.</p> <p><b>Financial Advice</b></p> <p>Financial information and advice is provided to all managers. Budget holders have access to the Council's general ledger and are supported with advice by a nominated accountant. A system of consultation ensures that reports to decision makers contain accurate information.</p>

**Applying the Principles of Good Governance – Principle 1 (Continued)**

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

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>c) Ensuring that the Council makes best use of resources and that tax payers and service users receive excellent value for money. (Continued)</p>	<ul style="list-style-type: none"> <li>Ensure that the Council maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action where necessary;</li> <li>Ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code.</li> </ul>	<p><b>Prudential Financial Framework</b></p> <p>The Council publishes a Medium Term Resource Strategy each year, which covers a four year period. That for period 2012/13–2015/16 was approved by the Executive in July 2011 and has regard to the Priorities, business planning – pressures and savings, government grant settlements, council tax, and reserves. It also reflects the revenue implications of the capital programme.</p> <p>An annual budget approval process is in place which includes consultation with all of the main member bodies and the community. The budget is approved by the Council. Quarterly reports to the Executive monitor income and expenditure against the approved budget.</p> <p>The Capital Programme is approved by the Council on recommendation of the Executive, who also receive monitoring reports on the progress being made on the Programme.</p> <p>The annual Statement of Accounts includes the performance against the budget in the year and the impact on balances.</p> <p><b>Treasury Management</b></p> <p>The Council complies with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code. A Treasury Management Strategy Statement and Annual Investment Strategy is approved by the Executive and Council at the beginning of each year and at the end an annual report. Half yearly updates are also provided.</p> <p>Article 10 of the Constitution provides for the Audit Committee to allow for scrutiny of the effectiveness of the Treasury Management function. Its role is to review the treasury management policy and procedures and make recommendations to the responsible body.</p>

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**Principle 1 - Action Plan**

Compliance Review Findings for this Principle	Recommendation	Action Plan with Responsible Officer & Target Date
Satisfactory	None	No action required.



## Applying the Principles of Good Governance – Principle 2

### Members and officers working together to achieve a common purpose with clearly defined functions and roles:

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>a) Ensuring effective leadership throughout the Council and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.</p>	<ul style="list-style-type: none"> <li>Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's Members individually and the Council's approach towards putting this into practice;</li> <li>Set out a clear statement of the respective roles and responsibilities of other Council Members, Members generally and senior officers.</li> <li>Ensure that the CFO reports directly to the Chief Executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explaining the reasons publicly, together with how these deliver the same impact.</li> </ul>	<p><b>Member Roles and Responsibilities</b></p> <p>Articles of the Council's Constitution defines the roles and responsibilities of the Council, Executive, Scrutiny and all other Member bodies, Members generally and senior officers.</p> <p>Its purpose is to enable the Council to provide clear leadership to the community in partnership with citizens, businesses and other organisations, and support the active involvement of citizens in the process of decision-making.</p> <p>Article 2 describes the role of all Councillors, Article 4 the Full Council, Article 7 describes the role of the Executive and Article 6 that of Scrutiny.</p> <p>Article 12 outlines the functions and areas of responsibility of senior officers, including the Chief Executive (as Head of Paid Service), Directors, Heads of Service and statutory officers (Section 151 and Monitoring Officers).</p> <p>It states that the Council may engage such staff (referred to as officers) as it considers necessary to carry out its functions.</p> <p>The Constitution is available on the Council's web-site. The roles and responsibilities are subject to regular review by the Council and the Constitution itself is updated as and when required.</p> <p>Members of the Executive, Scrutiny and the Leader and Chairman of the Council have 'job descriptions' that describe their roles.</p> <p><b>Status of the Chief Financial Officer (CFO)</b></p> <p>Part 7 of the Constitution, Management Structure, demonstrates that the CFO reports directly to the Chief Executive and is a member of the Senior Management Team with a status equivalent to other members.</p> <p><b>The Management Structure has changed during 2011/12 to a shared management team with West Devon Borough Council and the Constitution amended accordingly.</b></p>
<p>b) Ensuring that a constructive working relationship exists between Council Members and officers and that the responsibilities of Members and officers are carried out to a high standard.</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation, and ensure that it is monitored and updated when required;</li> </ul>	<p><b>Scheme of Delegation/Collective Decision of the Council</b></p> <p>Part 3 of the Council's Constitution includes the Responsibility for Functions (Local Choice and Council) with delegations where appropriate, and the Scheme of Delegation to Officers. <b>Part 3 of the Constitution is being updated as part of the Transformation 2015 project – Financial Controls and Governance Arrangements for Shared Services (overleaf).</b></p> <p>Part 7 defines the Council's Management Structure, including responsibilities.</p>

**Applying the Principles of Good Governance – Principle 2 (Continued)**

**Members and officers working together to achieve a common purpose with clearly defined functions and roles:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>b) Ensuring that a constructive working relationship exists between Council Members and officers and that the responsibilities of Members and officers are carried out to a high standard. (Continued)</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation, and ensure that it is monitored and updated when required;</li> </ul>	<p><b><i>Scheme of Delegation/Constitution</i></b></p> <p>The Council has entered into shared working arrangements with West Devon Borough Council under which some officers' services are shared. These officers have Shared Service Operating Agreements by means of which their services are made available to the partner authorities (under S.113 of the Local Government Act 1972) as well as their employer. Some specific sharing of officer services is also in place with Teignbridge District and Devon County Council.</p> <p>The Monitoring Officer's report to the March 2011 Council meeting advised Members that the Scheme of Delegation will need to be revised following the outcome of the current senior management review.</p> <p>Both of the new Directors and Shared Heads of Service are working across both Councils. They must be formally empowered to act by means of a resolution of each Council because it is essential that there is no doubt that they have proper authority, particularly (for example) where formal notices or permissions are issued or contracts signed.</p> <p>An interim solution was therefore proposed and agreed by the Council that –</p> <ul style="list-style-type: none"> <li>Current delegations to officers should continue in force for the time being</li> <li>The Chief Executive be authorised:             <ul style="list-style-type: none"> <li>(a) to authorise any action that is currently delegated to a Strategic Director or a Head of Service to be carried out by an officer appointed by him to a new post pursuant to the Senior Management Review;</li> <li>(b) to publish these interim delegations for the information of Members, officers and the public</li> </ul> </li> <li>Re-iterate the current authorisation of the Monitoring Officer to make any minor changes to these arrangements in order to give them efficacy, pending submission of the full revised and updated Scheme.</li> </ul> <p>Article 15 of the Constitution (Review and Revision of the Constitution) makes the Monitoring Officer responsible for maintaining an up to date Constitution. Changes require the approval of the full Council.</p> <p><b><i>Under the control of the Transformation 2015 project – Financial Controls and Governance Arrangements for Shared Services the Constitution is being reviewed and updated. Parts 1, 2, 6 and 7 have been completed and the relevant member approvals obtained.</i></b></p> <p><b><i>On 29th March 2012 South Hams District Council will be asked to approve new delegations to member bodies and officers covering the Council's Functions and Responsibilities (Part 3 of the Constitution).</i></b></p>

**Applying the Principles of Good Governance – Principle 2 (Continued)**

**Members and officers working together to achieve a common purpose with clearly defined functions and roles:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>b) Ensuring that a constructive working relationship exists between Council Members and officers and that the responsibilities of Members and officers are carried out to a high standard. (Continued)</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>• Make a chief executive or equivalent responsible and accountable to the Council for all aspects of operational management;</li> <li>• Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained;</li> <li>• Ensure that the Council's governance arrangements allow the CFO direct access to the CEO and to other leadership team members;</li> <li>• Make a senior officer (the S.151 officer) responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;</li> <li>• Appoint a professionally qualified CFO whose core responsibilities include those set out in the Statement on the role of CFO in Local Government and ensuring that they are properly understood throughout the Council;</li> </ul>	<p><b>Leader and Chief Executive</b></p> <p>Article 12 outlines the functions and areas of responsibility of senior officers, including the Chief Executive (and Head of Paid Service), Directors and Heads of Service. These responsibilities are reflected in the related job descriptions and specifications for both Members and officers.</p> <p>The Leader's role is to provide overall political leadership and direction to the Council and the Executive. Part 3 of the Constitution, 'Responsibility for Functions' details the responsibilities of Member bodies, including the Executive. The Leader's responsibilities are detailed in the related job description and specification. <b><i>The Council has adopted the Strong Leader Model, the Leader having been appointed for a four year term rather than the previous annual renewal.</i></b></p> <p>Article 12 of the Constitution outlines the Chief Executive's functions and responsibilities, which are further detailed in the related job description, specification and signed secondment agreement with West Devon Borough Council for this 'shared' post.</p> <p>The Chief Executive and the Leader meet on a regular weekly basis. However, there is no written policy in place to ensure that it is carried out and there are no recorded minutes of the meetings. This is the continuation of historical practice.</p> <p>The Chief Executive and the Leader communicate with all staff either through e mail or newsletters. Weekly news bulletins are sent by e-mail to all staff concerning specific issues that need communicating including from the Chief Executive, Senior Management Team or other managers.</p> <p><b>Chief Financial Officer (CFO)</b></p> <p>Part 7 of the Constitution, Management Structure, provides for the CFO to have direct access to the CEO and other management team leaders.</p> <p>Article 12 of the Constitution also sets out the functions of the statutory officers, the S.151 Officer. This Article requires the S.151 Officer to ensure the lawfulness and financial prudence of decision making with the Head of Paid Service and Monitoring Officer, administer financial affairs, and contribute to corporate management.</p> <p>Part 3 of the Constitution, Responsibility for Functions and the Scheme of Delegation to Officers, also reflect statutory provisions. For the S.151 Officer this includes the publication of the Council's audited annual Statement of Accounts and the budget for the coming year. The Constitution states that the Council will appoint a 'S.151 Officer'. S.113 of the Local Government Finance Act 1988 requires the S.151 Officer to hold a recognised professional qualification. The S.151 Officer is a qualified accountant and member of the Chartered Institute of Accountants in England and Wales.</p>

**Applying the Principles of Good Governance – Principle 2 (Continued)**

**Members and officers working together to achieve a common purpose with clearly defined functions and roles:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>b) Ensuring that a constructive working relationship exists between Council Members and officers and that the responsibilities of Members and officers are carried out to a high standard. (Continued)</p>	<ul style="list-style-type: none"> <li>• Ensure the CFO leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively; and has a line of professional accountability throughout the organisation;</li> <li>• Ensure that budget calculations are robust and reserves adequate, in line with CIPFA guidance;</li> <li>• Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the Council is acting in an enabling role;</li> <li>• Make a senior officer (the monitoring officer) responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</li> </ul>	<p><b>Chief Financial Officer (CFO)</b></p> <p>The S.151 Officer 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.</p> <p>The CFO leads the promotion of good financial management including through the provision and publication of Financial and Contract Procedure Rules which are recommended for approval to the Council by the Audit Committee and are included in the Constitution. <b><i>A self assessment of the Role of the Chief Financial Officer highlighted the potential for a conflict of interest as the S.151 Officer is also the S.151 at West Devon Borough Council. This risk is mitigated by formally appointed Deputy S.151 Officers who are dedicated to each Council (not shared).</i></b></p> <p><b>Budgets</b></p> <p>Budget calculations are robust and include approved new spend and savings and realistic assumptions for pay and price increases, grant, capital charges etc.</p> <p>The budget proposals report to the Executive includes a statement by the S.151 Officer, as required by the Section 25 of the Local Government Act 2003, on the robustness of the estimates made for the purpose of budget calculations, and the adequacy of the proposed financial reserves. The report states that the reserves are at an appropriate and prudent level in the context of the Medium Term Financial Strategy and audit guidelines.</p> <p>Budget holders have access to the Council's general ledger and are supported with advice by a nominated accountant. The computerised ledger system allows budget holders to monitor actual income and expenditure to date, as well as amounts that have been committed through the formal ordering of goods, works and services against the approved budget. Budgetary control is covered by the Financial Procedure Rules of the Constitution, and are applied equally to partnership arrangements or services provided by external contractors.</p> <p><b>Monitoring Officer</b></p> <p>Article 12 requires the Monitoring Officer to ensure lawfulness and fairness of decision making and contribute to corporate management. These responsibilities are reflected in the related job description and specification and include responsibility for maintaining the Constitution, advising the Executive whether decisions are within the policy framework, proper access to information etc.</p>

**Applying the Principles of Good Governance – Principle 2 (Continued)**

**Members and officers working together to achieve a common purpose with clearly defined functions and roles:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>c) Ensuring relationships between the Council its partners and the public are clear so that each knows what to expect of the other.</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>• Develop protocols to ensure effective communications between Members and officers in their respective roles;</li>   <li>• Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process, including an effective remuneration panel;</li> </ul>	<p><b>Communication between Members and Officers</b></p> <p>The Council's Constitution defines the roles of Members and officers as discussed in previous paragraphs.</p> <p>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. It seeks to reflect the respective codes of conduct.</p> <p><i>A revised Protocol is to be considered by the Council on 29th March 2012.</i></p> <p><b>Remuneration of Members</b></p> <p><i>The Scheme of Members Allowances is set out at Part 6 of the Constitution. In accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, the Council's Scheme of Members' Allowances are considered initially by an Independent Panel appointed for that purpose which then makes recommendations to the Council. The Panel met on 6 December 2010 to consider changes to the Scheme, which would take effect from 1 April 2011. Their recommendation was approved by Council at the meeting of December 2011.</i></p> <p><b>Remuneration of Officers</b></p> <p>Part 4 of the Constitution lays down the framework for Officer Employment Procedure Rules. This is supplemented in detail by the Council's recruitment, disciplinary and grievance procedures, its confidential reporting policy, individual conditions of service and all other relevant employment policies, protocols or codes of conduct.</p> <p>Officers are currently subject to the terms and conditions applicable to all Local Government Officers, as set out in the National Schemes of Conditions of Service. These are supplemented by local conditions.</p> <p>The policies can all be found on the Council's Intranet.</p> <p>The Council has a Personnel Panel. This Member body has responsibility for development and revision of personnel policies, maintaining staff confidence in how the Council deals with contractual matters personal to the individual and enabling expeditious decision making in personnel matters. It is sanctioned under Article 8 of the Constitution 'Regulatory and Other Bodies'.</p> <p><i>From May 2012, the Personnel Panel is to be disbanded, with its functions divided between the Executive, Chief Executive, Heads of Service, and Overview and Scrutiny.</i></p>

**Applying the Principles of Good Governance – Principle 2 (Continued)**

**Members and officers working together to achieve a common purpose with clearly defined functions and roles:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>c) Ensuring relationships between the Council, its partners and the public are clear so that each knows what to expect of the other. (Continued)</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>• Ensure that effective mechanisms exist to monitor service delivery;</li> <li>• Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;</li> <li>• Establish a medium term business and financial planning process to deliver strategic objectives including:                             <ul style="list-style-type: none"> <li>• a medium term financial strategy to ensure sustainable finances</li> <li>• a robust annual budget process that ensures financial balance</li> <li>• a monitoring process that enables this to be delivered;</li> </ul> </li> <li>• Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used.</li> </ul>	<p><b>Monitoring Service Delivery</b></p> <p>Service delivery is monitored using a range of service relevant performance indicators which are reported to managers and Members as discussed in Principle 1(c).</p> <p><b>Vision, Strategic Plans etc.</b></p> <p>See also Principle 1(a) for details of documentation of the Council's vision and strategy, including the '<b>Connect Strategy and Delivery Plans</b>', financial reporting and the monitoring process.</p> <p><b>The South Hams and West Devon Connect Partnership, replaced the Local Strategic Partnerships, brings together key stakeholders from the community, voluntary, business and public sectors.</b></p> <p>Community consultation: see also Principle 6(b), Appendix F.</p> <p><b>Business and Financial Planning</b></p> <p>The Council's Medium Term Resource Strategy and annual budget process is described at Principle 1(c) Appendix A. Both are subject to regular review and monitoring.</p>



## Applying the Principles of Good Governance – Principle 2 (Continued)

### Members and officers working together to achieve a common purpose with clearly defined functions and roles:

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
c) Ensuring relationships between the Council, its partners and the public are clear so that each knows what to expect of the other. (Continued)	<p>When working in partnership:</p> <ul style="list-style-type: none"> <li>• Ensure that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council;</li> <li>• Ensure that there is clarity about the legal status of the partnership;</li> <li>• Ensure that representatives of organisations both understand and make clear to all other partners the extent of their Council to bind their organisation to partner decisions.</li> </ul>	<p><b>Partnerships</b></p> <p>Article 11 of the Constitution allows Members and officers to enter into joint arrangements with other bodies in order to promote the economic, social or environmental well-being of its area.</p> <p>The Executive approved the adoption of a Partnership Policy and Guidance document in October 2009, which contains Appendices to guide officers in considering the purpose of joining a partnership. Appendices include:</p> <ul style="list-style-type: none"> <li>• Guidance for arrangements where the Council is 'working with' other parties towards 'joint objectives';</li> <li>• Initial assessment;</li> <li>• Identifying Significant Partnerships;</li> <li>• Partnership Risk Management;</li> <li>• Governance Arrangements, including the legal status; and Agreements;</li> <li>• Information Sharing;</li> <li>• Terms of Reference which includes roles and responsibilities;</li> <li>• Partnership Monitoring; and Scrutiny.</li> </ul> <p>A report to the April 2010 Community Policy Development Group provided information on the value for money survey carried out on partnerships.</p> <p>The October 2010 meeting of Scrutiny received a report that allowed the Committee to undertake its role in the monitoring of the Council's most significant partnerships.</p> <p><i><b>The Partnership Policy and Guidance and reporting requirements would benefit from a review and update as a shared approach with West Devon Borough Council.</b></i></p>

## Principle 2 - Action Plan

Compliance Review Findings for this Principle	Recommendation	Action Plan with Responsible Officer & Target Date
<i>The Partnership Policy and Guidance and reporting requirements would benefit from a review and update as a shared approach with West Devon Borough Council.</i>	<i>The Council's Risk and Health &amp; Safety Advisor, in association with a Director, should review the Council's Partnership Management Framework and ensure that the related Policy and Guidance is updated as a shared document with West Devon Borough Council.</i>	<i>Risk and Health &amp; Safety Advisor Director 30<sup>th</sup> September 2012</i>

## Applying the Principles of Good Governance – Principle 2 (Continued)

Members and officers working together to achieve a common purpose with clearly defined functions and roles:

### Principle 2 - Action Plan (continued)

Compliance Review Findings for this Principle	Recommendation	Action Plan with Responsible Officer & Target Date
<p><i>The Council has entered into shared working arrangements with West Devon Borough and Teignbridge District Councils under which some officers services are shared. These officers have Shared Service Operating Agreements by means of which their services are made available to the partner authorities as well as their employer. It is likely that some Operating Agreements will no longer be valid following the current senior management review.</i></p>	<p><i>Fresh Operating Agreements should be completed with the new Heads of Service and Middle Managers appointed under the senior management and middle manager reviews.</i></p>	<p><i>Monitoring Officer 30 June 2012 Part of the Financial Controls and Governance Arrangements for Shared Services project within the 2015 Transformation Programme.</i></p>
<p><i>The Financial Controls and Governance Arrangements for Shared Services are being reviewed as a project of the 2015 Transformation Programme. The project is being managed by the S.151 Officer, Monitoring Officer and Chief internal Auditor and tasks include:</i></p> <p><i>a) To consolidate the existing elements of the framework for the Governance of the Shared Services arrangements (both financial and legal):</i></p> <p><i>Parts 1, 2, 6 and 7 of the Constitution have been completed and the relevant member approvals obtained.</i></p> <p><i>On 29th March 2012 South Hams District Council will be asked to approve new delegations to member bodies and officers covering the Council's Functions and Responsibilities (Part 3 of the Constitution).</i></p> <p><i>Contract Procedure rules and Anti Fraud, Corruption and Bribery Policy and Strategy have been aligned as far as possible and approved by Members.</i></p>	<p><i>The S.151 Officer, Monitoring Officer and Chief Internal Auditor, as the Project Managers for the Financial Controls and Governance Arrangements for Shared Services project of the 2015 Transformation Programme, should ensure that key tasks are completed in line with the formal project plan reported and monitored by the Shared Services Joint Steering Group .</i></p>	<p><i>S.151 Officer Monitoring Officer Chief Internal Auditor Timescales in Line with those reported to the Shared Services Joint Steering Group</i></p>



## Applying the Principles of Good Governance – Principle 2 (Continued)

Members and officers working together to achieve a common purpose with clearly defined functions and roles:

### Principle 2 - Action Plan (continued)

Compliance Review Findings for this Principle	Recommendation	Action Plan with Responsible Officer & Target Date
<p><i>The Financial Controls and Governance Arrangements for Shared Services are being reviewed as a project of the 2015 Transformation Programme. The project is being managed by the S.151 Officer, Monitoring officer and Chief internal Auditor and tasks include:</i></p> <p><i>b) Recharging the salaries of Shared Service officers</i></p> <p><i>Extensive detailed work has been carried out by a small group of officers on the recharging of salaries for the 2011/12 financial year for shared officers, following the Senior Management Review (effective from 1st April 2011) and the Middle Manager Review (effective from 1st October 2011). Officers have produced a methodology for recharging the salary costs of shared costs of shared officers using an appropriate ratio e.g. call volumes, property numbers, caseloads etc. and as a last resort time recording. The work carried out includes establishing from the Heads of Service the relevant recharge requirements for every member of staff, which will feed into a review of the method used for 2011/12 against other options.</i></p>	<p><i>The S.151 Officer, Monitoring Officer and Chief Internal Auditor, as the Project Managers for the Financial Controls and Governance Arrangements for Shared Services project of the 2015 Transformation Programme, should ensure that key tasks are completed in line with the formal project plan reported and monitored by the Shared Services Joint Steering Group .</i></p>	<p><i>S.151 Officer Monitoring Officer Chief Internal Auditor Timescales in Line with those reported to the Shared Services Joint Steering Group</i></p>

**Applying the Principles of Good Governance – Principle 3**

**Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>a) Ensuring Council Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.</p>	<ul style="list-style-type: none"> <li>• Ensure that the Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect;</li> <li>• Ensure that standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the Council, its partners and the community are defined and communicated through codes of conduct and protocols;</li> <li>• Put in place arrangements to ensure that Members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</li> </ul>	<p><b>Openness</b></p> <p>An Information Access Policy incorporates the requirements of the Freedom Information Act 2000, Data Protection Act 1998 (refers to separate policy), Environmental Information Regulations 2004 and the Reuse Of Public Sector Information Regulations 2005. The IAP describes the principles for the disclosure of information: openness, transparency, fairness, compliance and challenge.</p> <p>Article 3 of the Constitution provide Citizens with the right to attend meetings, see reports and background papers, inspect the Council's accounts and make their views known to the external auditor, participate in public question times at meetings, and complain.</p> <p>The Council's website includes a Complaints and Suggestions page which outlines the procedure for making a complaint as discussed at Principle 1(b)</p> <p><b>Standards of Conduct – Members and Officers</b></p> <p>The Codes of Conduct for councillors (Part 5 of the Constitution) and staff (National Scheme of Conditions of Service supplemented by local standards) set out the conduct and ethics expected.</p> <p>The Codes require interests, and, gifts and hospitality for both Members and officers to be reported to the Monitoring Officer who maintains a Register. Training on personal / prejudicial interests and diversity has been provided to Members and officers.</p> <p><i>The Member Code of Conduct is likely to change as a result of the Localism Act. The effective date is the 1<sup>st</sup> July 2012, but the detailed regulations had not been received at the time of writing this report (mid March 2012).</i></p> <p>The Constitution includes a Protocol on Councillor / Officer Relations.</p> <p>A Standard of Behaviour for Staff is published on the Council's Intranet and is linked to the annual Employee Appraisal &amp; Competency scheme.</p> <p>There is a formal confidential reporting (whistle blowing) system and grievance procedure that enables officers to formally complain about issues of concern in respect of behaviour without fear of reprisal. Confidential Reporting is publicised by a leaflet on notice boards, Intranet. &amp; Induction. The leaflet has been sent to Town/Parish Councils.</p> <p>The Council has published an updated Anti-fraud, Corruption and Bribery Policy and Strategy in 2011/12, and separate Response Plan, which is available on the Council's website, Intranet and leaflets on notice boards and officer Induction training.</p>

**Applying the Principles of Good Governance – Principle 3 (Continued)**

**Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>b) Ensuring that organisational values are put into practice and are effective (Continued).</p>	<ul style="list-style-type: none"> <li>• Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with Members, staff, the community and partners</li> <li>• Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice;</li> <li>• Ensure that systems and processes for financial administration, financial control and protection of the Council's resources and assets are designed in conformity with appropriate ethical standards and monitoring their continuing effectiveness in practice.</li> <li>• Develop and maintain an effective Standards Committee;</li> </ul>	<p><b>Values</b></p> <p>Principle 1(a) contains details of how the Council's vision and strategic direction is determined. It also describes the Council's arrangements for measuring performance. Principle 6 describes the Council's procedures for communicating with all stakeholders. Part 5 of the Constitution sets out the Members' Code of Conduct (2007) – see above.</p> <p><b>Procedures Conform to Ethical Standards</b></p> <p>Ethical considerations are included in reports to the decision makers, which are available to the community on the Council's website.</p> <p>Part 4 of the Constitution includes Procedure Rules for Council, Executive, Budget and Policy Framework, Finance, Contracts, Officer Employment amongst others. Officers are currently subject to the Code of Conduct applicable to all Local Government Officers, as set out in the National Scheme of Conditions of Service. These are supplemented by local conditions. A Code of Conduct and Standards of Behaviour for Staff is published on the Council's Intranet.</p> <p><b>Financial Administration</b></p> <p>Standards for the systems and processes for financial administration and control are set out in the Council's Financial and Contract Procedure Rules, which are included in Part 4 of the Constitution, Rules of Procedure. They are designed with the appropriate ethical standards and are monitored by Internal Audit who reports any significant breaches to the S.151 and Monitoring Officer as well as the Audit Committee.</p> <p><i>Contract Procedure Rules have been updated in 2011/12 and aligned with West Devon Borough Council's equivalent as part of the 2015 Transformation Project - Financial Controls and Governance Arrangements for Shared Services.</i></p> <p><i>Financial Procedure Rules are to be reviewed, updated and aligned as far as possible with the West Devon Borough Council equivalent, with presentation to the Audit Committee planned for June 2012.</i></p> <p><b>Standards Committee</b></p> <p>Article 9 of the Constitution gives Terms of Reference for the Council's Standards Committee. Part 4 of the Constitution includes Rules of Procedure for the Standards Committee. This sets out the membership requirements for the Standards Committee. The Committee will have met six times during 2011/12 due to the additional responsibilities required of it. Meetings are recorded and agendas and minutes published on the Council's web-site.</p>

**Applying the Principles of Good Governance – Principle 3 (Continued)**

**Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
b) Ensuring that organisational values are put into practice and are effective (Continued).	<ul style="list-style-type: none"> <li>Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council;</li> <li>In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.</li> </ul>	<p><b>Decision Making</b> Article 13 of the Constitution sets out the principles of decision making for Members. Part 3 of the Constitution sets out the responsibilities for decision-making and includes the Scheme of Delegation.</p> <p>All reports to decision-making bodies are linked to the Council's priorities and are formally recorded in an agenda and minutes which are also available on the Council's web-site.</p> <p><b>Partnership</b> The Executive approved the adoption of a Partnership Policy and Guidance document in 2009, which contains Appendices to guide officers in considering the purpose of joining a partnership, risk management, governance arrangements, information sharing, monitoring and scrutiny . Principle 2(c)</p>

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**Principle 3 - Action Plan**

Compliance Review Findings for this Principle	Recommendation	Action Plan with Responsible Officer & Target Date
<p><i>The Localism Act 2011 requires local authorities to adopt a code of conduct for their Members. There is no longer any prescription to what it should contain.</i></p> <p><i>The Authority may set its own rules about declaring interests but Members will be required to disclose 'dischargeable pecuniary interest. Failure to disclose will be a criminal offence.</i></p>	<p><i>The Monitoring Officer should devise a new member code of conduct, and arrangements for operating it, at the earliest opportunity following receipt of the regulations from the Department for Communities and Local Government (DCLG).</i></p>	<p><i>Monitoring Officer</i> <i>1<sup>st</sup> July 2012</i> <i>(unless date changes upon receipt of the regulations)</i></p>

**Applying the Principles of Good Governance – Principle 4**

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>a) Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>• Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council’s performance overall and that of any organisation for which it is responsible;</li> <li>• Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based:</li> <li>• Put in place arrangements to safeguard Members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice;</li> </ul>	<p><b>Scrutiny</b></p> <p>Article 6 of the Constitution sets out the principles and functions of Overview and Scrutiny.</p> <p>Part 4 of the Constitution lays down the Procedure Rules for the Scrutiny Panels, which includes Terms of Reference, describes the rights of Scrutiny to access copies of any document under the separate ‘Access to Information Procedure Rules’ and the process for ‘Call Ins’</p> <p><b>Evidence of Decisions</b></p> <p>Article 13 ‘Decision Making’ of the Constitution sets out the principles of decision making and the types of decision.</p> <p>Part 3 of the Constitution sets out the responsibilities for decision-making and includes the Scheme of Delegation (described at Principle 2(b)).</p> <p>All decision-making is formally recorded in the Council’s agenda and minutes, which are available to the public on the Council’s web-site. Minutes are recorded by dedicated officers who consult key report authors and some Chairmen to confirm the accuracy of the draft version. The next relevant Committee meeting review the minutes and if content vote that they represent a true and correct record to enable the Chairman sign them accordingly.</p> <p>Agendas and Minutes of all member meetings are published on the Council’s website and links provided to all Council Members, Parish Clerks, local media etc.</p> <p><b>Safeguards Against Conflicts of Interest</b></p> <p>Part 5 of the Constitution sets out the Members’ Code of Conduct (see Principle 3(a)). On each Committee meeting agenda there is a specific item inviting Members to declare an interest in any related matter on that agenda. In accordance with the Code Members declare a Personal Interest and take part in the debate and vote, or, a Prejudicial Interest which is significant enough that a member of the public might reasonably expect the Member to leave the meeting during consideration of the item.</p> <p>A Code of Conduct and Standards of Behaviour for Staff is published on the Staff Pages of the Council’s Intranet. See also Principle 3(a).</p> <p>The Monitoring Officer also maintains a register of interests and gifts and hospitality for both Members and officers. See also Principle 3(a).</p>

**Applying the Principles of Good Governance – Principle 4 (Continued)**

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>a) Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny (Continued).</p>	<ul style="list-style-type: none"> <li>• Ensure an effective internal audit function is resourced and maintained;</li> <li>• Develop and maintain an effective audit committee which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee;</li> <li>• Ensure that the Council's governance arrangements allow the CFO direct access to the audit committee and external audit;</li> <li>• Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.</li> </ul>	<p><b>Internal Audit</b>                      The Constitution (Part 4 Financial Procedure Rules) states that the Council shall make provision for internal audit in accordance with the CIPFA Code of Practice for Internal Auditors in Local Government in the United Kingdom. Its effectiveness is monitored by the Audit Committee and the Council's external auditors.                      An internal audit service ensures that controls to mitigate risk are in place and effective, and are an integral part of the Council's System of Internal Control. The Chief Internal Auditor provides Members and senior officers with an opinion on the Council's control environment annually. The System of Internal Control ensures that risks that may impact on the Council's objectives are managed and mitigated.</p> <p><b>Audit Committee</b>                      Article 10 of the Constitution sets out the function of the Audit Committee, which is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment and to oversee the financial reporting process.                      Part 4 of the Constitution includes 'Rules for Other Bodies of the Council'. This sets out the membership requirements for the Audit Committee, which meets quarterly. The Committee carries out a self assessment of its performance and approach annually.                      Article 12 of the Constitution states that the CFO will report to the full Council or to the Executive and the external auditor if he/she considers any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.                      The CFO or his/her deputy attends all Audit Committee meetings.</p> <p><b>Complaints</b>                      The Council's Information Access Policy is in place (and Article 3 of the Constitution 'Citizens and the Council' outlines the rights of Citizens including to complain to or about the Council.                      The website includes Complaints and Suggestions' guidance for making a complaint as outlined in Principle 1(b).</p>
<p>b) Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.</p>	<ul style="list-style-type: none"> <li>• Ensure that those making decisions whether for the Council or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications;</li> </ul>	<p><b>Quality of Information</b>                      An updated Data Quality Assurance Strategy (discussed at Principle 1(b), audited financial and non-financial systems are in place to assist in the management of services and provide the information to Members that is relevant, timely and gives clear explanations of issues and their implications.</p>

**Applying the Principles of Good Governance – Principle 4 (Continued)**

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>b) Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs. (Continued)</p>	<ul style="list-style-type: none"> <li>• Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the Council;</li> <li>• Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.</li> <li>• Ensure the Council's governance arrangements allow the CFO to bring influence to bear on all material decisions;</li> <li>• Ensure that advice is provided on the level of reserves and balances in line with good practice (LAAP) guidance.</li> </ul>	<p><b>Budget and Financial Performance</b>                      Budget managers and senior officers receive clear and accurate information on the budgetary and financial performance of the Council as described at Principle 2 Appendix B.                      In addition the Council's financial systems and accounts are subject to external auditing by the Audit Commission as part of their work towards providing the Council with an opinion to the Statement of Accounts and Members with an annual letter providing assurance or highlighting significant issues that require attention.                      The Council provides Members with access and training to enable them to use the performance management system. See Principle 1.</p> <p><b>Professional Advice</b>                      The Council recruits officers that are appropriately qualified for the tasks that they undertake. A programme of training is provided to officers that is linked to the annual Employee Appraisal and Competency Framework. This includes identification of one off training requirements as well ongoing professional training at all levels.                      In exceptional circumstances where no suitably qualified professional is employed, the Council will seek the assistance of external advisers and this too is communicated to the decision makers.                      Reports and recommendations are made to the decision makers by the relevant professional officers. A system of consultation of other professionals in advance of presentation to Members is in place, particularly where a recommendation requires the input of more than one profession e.g. Legal advice, Financial advice etc.</p> <p><b>CFOs Influence</b>                      A system of consultation for all reports to decision makers is in place that includes the CFO for any financial matters. As discussed above, Article 12 of the Constitution allows for robust challenge of any course of action or proposal that is likely to cause a loss or unlawful expenditure.</p> <p><b>Reserves</b>                      Advice is provided on the level of reserves and balances in line with good practice guidance. This is included in the Medium Term Resource Strategy and Budget reports to Members each year</p>



**Applying the Principles of Good Governance – Principle 4 (Continued)**

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>c) Ensuring that an effective risk management system is in place. (Continued)</p>	<ul style="list-style-type: none"> <li>• Ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their jobs;</li> <li>• Ensure the Council's arrangements for financial and internal control and for managing risk are addressed in annual governance reports;</li> <li>• Ensure the Council puts in place effective internal financial controls covering codified guidance, budgetary systems; supervision; management review and monitoring; physical safeguards; segregation of duties; accounting procedures; information systems and authorisation and approval processes</li> <li>• Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the Council have access.</li> </ul>	<p><b>Risk Management</b> The formal management of risk is in place and subject to annual internal audit and external inspection. It includes:</p> <ul style="list-style-type: none"> <li>• An adopted Risk Management Strategy;</li> <li>• Strategic, Operational and Partnership risk registers;</li> <li>• A system for identifying risks (service plans) and the controls to mitigate them;</li> <li>• Training for officers and Members;</li> <li>• A Risk Management Group;</li> <li>• Risk assessment in projects and reports to the decision makers;</li> <li>• Regular monitoring of progress by the Audit Committee and Council; and</li> <li>• Publicising and providing training on risk management to Members and officers.</li> </ul> <p><i>Work has commenced on an enhanced Strategic Risk Register, with a report to be presented to the 5<sup>th</sup> April 2012 Audit Committee. In addition, the reports to Members will also contain an enhanced risk assessment methodology. The Risk Management Strategy is in the course of being updated and aligned with West Devon Borough Council's equivalent.</i></p> <p><b>Internal and Financial Control</b> The Council's arrangements for financial and internal control and managing risk are addressed in the Annual Governance Statement (AGS) which is recommended for approval to the Council by the Audit Committee. The AGS is published with the statement of accounts. The Council has put in place effective internal financial controls. These include codified guidance, budgetary systems; supervision; management review and monitoring; physical safeguards; segregation of duties; accounting procedures; information systems and authorisation and approval processes, in addition to the Contract and Financial Procedure Rules, Part 4 of the Constitution. Adherence to these rules is monitored by Internal Audit and breaches reported to managers, senior managers, S.151 and Monitoring Officers, Audit Committee as appropriate.</p> <p><b>Whistle Blowing</b> 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 is also available to a wider audience on the Council's website. A linked Anti-Fraud/Confidential Reporting leaflet has been put on notice boards around the Council and sent to Town/Parish Councils and Libraries. The policy is presented to new staff at Induction courses and the leaflet is given to attendees.</p>



**Applying the Principles of Good Governance – Principle 4 (Continued)**

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>d) Using their legal powers to the full benefit of the citizens and communities in their area.</p>	<ul style="list-style-type: none"> <li>Actively recognise the limits of lawful activity placed on the Council by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of the Council' communities;</li> <li>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law;</li> <li>Observe all specific legislative requirements placed upon the Council, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into the Council's procedures and decision-making processes.</li> </ul>	<p><b>Legal Requirements and Lawful Activity</b></p> <p>The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Article 1 confirms that the local authority will act within the law and the Provisions of the Constitution.</p> <p>Some of the services provided are statutory, whilst others are a matter for the Council to decide upon. There is a process to ensure that any new legislation is identified and acted upon, which includes letters to the Chief Executive from the relevant government departments, and the Monitoring Officer reviews of their w-sites.</p> <p>The Monitoring Officer reviews the reports to Members for legality.</p> <p>Article 12 of the Constitution sets out the statutory functions of the Monitoring Officer, which includes ensuring lawfulness and fairness in decision making (Principle 2(c)). These responsibilities are reflected in the related job description and specification.</p> <p>The Scheme of Delegation to Officers reflects statutory provisions, as does the Responsibility for Functions document. Both appear in the Constitution at Part 3.</p> <p>Article 6 of the Constitution sets out the function of the Overview and Scrutiny.</p> <p>Part 4 of the Constitution lays down the Procedure Rules and Terms of Reference for the Scrutiny Panels, which includes the review of the performance of other public bodies in the area and invites reports from them by requesting them to address the relevant Scrutiny Panel and local people about their activities and performance.</p>

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**Principle 3 - Action Plan**

Compliance Review Findings for this Principle	Recommendation	Action Plan with Responsible Officer & Target Date
<p><i>The Council's Risk Management Strategy is in the course of being updated and aligned as a single document with West Devon Borough Council, with likely presentation to the April 2012 Audit Committees.</i></p> <p><i>Other improvements to the Risk Management Framework are being developed but these have yet to be finalised against the revised Strategy.</i></p>	<p><i>The Council's Risk and Health &amp; Safety Advisor, in association with a Director, should review the Council's Risk Management Framework and ensure that it meets the requirements of a revised Strategy and good practice.</i></p>	<p><i>Risk and Health &amp; Safety Advisor</i> <i>Director</i> <i>30<sup>th</sup> September 2012</i></p>

**Applying the Principles of Good Governance – Principle 5**

**Developing the capacity and capability of Members and officers to be effective.**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>a) Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform.</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>• Provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis;</li> </ul>	<p><b><i>Induction and Ongoing Development - Members</i></b></p> <p>Article 2 of the Constitution states that “Councillors will develop and maintain a working knowledge of the authority’s services and policies and take advantage of appropriate training and development opportunities to enable them to fulfil their role”.</p> <p>Immediately after any elections, a comprehensive Induction Programme is delivered for newly elected Members. The Induction covers the role of the Councillor, chairing skills, governance arrangements and processes etc.</p> <p>A politically balanced Member Development Steering Group has been formed and the group’s terms of reference were agreed. A Member Development Strategy was approved by the Council and has contributed into the 2011 induction programme.</p> <p><b><i>The Devon Member Development Officer, managed through the Council, offered all Members a ‘one to one’ interview which will help to formulate a corporate training plan for Members, and also identify individual development needs which are to be drawn up into Personal Development Plans. A summary of the results being made available before nominations were sought for annual appointments in May 2012.</i></b></p> <p><b><i>At the February 2012 Council meeting, as part of the report of the Political Structures Working Group, recommendations were accepted to amend procedures to:</i></b></p> <p><b><i>(i) All Members will be expected to attend planning training refresher sessions as and when they are provided;</i></b></p> <p><b><i>(ii) Newly elected Members will have to attend appropriate induction Planning Training before they can take part in the planning decision-making process;</i></b></p> <p><b><i>(iii) Repeat sessions will be held in conjunction with West Devon Borough Council to provide additional opportunities for Members to meet the requirement to attend the induction training;</i></b></p> <p><b><i>(iv) If they so wish, re-elected Members will be welcome to attend the induction sessions.</i></b></p> <p>Other ad hoc training is also provided as required, Members and officers receive a weekly Members Bulletin which provides an update on current issues, background information on training events and a range of other topics.</p> <p>Article 7 of the Constitution defines the role of Executive Members and Part 4 details Executive Procedure Rules. Members of the Executive have formal ‘specialisms’, aligned to specific service areas and priority themes.</p> <p>Job descriptions are in place for Executive and other Members.</p>

**Applying the Principles of Good Governance – Principle 5 (continued)**

**Developing the capacity and capability of Members and officers to be effective.**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>a) Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform. (Continued)</p>	<ul style="list-style-type: none"> <li>• Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.</li> <li>• Provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis;</li> <li>• Ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role;</li> <li>• Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised;</li> <li>• Provide the finance function with the resources; expertise and systems necessary to perform its role effectively.</li> </ul>	<p><b>Induction and Ongoing Development - Officers</b></p> <p>Article 12 of the Constitution details the Management Structure of the Council, including functions of the S.151 Officer and the Monitoring Officer. The responsibilities of each management post are reflected in the related job descriptions and specifications. It states that the Council will provide the Monitoring Officer and Section 151 Officer with such officers, accommodation and other resources as are in their opinion sufficient to allow their duties to be performed.</p> <p>A programme of training is provided to these officers that is linked to the annual Employee Appraisal &amp; Competency scheme, which includes identification of one off training requirements as well ongoing professional training.</p> <p>A training programme for all managers, 'Managing People', was completed in 2010/11, <b>and a further training programme for Middle Managers is being developed.</b></p> <p>The Council continues to meet the Investors In People (IIP) standards since it retained accreditation in September 2008. <b>It has now been renewed for a further 12 months.</b></p> <p>A job description and personal specification form ensures that any CFO recruited has the skills, knowledge and experience to perform effectively. The Council's Appraisal and Competency Scheme ensures that once recruited the CFO continues to perform effectively. The CFO has no other management responsibilities. Article 12, Officers, and Part 7, Management Structure, set out the responsibilities relating to the S.151 Officer role.</p>
<p>b) Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group.</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>• Assess the skills required by Members and officers and make a commitment to develop those skills to enable roles to be carried out effectively;</li> <li>• Embed financial competencies in person specifications and appraisals;</li> <li>• Ensure that councillors roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities;</li> <li>• Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed;</li> </ul>	<p><b>Skills Development</b></p> <p>Member and officer development is discussed at (a) above.</p> <p>Councillor roles are documented for 'Elected Members' and for those who are appointed to each of the other member bodies or Committees. Where appropriate the Roles include financial responsibilities. Training is provided as part of the formal training plan as discussed above and specific financial training is and has been provided e.g. Treasury Management training.</p> <p>As discussed, Members of the Executive have formal 'specialisms', consisting of specific service areas and priority themes.</p> <p>Members with these responsibilities will seek advise from the relevant Head of Service, either individually though regular meetings or through a collective briefing, and may invite expert advice e.g. Highways, Environmental Heath (Statutory Consultees).</p>

**Applying the Principles of Good Governance – Principle 5 (Continued)**

**Developing the capacity and capability of Members and officers to be effective.**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>b) Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group. (Continued)</p>	<ul style="list-style-type: none"> <li>Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual Members and agreeing an action plan to address training/development needs</li> </ul>	<p><b>Reviewing the Performance of the Executive</b></p> <p>The Constitution, Part 4 Overview and Scrutiny Procedure Rules, b says that Scrutiny Panels may scrutinise and review decisions made or actions taken in connection with the discharge of any Council functions. As well as reviewing documentation in fulfilling the overview and scrutiny role, it may require a Member of the Executive, assisted by the Head of Paid Service and/or any senior officer, to attend before it to explain in relation to matters within their remit:</p> <ul style="list-style-type: none"> <li>i) any particular decision or series of decisions;</li> <li>ii) the extent to which the actions taken implement Council policy; or</li> <li>iii) their performance.</li> </ul> <p>Call-in by a Scrutiny Panel can be used in exceptional circumstances. These are where non-Executive Members have evidence which suggests that the Executive did not take a decision in accordance with the principles set out in Article 13 (Decision Making).</p>
<p>c) Encouraging new talent for membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal.</p>	<ul style="list-style-type: none"> <li>Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council;</li> </ul>	<p><b>Encouraging the Community to Participate in the Work of the Council</b></p> <p>'Community Life' is one of the Councils Priorities as described at Principle 1, Appendix A. <b><i>A Delivery Plan for the priority has been developed as part of the Connect Strategy.</i></b> Wider engagement with the community is discussed at Principle 6.</p> <p>Efforts are made to encourage new talent to seek election to the Council prior to an election through a publicity campaign using Town/Parish Councils, the Council's web-site, leaflets, a candidate information pack, and an open evening.</p> <p>Within the Scheme of Members' Allowances (Constitution Part 6), there is a Dependents' Carers' Allowance to provide additional help for a dependant whose carer is employed on approved Council duty. It is intended that this will assist those who would be interested in standing for the Council but are also bound by their personal responsibilities.</p> <p>Members of the public are able attend Committee meetings, speak at Development Management Committee and Scrutiny Panel meetings and ask questions at the meetings of several Member bodies including the Executive, Salcombe Harbour Board.</p> <p>For major planning applications the Development Management Committee meeting is preceded by a Developer Forum, which the Committee Members will be invited to attend. The developer is given the opportunity to explain the scheme to other stakeholders including members of the public, and two supporters and two objectors will be allowed to address the meeting. This allows Members of the Committee to gain wider knowledge of circumstances surrounding the application, and the Forum outcomes will be built into the officer report to the Development Management Committee.</p>

**Applying the Principles of Good Governance – Principle 5 (Continued)**  
**Developing the capacity and capability of Members and officers to be effective.**

**Principle 5 - Action Plan**

Compliance Review Findings for this Principle	Recommendation	Action Plan with Responsible Officer & Target Date
Satisfactory	None	No further action required.

**Applying the Principles of Good Governance – Principle 6**

**Engaging with local people and other stakeholders to ensure robust public accountability:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>a) Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.</p>	<ul style="list-style-type: none"> <li>• Make clear to ourselves, all staff and the community to whom the Council is accountable and for what;</li> <li>• Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required;</li> <li>• Produce an annual report on the activity of the scrutiny function.</li> </ul>	<p>Setting and communicating the Council's purpose and vision is discussed at Principle 1(a), and the management of partnerships at Principle 2(c).</p> <p><b>Considering Institutional Stakeholders</b>                      Institutional stakeholders to whom the Council is accountable such as the Audit Commission etc. are considered and relationships monitored by the Audit Committee. Article 6 of the Constitution (Scrutiny and Policy Development Groups) states that Scrutiny will review and scrutinise the performance of other public bodies in the area and invite reports from them by requesting them to address Scrutiny and local people about their activities and performance e.g. Devon County Council Highways Authority, South Devon and Dartmoor Crime and Disorder Partnership etc.</p> <p><b>Scrutiny Annual Report</b>                      The Scrutiny Panels must report annually to full Council on their workings and make recommendations for future work programmes and amended working methods if appropriate. Council Agenda and Minutes July 21st 2011 refer.</p>
<p>b) Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning.</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>• Hold meetings in public unless there are good reasons for confidentiality;</li> <li>• Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively;</li> </ul>	<p><b>Meetings in Public</b>                      Article 3 of the Constitution sets out what citizens can expect from their Council and what rights they have. This includes the right to attend meetings of the Council, the Executive, Scrutiny Panels and other bodies of the Council except for good reasons where confidential or exempt information is likely to be disclosed.</p> <p><b>Clear Channels of Communication with the Community</b>                      Part 4 of the Constitution includes the Council's 'Access to Information Procedure Rules' which requires the Council to provide the public with access to Agenda and Reports. Meetings of Member bodies are scheduled using a calendar of meetings, and recorded through a system of Agendas and Minutes. It contains the Rules of Procedure for all formal meetings and Forward Plans detail issues to be considered at future meetings. It is also available on the Council's web-site</p> <p>In addition, the 360 Assessment has been developed and rolled out to all relevant staff. An assessment must be completed for all new/changed policies, strategies and relevant projects including new service delivery. The assessment covers Equality, Duty to Involve, Human Rights, Data Protection, Crime and Disorder, Child Protection, Biodiversity and Sustainability.</p>

## Applying the Principles of Good Governance – Principle 6 (Continued)

### Engaging with local people and other stakeholders to ensure robust public accountability:

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>b) Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning. (Continued)</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively;</li> <li>Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements will recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands;</li> </ul>	<p><b><i>Clear Channels of Communication with the Community</i></b></p> <p><b><i>The Connect Strategy and related Delivery Plans are produced by the South Hams and West Devon Connect Partnership, as discussed at Principle 1(a), and brings together key stakeholders from the community, voluntary, business and public sectors.</i></b></p> <p><b><i>Annual stakeholder events are held for each Council Priority.</i></b></p> <p><b><i>The Council is developing the 'Voice': Business Voice, Town and Parish Voice, and Voluntary Voice, consulting and engaging covering issues that are important to the particular groups.</i></b></p> <p><b><i>Local Development Framework</i></b></p> <p><b><i>The 2004 Planning and Compulsory Purchase Act requires local planning authorities to prepare a Statement of Community Involvement (SCI). This document sets out how and when the Council will involve the community in preparing development plans and processing planning applications. In 2006, the Council adopted its SCI.</i></b></p> <p><b><i>However, a recent update makes it clear how the Council will engage with the community, in line with the latest planning legislation, for plan making and planning applications. In October 2011 South Hams and West Devon Councils agreed to publish a draft SCI for formal consultation. The comments received during the 6 week consultation have informed amendments to the final version of the SCI, which was presented to the March 2012 Executive to recommend adoption by the Council.</i></b></p> <p><b><i>Other arrangements and documents include (list not exclusive):</i></b></p> <ul style="list-style-type: none"> <li>Local business and Town/Parish Councils' events providing input to the Council's budget planning;</li> <li>Events and survey for residents as part of the budget setting process, online and publicised through the Council's magazine;</li> <li>The Council's joint magazine with Devon County Council is sent to all households, and a booklet issued with Council Tax and NDR bills describes the Council's costs and achievements.</li> <li>Parish needs Surveys.</li> <li>Voluntary Voice – quarterly meetings with the Community and Voluntary Services (CVS).</li> <li>Sustainable Communities Locality Fund – community grants for councillors to use to support projects which benefit the community;</li> </ul>



**Applying the Principles of Good Governance – Principle 6 (Continued)**

**Engaging with local people and other stakeholders to ensure robust public accountability:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>b) Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning. (Continued)</p> <p><i>Continued overleaf.</i></p>	<ul style="list-style-type: none"> <li>Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements will recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands;</li> <li>Establish a clear policy on the types of issues the Council will meaningfully consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result;</li> </ul>	<p><b><i>Other arrangements and documents include (list not exclusive):</i></b></p> <ul style="list-style-type: none"> <li>The Greater Dartmoor Local Enterprise Action Fund and the South Devon Coastal Local Action Group are community led Rural Development Programme (RDPE) funding programmes for which the Council acts as accountable body;</li> <li>Town and Parish Voice Cluster meetings – held every 6 months: community can tailor agenda, chair and host event;</li> <li>Community pages of the Council’s website with related links;</li> <li>Social network ‘conversations’ – ‘Stay in Touch with South Hams’;</li> <li>Members Southhams.gov.uk e-mail addresses;</li> <li>South Hams Connect – Outreach events: taking a wide range of services to nearer to South Hams residents including Customer Services, Planning, Waste; Customer First Charter and its associated service standards. Includes other agencies and details are available on the Council’s web-site;</li> <li><b><i>Stakeholder events for Connect Strategy Delivery Plans;</i></b></li> <li>Benefits - home visits to assist clients in application processing;</li> <li>Surveys, plus other community consultation;</li> <li>Business Voice - publication of the Business Newsletter (e-Bulletin);</li> <li>Numerous site specific consultations over individual projects from the Public Space Capital Programme linked to the Public Space Strategy;</li> <li>Attending Parish Council meetings and running six monthly surgeries on affordable housing, <b><i>extending to cover Connect Strategy Delivery Plans in 2012;</i></b></li> <li>Service Level Agreements with voluntary organisations e.g. the CVS who provide support to the community and voluntary organisations, CAB for benefits; and Young Devon – YES re housing advice.</li> </ul> <p><b><i>Types of Issues Consulted On</i></b></p> <p>The paragraphs above set out policies that demonstrate the Council’s commitment to involving the community, and examples of how this is being done.</p> <p>Consultations are co-ordinated through the Community Team and the use of a mobile electronic consultation device for the majority plus software to conduct, manage and analyse</p> <p>Consultations are subject to feedback but much is posted on the Council’s web-site in a You Said/We Did format.</p> <p>Article 3 of the Constitution sets out what citizens can expect from their Council and what rights they have.</p>



**Applying the Principles of Good Governance – Principle 6 (Continued)**

**Engaging with local people and other stakeholders to ensure robust public accountability:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>b) Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning. (Continued)</p>	<ul style="list-style-type: none"> <li>• On an annual basis, publish a performance plan giving information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period;</li> <li>• Ensure that the Council as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</li> </ul>	<p><b>Performance and Outcomes</b> The vision, strategy, plans and financial statements and reporting of outcomes are described in other parts of this report e.g. Principle 1 etc.</p> <p><b>Open and Accessible</b> Citizens have the right to attend meetings of the Council, the Executive, Scrutiny Panel and other bodies of the Council except where confidential or exempt information is likely to be disclosed. In Part 4 of the Constitution the Council's 'Access to Information Procedure Rules' sets out the public's rights in addition to those specific rights elsewhere in the Constitution or in law. Principle 4 of this Code describes the Council's arrangements for taking informed and transparent decisions. The Council has a Corporate Communications Policy. The Constitution commits the Council to openness in its dealings (e.g. Article 13 – Decision Making, Article 3 – Citizens and the Council), as does the Council's Policy on the Human Rights Act 1998. The Council has embraced the requirements of the Freedom of Information Act, introduced from 1st January 2005, and has complied with the requests received to date, except where otherwise bound by legislation. Guidance and a 'Publication Scheme are available on the Council's web-site. The Council has a published Information Access Policy. This addresses the Council's wish to promote public understanding of the Council's activities, starting from the premise that everyone is entitled to have access to information held by the Council.</p>

**Applying the Principles of Good Governance – Principle 6 (Continued)**

**Engaging with local people and other stakeholders to ensure robust public accountability:**

Supporting Principles	The Code Requires the Council to:	Compliance Review Results
<p>c) Making best use of human resources by taking an active and planned approach to meet responsibility to staff.</p>	<ul style="list-style-type: none"> <li>Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.</li> </ul>	<p><b>Consulting Staff Representatives</b> Trade unions, as staff representatives, have negotiating rights with the Council, and in many other circumstances employment law requires consultation with them before action is taken by the Council. The Management and Trade Union Forum meets to discuss, be consulted on and negotiate on all and any amendments to terms and conditions of service.</p> <p><b>Consulting Staff</b> The Joint Staff Consultative Forum (JSCF) was established to undertake a consultative role where ideas, issues, drafts of new policies, organisational changes and legitimate employer / employee matters can be discussed cordially. The forum is also important as a means of effective two way communication and promoting good employee relations. The JSCF has a constitution published, setting out membership representation, frequency and recording of meetings, the role of representatives etc. The role of the Forum and its constitution is to promote effective and open channels of communications within each service group. The JSCF minutes are available to all staff on the Council's Intranet.</p> <p><i>Staff Voice is being developed, with briefings to all staff on current issues.</i> Other ad-hoc consultation with staff is undertaken when key changes are proposed. The Chief Executive sends emails to all staff on specific topics <i>and contributes to the weekly newsletter which is an email briefing of staff on a range of issues.</i> The Chief Executive, Directors, and Heads of Service will attend team meetings as required or upon request, allowing two way communications of issues.</p>

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**Principle 6 - Action Plan**

Compliance Review Findings for this Principle	Recommendation	Action Plan with Responsible Officer & Target Date
Satisfactory	None	No action required.

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT FOLLATON HOUSE, TOTNES ON 5 APRIL 2011

### MEMBERS

\* Cllr J T Pennington - Chairman

\* Cllr P Coulson - Vice-Chairman

\* Cllr B F Cane

∅ Cllr M Hannaford

\* Cllr R F Croad

\* Denotes attendance

∅ Denotes apology for absence

### Also in attendance and participating:

Cllr M J Hicks

### Officers in attendance:

For all agenda items – Head of Financial Services, Internal Audit Manager, Audit Manager (Audit Commission), District Auditor (Alun Williams) Audit Commission), Risk and Health and Safety Advisor and Member Support Officer.

#### A.34/10 **MINUTES**

The minutes of the meeting of the Audit Committee held on 7 December 2010 were confirmed as a correct record and signed by the Chairman.

#### A.35/10 **DECLARATIONS OF INTEREST**

Members were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

#### A.36/10 **AUDIT COMMISSION PROGRESS SUMMARY TO 18 MARCH 2011**

The Audit Manager informed the Committee of work currently in progress since its last meeting. The interim audit 2010/11 work was now drawing to a close and he was satisfied that progress was being made in regards to the authority's preparation for International Financial Reporting Standards. The reports that had been issued by the Audit Commission since the last meeting were Certification of Claims and Returns annual report 2009/10, Joint Working Protocol for the Financial Statements Audit and a summary of the main changes in the audit arising from clarification of the International Standards on Auditing (ISAs).

**A.37/10      AUDIT COMMISSION – CERTIFICATE OF CLAIMS AND RETURNS**

The Audit Manager confirmed that the overall conclusion of the Audit Commission was that the control environment for managing grant claims at the Council was generally good. Three claims had been certified. These were Housing and Council Tax Benefit, National Non-Domestic Rates return and Disabled Facilities. A qualification letter had been issued in respect of the Housing and Council Tax Benefits Claim, as a sample test had found one case where benefit had been underpaid. The authority identified that three other errors had also occurred and appropriate adjustments were made to systems to ensure this would not happen again in the future.

**A.38/10      PROTECTING THE PUBLIC PURSE 2010 (FIGHTING FRAUD AGAINST LOCAL GOVERNMENT AND LOCAL TAXPAYERS)**

The Internal Audit Manager informed Members that in 2010, the Audit Commission had recommended that Councils use a checklist to ensure that they had sound governance and counter-fraud arrangements. This had been presented to the Audit Committee at their meeting in April 2010. In December 2010, the Audit Commission introduced an updated paper 'Protecting the Public Purse 2010 – Fighting Fraud Against Local Government and Local Taxpayers', which cited a further number of recommendations.

The Council's Anti-Fraud and Corruption Strategy; Fraud and Corruption Response Plan; and Benefit Fraud Prosecution and Sanction Policy were recommended to the Council for adoption by the Audit Committee in April 2008. Although these documents were still considered fit for purpose, they were now due for review. However, it was possible that the Strategy, Response Plan and Benefit Fraud Prosecution and Sanction Policy, would now need amending to reflect any requirements of the Bribery Act 2010. CIPFA were conducting workshops during March 2011 and therefore it was considered sensible to delay updating the Council's documents until this guidance had been assimilated.

It was then:-

**RESOLVED**

1. That the position of the Council against the checklist included in the Audit Commission publication 'Protecting the Public Purse 2010 (Fighting Fraud against Local Government and Local Taxpayers) (October 2010) has been considered and noted accordingly; and
2. That the intention to retain the 2008 Anti-Fraud and Corruption Strategy in the short term and the commitment to updating the document at a later Audit Committee in 2011 be noted.

## A.39/10 **INTERNAL AUDIT STRATEGY AND TERMS OF REFERENCE 2011/12**

The CIPFA Code of Practice and Audit Manual required Members to review and approve the Terms of Reference and Audit Strategy. The Terms of Reference had previously been updated and presented to the Committee in April 2010 and they had been found fit for purpose. The Committee, therefore, was now only required to review the Internal Audit Strategy 2011/12.

During discussion on the Internal Audit Strategy 2011/12, the following points were raised:

**Loss of 80 days and 85 days:** The Internal Audit Manager informed Members that the provision of the audit service to West Devon Borough Council had resulted in a loss of 80 days to the South Hams District Council Internal Audit Plan 2010/11 and 85 days in 2011/12. This loss would be mitigated by reducing previously three yearly audits to five years on systems which were considered to be at a lower risk. Higher risk systems would continue to be audited every year. However, the officer did have regard to the Audit Opinion which he gave to the Audit Committee. He went on to say that there were no resources to accommodate an investigation, should one be required, at West Devon, whereas there were 50 contingency days incorporated into the South Hams Internal Audit Plan. This would therefore have to be monitored over the next twelve months. However, the authority was in close contact with the Devon Audit Group which could potentially be a source of extra resources.

A Member raised concerns about the potential for misappropriation between the two authorities in such a circumstance and asked for clarification on how cross subsidisation of budgets would be avoided. The Internal Audit Manager informed that timesheets were maintained and monitoring reports produced and the risk was therefore limited to fabrication of those documents by himself, and this would be detected by the Audit Commission.

It was then:-

### **RESOLVED**

That the Internal Audit Strategy 2011/12 has been reviewed and found to be satisfactory.

## A.40/10 **INTERNAL AUDIT PLAN 2011/12**

Members considered a report that provided them with the opportunity to review and comment on the Internal Audit Plan for 2011/12. The plan was based on the five year Audit Plan 2010/11 to 2014/15 which had been accepted by the Audit Committee in April 2010.

During the discussion, the following points were raised:

**RDPE Local Action Groups:** The Group was informed that whilst the Local Action Groups had now been suspended, at least 92% of their funding had been committed which meant that the auditing work was at its peak, as each claim had to undergo the same auditing processes, regardless of the value of the claim. The Internal Audit Manager informed that if officers overspent on this work, in terms of days allocated, they would consult with the committee with regards to where time could be reallocated.

The issue of the shortfall in reimbursement for the auditing work was discussed and it was noted that a recommendation by the Prosperity Policy Development Group (minute PPDG.17/10 refers) was that the Business Support Officer be asked to request from Devon Renaissance full reimbursement of the costs to the authority to undertake the audit work for the LAGs. This recommendation was subsequently endorsed by the Executive at its 7 April 2011 meeting (minute E.106/10(a) refers). The Internal Audit Manager proceeded to emphasise that the report that had been presented to the PPDG had aimed to highlight the value to the Community that the funding had provided.

It was then:-

### **RESOLVED**

That the Internal Audit Plan 2011/12 and the linked 2011/12 Computer Audit Plan have been reviewed and commented upon.

#### **A.41/10      PROGRESS AGAINST THE 2010/11 INTERNAL AUDIT PLAN**

The Internal Audit Manager presented a report which informed Members of the principal findings of the Internal Audit Section of Financial Services for 2010/11 to 28 February 2011.

During the discussion, the following points were raised:

**Amendments to the Plan:** Two days only of the current plan had been used for the Single Status audit, and fifty two days had been added for the RDPE Grant work as the planned Elections or Shared Services audits had been carried forward into the forthcoming 2011/12 plan.

**Elections:** Members were informed that internal audit of elections looked at, for example, such processes as the way staff were recruited for polling and vote counting duties and the expenditure of polling station room hire and where they were also required under law to provide the Returning Officer with any resources necessary for him/her to fulfil their duties.

In light of the Committee wishing to then discuss elements of the exempt appendices, it was then:-

**RESOLVED**

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following items of business in order to avoid the likely disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

Members then discussed the exempt appendices, which had been presented as part of the report, and the Internal Audit Manager responded to a number of queries that were raised.

It was then:-

**RESOLVED**

That the public and press be readmitted.

It was then:-

**RESOLVED**

That the progress made against the plan has been considered and commented upon.

A.42/10

**RISK MANAGEMENT QUARTERLY REVIEW**

The Risk and Health and Safety Advisor presented a quarterly report that updated Members on risk management activity.

The officer specifically updated Members on:-

**The Risk Management Strategy:** He informed that a full review of the strategy was being undertaken and that it was intended that a Joint Strategy with West Devon Borough Council be produced. This would be completed on the conclusion of the senior management review.

**Risk Assessment Matrix:** The matrix had been revised into a 5 x 5 matrix and action was being taken to update the register with actions that had arisen during the transition process. Alignment of the registers of the two Councils was also being progressed. Members were informed that changing to the 5 x 5 matrix would assist the alignment of the two risk registers.

**Business Continuity:** A national emergency flooding exercise had been undertaken in March 2011 conducted by Defra and the Welsh Assembly Government. The Council ran a table top exercise in March 2011 to test elements of the business continuity plan which involved a flood at the Totnes Depot. The results highlighted that the site would be rendered unusable. As a result, the plan would be re written.

It was then:-

**RESOLVED**

That the progress made on risk management be noted.

In concluding the meeting, the Chairman thanked all the Members for their involvement in the Committee during the past year. Furthermore, as it would be his last public meeting as a District Councillor, Cllr Croad also wished to express his thanks to colleagues and staff for the support he had been given throughout his time serving as an elected South Hams District Council Member.

(Meeting commenced at 10.00 a.m. and concluded at 11.15 a.m.)

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Chairman



**MINUTES OF A JOINT MEETING OF THE AUDIT AND STANDARDS COMMITTEES  
HELD AT FOLLATON HOUSE, TOTNES ON TUESDAY, 5 APRIL 2011**

**MEMBERS**

\* Cllr J T Pennington - Chairman

* Mr R Allison	* Mr P Dredge
* Cllr B F Cane	* Mr S Dunham
* Cllr B E Carson	∅ Cllr M Hannaford
* Cllr P Coulson	∅ Mr J O'Connell
∅ Mr C Cox	* Cllr J A Westacott
∅ Cllr R F Croad	* Mr M Winterton

\* Denotes attendance

∅ Denotes apology for absence

Officers in attendance:

All Agenda Items: Internal Audit Manager, Monitoring Officer and Member Support  
Services Manager

Also in attendance:

Cllr M J Hicks

A.43/10 & **APPOINTMENT OF CHAIRMAN**  
S.36/10

**RESOLVED**

That Cllr J T Pennington be appointed Chairman for the duration of the meeting.

A.44/10 & **DECLARATIONS OF INTEREST**  
S.37/10

Members were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

A.45/10 & **CODE OF CORPORATE GOVERNANCE 2010/11 – COMPLIANCE**  
S.38/10 **REVIEW**

Consideration was given to a report which informed Members of the results of the compliance review of the Code of Corporate Governance. The report found that the result of the compliance review was considered to be generally satisfactory.

The report stated that overall responsibility for Governance rested with the Council, but monitoring of compliance with the Code was carried out on its behalf by the S151 Officer, Monitoring Officer and Internal Audit Manager, who reported annually to the Audit and Standards Committees.

In discussion, reference was made to:-

- (a) the fundamental importance of the Medium Term Resource Strategy;
- (b) the current shared working arrangements with Teignbridge District Council (TDC). In reply to a question, it was confirmed that whilst TDC was not a partner in terms of the current senior management review, there were still some shared working arrangements in place between the two authorities (e.g. a shared Procurement Officer and elements of the tourism and building control services);
- (c) assurances that the Member/Officer protocol had been adopted and was integrated into the Council Constitution;
- (d) the need to recognise the governance risks associated with the senior management review. A Member commented that, in governance terms, the Council was entering a particularly complicated and hazardous period. It was the perception of the Member that there was an insufficient understanding of the risks associated of sharing services between two different local authorities. Whilst acknowledging the current financial pressures, it was felt critical for Members to be aware that there were significant risks involved in the process.

The Member proceeded to inform that the Scheme of Delegation would need to be revised rapidly and it was his belief that there was currently a lack of information on the management of the risk process. The Member therefore considered it incumbent upon the Audit and Standards Committees to highlight this matter. As a consequence, the following addition to both recommendations was **PROPOSED** and **SECONDED**:

*‘That, jointly, the Committees share reservations regarding the associated risks in respect of the revised management arrangements and wish for this concern to be reflected in the Annual Governance Statement (AGS).’*

When put to the vote, this addition was declared **CARRIED** by both Committees. Whilst supporting this addition, Members did also wish to emphasise that they were not seeking to condemn the process and in accepting the very sound reasoning behind the review, it was nonetheless felt important to recognise the associated risks;

- (e) Development Management (DM) Training. The importance of regular DM Training for Members was emphasised. In reply to a question, it was also confirmed that three Members had been prevented from taking part in the planning process during 2010/11 due to their failure to attend the required amount of training;
- (f) the disbanding of the Scrutiny Shadowing role;
- (g) the Community Engagement Strategy being scheduled for consideration at the next Executive meeting on 7 April 2011;
- (h) child protection. For clarity, it was noted that whilst the Council did not have direct responsibility for Child Protection issues, it still had a duty to ensure that it was not undertaking any functions or activities which could affect their vulnerability;
- (i) the impact of the Localism Bill. Officers advised the Committees that the CIPFA guidance was likely to be amended to reflect any relevant legislative changes arising from the adoption of the Localism Bill.

In respect of the Audit Committee only, it was then:

**RESOLVED**

That the Audit Committee note the findings of the Compliance Review of the Council's Code of Corporate Governance 2009, and significant governance issues to be taken to the 2010/11 Annual Governance Statement.

In respect of the Standards Committee only, it was then:

**RESOLVED**

That the Standards Committee note the findings of the Compliance Review of the Council's Code of Corporate Governance 2009, the significant governance issues to be taken to the 2010/11 Annual Governance Statement and grants its approval to the action plan.

In respect of both Committees, it was also then:

**RESOLVED**

That, jointly, the Committees share reservations regarding the associated risks in respect of the revised management arrangements and wish for this concern to be reflected in the Annual Governance Statement.

A.46/10 & **CHAIRMAN'S CONCLUDING REMARKS**  
S.39/10

Since this was to be the last meeting of the two Committees before the local elections, the Chairman concluded the meeting by thanking all Members and officers for their commitment and diligence during their respective terms of office.

(Meeting commenced at 2.00 pm and concluded at 3.15 pm)

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Chairman