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SOUTH HAMS AUDIT COMMITTEE - THURSDAY, 13TH JUNE, 2013

Agenda, Reports and Minutes for the meeting

Agenda No Item

1. **Agenda Letter** (Pages 1 - 2)

2. **Reports**

Reports to Audit:

- a) Item 5 - Review of the Effectiveness of the System of Internal Audit 2012/13 (Pages 3 - 12)
- b) Item 6 - Internal Audit - Annual Report and Opinion on the Adequacy of Internal Control 2012/13 (Pages 13 - 42)
- c) Item 7 - Code of Corporate Governance - 2012/13 Compliance Review (Pages 43 - 82)

3. **Minutes** (Pages 83 - 88)

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Agenda Item 1

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

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

Our Ref: CS/JD

cc: Cllr S Wright (Lead Executive Member)
Remainder of the Council;
Usual press and officer circulation.

5 June 2013

Dear Councillor

A meeting of the **Audit Committee** will be held in the **Cary Room**, Follaton House, Plymouth Road, Totnes on **Thursday, 13 June 2013 at 2.00 p.m.** when your attendance is requested.

Yours sincerely

Jo Doney
Member Services Officer

<p>FOR ANY QUERIES ON THIS AGENDA PLEASE CONTACT JO DONEY MEMBER SUPPORT OFFICER ON DIRECT LINE 01803 861466</p>

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 11 April 2013 (pages 1 to 7);
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 disclosable pecuniary interests, including the nature and extent of such interests, they may have in any items to be considered at this meeting;
5. **Review of the Effectiveness of the System of Internal Audit 2012/13** - to consider a report that provides Members with assurance that the system of Internal Audit is in place and effective (pages 8 to 16);

6. **Internal Audit – Annual Report and Opinion on the Adequacy of Internal Control 2012/13** - to consider a report that summarises and informs Members of the principle activities of the Internal Audit Section of Finance and Audit during 2012/13 (pages 17 to 45);
7. **Code of Corporate Governance – 2012/13 Compliance Review** – to consider a report that informs Members of the results of the 2012/13 compliance review of the 2011 Code of Corporate Governance (pages 46 to 84).

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 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

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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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AGENDA
ITEM

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SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

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NAME OF COMMITTEE	Audit Committee
DATE	13 June 2013
REPORT TITLE	REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT - 2012/13
Report of	Chief Internal Auditor
WARDS AFFECTED	All/Corporate

Summary of report:

The purpose of this report is to provide members with assurance that the System of Internal Audit is in place and effective.

Its intention is to demonstrate that the Council's internal audit section continues to reach the standards set out in the Chartered Institute of Public Finance's (CIPFA) Code of Practice for Internal Audit in Local Government enabling the external auditor to gain assurance from the work of the section, and that the service provided to clients continues to be well received.

The internal audit section also continues to work with its partners, West Devon as a shared internal audit service and collaboration with Teignbridge, and review its own processes to ensure that the improvements of recent years are maintained in the future.

This review also aims to demonstrate that the wider System of Internal Audit is effective and therefore contributes to the assurance provided by the Chief Internal Auditor's 'Opinion on the Adequacy of Internal Control', which is provided in a separate Internal Audit annual report presented to this Committee.

Financial implications:

There are no direct financial implications of the monitoring of the Internal Audit service. The internal audit costs for the year are as budgeted.

RECOMMENDATIONS:

It is recommended that members note the findings of the Review of the Effectiveness of the System of Internal Audit set out in this report.

Officer contact: Allan Goodman, Chief Internal Auditor: 01803 861375
allan.goodman@swdevon.gov.uk

Background

1.1 The **Terms of Reference** for Internal Audit were presented to the Audit Committee in April 2010 and updated at the April 2012 Audit Committee (Minute reference A.36/11). They 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 2012 (Minute reference A.36/11 refers) and covers:

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

Review of the Effectiveness of the System of Internal Audit

2.1 The process to produce the Annual Governance Statement requires the Council through the Chief Internal Auditor to review the effectiveness of the system of internal audit covering:

- Compliance with the standards set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government 2006;
- Effectiveness of the Audit Committee;
- Assurance provided to the external auditor by Internal Audit;
- Client and management opinion; and
- Extent to which IA adds value and helps delivery of corporate objectives.

2.2 The Annual Governance Statement will be presented to the Audit Committee at the meeting of 18th July 2013.

Compliance with the CIPFA Code of Practice for Internal Audit 2006

2.3 The Chief Internal Auditor carried out a self assessment of the Council's internal audit service against a schedule summarising the CIPFA Code kindly supplied by our internal audit colleagues at Teignbridge District Council as part of the collaboration between the teams.

- 2.4 The results were satisfactory with no significant issue arising, which was expected given that a similar assessment was made each year since the end of 2007/08 and the gaps identified closed. The audit process and key documents were changed at that time to reflect the findings and requirements of the 2006 Code of Practice.
- 2.5 CIPFA have produced an Application Note for the United Kingdom Public Sector Internal Audit Standards in April 2013, which will be reflected in the sections procedures for 2013/14.

Effectiveness of the Audit Committee

- 2.6 The Audit Committee met in a 'workshop' forum in June 2012 (and has done so for a number of years prior to that) to consider a number of issues and carry out a self assessment of the effectiveness of the Audit Committee.
- 2.7 The assessment was based on a schedule from the CIPFA document 'Audit Committees: Practical Guidance for Local Authorities' and the result was satisfactory. A review of the resolutions made during the year and the actions taken as a result is also a typical agenda item.
- 2.8 A further 'workshop' is planned for June 2013 although at the date of writing this report the final details have not been completed. Among the Agenda items will be a review of the Audit Committee year past and consideration of the CIPFA Better Governance Forum document 'Audit Committee Update - helping audit committees to be effective'.
- 2.9 However, there is no reason to believe that the Effectiveness of the Audit Committee has diminished during 2012/13.

External Audit - Assurance Provided by Internal Audit

- 2.10 Grant Thornton, the Council's external auditor, in their Audit Plan for South Hams District Council for 2012/13, which was presented to the April 2013 Audit Committee said:

'We have reviewed internal audit's overall arrangements. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.

Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council. We will continue to review the findings of internal audit to inform our audit planning'.

Client and Management Opinion

- 2.11 For some years the audit team have issued a satisfaction survey electronically to the main client officers with the final audit report for each of the audits that we undertake. Completion and return is encouraged but is discretionary.
- 2.12 Satisfaction surveys received for 2012/13 continue to be satisfactory, with 100% of the 14 responses (98.6% from 6 at West Devon) marking us good or excellent (100% in 2011/12 from 13 returned) for the sub criteria under Audit Planning, Quality of Audit Report and Communication as shown in table 1:

Table 1: 2012/13 Satisfaction Survey Results.

Survey Criterion	Excellent	Good	Total 2012/13	Target	Total 2011/12
	%	%	%	%	%
Audit Planning - Consultation; Objectives.	59.5	40.5	100	90	100
Quality of Audit Report Clarity; Accuracy; Value; Presentation.	69.6	30.4	100	90	100
Communication Feedback; Helpfulness; Professionalism; Timeliness.	94.3	5.7	100	90	100
Overall %	77.4	22.6	100	90	100

There were no 'poor' markings and positive comments were made by 4 managers, which included the following:

- *'The auditor really listened to what I had to say and my thoughts in relation to the developments that were necessary to take the service forward. Not only that but she gave useful insights in to what had happened previously, which helped me to understand how the service had developed to where it currently is. She also made useful suggestions as to the ways in which certain aspects could be tackled which then formed the basis of a certain number of the developments for the future. She had a realistic view of what could be achieved with limited resources and did not set any deadlines that cannot, in theory, be met;*
- *'This audit and the last audit helped me immensely in setting up effective systems. The auditors are always pleasant and extremely helpful ';*
- *'I find that the audit team are very approachable/helpful and I have no hesitation in asking for their advice on anything I am concerned about' and*
- *'Another useful audit'.*

There were no negative comments made.

- 2.13 We continue to learn from any comments made and are ensuring that, wherever possible, we take on board suggestions for improvement.

Extent to which Internal Audit adds value and helps delivery of corporate objectives

- 2.14 The customer survey results and comments help to demonstrate that Internal Audit adds value.

2.15 The Audit Plan for 2012/13 (Appendix A of the 'Annual Report and Opinion' presented separately to this Committee) is linked to the Council's Priorities and Heads of Service/service managers are invited to express areas of concern to the auditor at the commencement of each audit. Wherever possible these areas are included in the audit work of undertaken.

Internal Audit's Performance Indicators

3.1 The Internal Audit Strategy 2012/13 (April 2012 Audit Committee) sets out the performance indicators to be recorded.

Audit Reports Issued

3.2 The number of audit reports issued in 2012/13 were as follows:

Table 2: Number of audit reports issued in the past 5 years.

Audit Year	Number of Reports by Type			Annual Total
	Major Systems	Other systems/ Establishments	External Bodies	
2012/13	9	30	0	39
2011/12	9	22	2	33
2010/11	9	24	1	34
2009/10	9	30	1	40
2008/09	9	40	1	50

The total number of reports for SHDC fell in 2011/12 due to the provision of the shared service to West Devon as reported to the Audit Committee in the audit plans in April 2010 and 2011. The external bodies column does not include the shared service with WDBC

3.3 We are continuing to be alert to development in the profession of meaningful targets for the section, and monitor our performance against them and always seek to benchmark key indicators with other Devon internal audit teams whenever possible.

Other Indicators

3.4 Timeliness is an important element of audit reporting, and therefore we monitor against two targets for this:

- The timely issue of draft audit reports: within 10 working days of completing the audit work;
- The timely issue of finalised audit reports: within 10 working days of completing discussions on the draft report, and completing the action plan on recommendations.

3.5 We are also monitoring the % of the audit plan that is completed during the year. Completion is influenced mainly by the level of unplanned work carried out in the year, for which some contingency time is planned. The following table shows that Internal Audit is meeting its targets, as set out below:

Performance Indicators	Target	2012/13	2011/12
% of Audit Plan completed, against target for South Hams	90%	99%	95%
% of Audit Plan completed, against target for West Devon	100%	100%	100%
Overall % of Audit Plan completed	90%	99%	96%

Performance Indicators (Cont.)	Target	2012/13	2011/12
Timeliness of reports:			
% of draft reports issued within 10 working days of the audit completion	100%	100%	100%
% of final reports issued within 10 working days of discussion on the draft	100%	100%	100%
External Audit			
Assurance provided to the Council's external auditor	Yes	Yes	Yes
Costs			
Direct cost of provision of service with oncosts/recharges (Gross)	-	£111.9k*	£106.2k*
Oncosts added to the above e.g. use of the building, ICT etc.	-	£15.7k	£17.4k
Recharges/income	-	(£36.7k)**	(£37.0k)**
Net cost of the service	£100.5k	£90.9k	£86.6k
Average cost per audit day:			
Average cost per audit day: Direct costs (without oncosts/recharges) and based on available days.	-	£180	£176
Average cost per audit day: direct costs with oncosts but not recharges.	-	£212	£205
Follow Up			
Percentage of audit reports where the agreed recommendations were satisfactorily actioned i.e. Implemented/Mainly implemented.	90%	80%***	82%***

* above: direct cost increase due to the European Grants Officer/Auditor being charged to Internal Audit budget at 50% for 2011/12, and in full for 2012/13. As a result, the 2011/12 cost per day has been restated when compared with the equivalent report last year to ensure consistency of calculation.

** above: includes income from West Devon of £27.0k, LAG recharge at £9.7k.

*** above: main reason cited for non implementation was the change in responsibilities following senior and middle manager reviews, and the impact of process change/new software.

Resources and Skills

3.6 An allowance of 18 sickness days was originally planned for 2012/13, with 15 days actually being used (9 days 2011/12), and 3 days Carers Leave also granted in line with the policy (1 day 2011/12).

3.7 Training provided (9.5 days used) to members of the team during the year included:

Chief Internal Auditor

- Assessing Corporate Governance Effectiveness (IIA Bristol);
- Achieving Success in Challenging Times (IIA Exeter);
- Middle Manager Development Programme (internal) – modules on Corporate Services (Constitution etc); Managing Attendance and Managing Change; and Customer Focus.
- Localisation of Council Tax (LG Futures, Totnes).

Senior Auditor:

- Achieving Success in Challenging Times (IIA Exeter);
- Excel 2007 Advanced (E Academy);
- RIPA Policy and Procedures (internal).

Auditor:

- Microsoft Outlook (E Academy); and
- Localisation of Council Tax (LG Futures, Totnes).

Shared Services West Devon Borough and Teignbridge District Councils

West Devon Borough Council

- 4.1 The third year of the provision of an internal audit service to West Devon Borough Council (WDBC) has been completed, 2012/13..
- 4.2 The work and findings have been reported to the WDBC Audit Committee using a similar suite of reports and with the same frequency as those received by the SHDC Audit Committee.
- 4.3 The relevant charges have been paid by WDBC.
- 4.4 It is intended that Members of both Council's Audit Committees will attend separate workshops planned for in June 2013, with a proposal for joint meeting on issues that affect both Committees later in the year.

Teignbridge District Council

- 4.5 The Audit Committee has been provided with frequent updates on the progress of the Shared Service arrangement with our Internal Audit colleagues at Teignbridge District Council following the decision of the Joint Steering Group (JSG) in June 2008.
- 4.6 The decision has never been rescinded and so the arrangement continues, to the benefit of both teams. The majority of the proposals for the extended internal audit collaboration have been completed or are continuing and include sharing of information, audit programmes, best practice, attending and feeding back on seminars etc.

- 4.7 The most significant arrangement is the mutual assurance of the highest priority work at both Councils with the approval of the Chairmen of the Audit Committees. This arrangement has not been required to date but remains a safeguard.

5. LEGAL IMPLICATIONS

- 5.1 Required under the Local Government Finance Act 1972 and subsequent Accounts and Audit Regulations – the latest being 2003, 2006, and 2011.

6. FINANCIAL IMPLICATIONS

- 6.1 Within existing budgets. The costs of the service are highlighted at paragraph 3.5 above.

7. RISK MANAGEMENT

- 7.1 The risk management implications follow after the table of other considerations:

Other Considerations:

Corporate priorities engaged:	All/Corporate
Statutory powers:	Local Government Finance Act 1972 Accounts and Audit Regulations 2003, 2006, 2011
Considerations of equality and human rights:	No specific equality and human rights issues arising from this report.
Biodiversity considerations:	No specific biodiversity issues arising from this report.
Sustainability considerations:	No specific sustainability issues arising from this report.
Crime and disorder implications:	No specific crime and disorder issues arising from this report.
Background papers:	CIPFA Code of Practice for Internal Audit in Local Government 2006; SHDC 5-year Audit Plan 2010/11 to 2015/16. Internal Audit Plan 2012/13 and Strategy (April 2012 Audit Committee); Internal Audit Terms of Reference(April 2010 and 2012 Audit Committees); Progress against the Internal Audit Plan reports to the Audit Committees of – September 2012, January 2013, and April 2013.
Appendices attached:	None

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	Failure of the System of Internal Audit	The Council's Annual Governance Statement cannot be signed if the System of Internal Audit fails.	3	2	6	↔	<p>An annual Internal Audit Strategy reviewed by the Audit Committee at the beginning of each financial year sets out how the audit plan is to be delivered.</p> <p>A risk based Internal Audit plan is reviewed by senior managers and members, and updated to reflect emerging as appropriate through the year. The plan is linked to the Council's objectives and risks to these objectives.</p> <p>The Internal Audit approach adheres to the appropriate professional standards set by CIPFA.</p> <p>Regular monitoring of performance of Internal Audit is carried out by the S.151 Officer and the Audit Committee.</p> <p>Liaison with the external auditors ensures that duplication of scarce audit resources is avoided and that they are able to gain assurance on internal audit's work.</p> <p>Liaison with Heads of Service and managers ensures Internal Audit adds value.</p> <p>The Audit Committee reviews its effectiveness annually.</p>	S.151 Officer; Chief Internal Auditor; Audit Committee Chairman.

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NAME OF COMMITTEE	Audit Committee
DATE	13 June 2013
REPORT TITLE	INTERNAL AUDIT – ANNUAL REPORT and OPINION ON THE ADEQUACY OF INTERNAL CONTROL 2012/13
Report of	Chief Internal Auditor
WARDS AFFECTED	All/Corporate

Summary of report:

The purpose of this report is to summarise and inform members of the principal activities of the Internal Audit section of Finance & Audit during 2012/13, by:

- Showing the progress made by the section against the 2012/13 audit plan reviewed by members in April 2012;
- Providing an Opinion on the adequacy of the Council’s control environment;
- Outlining any significant findings and the action taken by managers to address the recommendations; and
- Providing a summary of the main issues raised by individual audits.

The report links with the separate report to this Committee on the Effectiveness of the System of Internal Audit, and the three previous quarterly reports for 2012/13 on progress against the audit plan.

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

It is recommended that the Audit Committee note this report and the Chief Internal Auditor’s Opinion on the Adequacy of Internal Control.

Officer contact:

Allan Goodman, Chief Internal Auditor
 Email: allan.goodman@southhams.gov.uk
 Telephone: 01803 861375

1. BACKGROUND

- 1.1 The Terms of Reference for Internal Audit were presented to the Audit Committee in April 2012 (Minute reference A.36/11) 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 2012/13 and was approved by the Audit Committee in April 2012 (Minute reference A.36/11 refers) and covers:

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

Annual Governance Statement (AGS)

- 1.3 As part of the system required to allow the AGS to be signed by the most senior member and officer of the Council, reviewed by the Audit Committee (separate report to the Audit Committee of 18th July 2013) and approved by the Council, the head of internal audit must include an opinion of the adequacy and effectiveness of the control environment.
- 1.4 Details of any weaknesses that qualify this opinion and issues relevant to the preparation of the AGS must also be disclosed.
- 1.5 An annual Review of the Effectiveness of the System of Internal Audit must also support this Opinion. The Effectiveness of the System of Internal Audit has been reviewed and reported to this Committee under separate cover. The satisfactory result provides assurance for the Chief Internal Auditor's Opinion.

Chief Internal Auditor's Opinion on the Adequacy of Internal Control

- 1. The Chief Internal Auditor has concluded that the Council's overall control environment is adequate and effective for the purposes of the 2012/13 Annual Governance Statement.**
- 2. This opinion is based on the work done and opinions as set out in Appendix A, further details of which are included in Appendices B, C, and D of this report.**
3. Appendix A shows that of 39 reports issued carrying an Opinion: **2** were graded **Excellent**; **29 Good**, **8 Fair** and **0 Poor**.

2. PROVISION OF INTERNAL AUDIT AND PROGRESS – 2012/13

Audit Plan 2012/13

- 2.1 The 2012/13 audit plan (Appendix A) was presented and accepted by the Audit Committee at their meeting of April 2012 (A.37/11 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 was one minor amendment to the 2012/13 audit plan, with an extra 5 days used at West Devon (recharged accordingly) instead of the service provided to Dartmouth Town Council.
- 2.4 As reflected in the report to this Committee on the effectiveness of the system of internal audit, 99% of the overall audit plan (100% at West Devon, 99% South Hams) has been completed, with only Risk Management carried forward to the 2013/14 audit plan (April 2013 Audit Committee).

Progress against the Plan

- 2.5 The 2012/13 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.
- 2.6 **Appendix B** provides a summary of the main issues raised for all of the audits where a final audit report has been issued. In addition, the Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.
- 2.7 **Appendix C** 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.

Other Related Reviews

- 2.8 **Appendix D** provides a summary of other related work carried out by Grant Thornton on behalf of the Council, and which contributes to the assurance provided to the Council in the areas reviewed: Employment Tax (PAYE) and Value Added Tax (VAT).

Non Compliance with Contract or Financial Procedure Rules

2.9 There are no significant issues to bring to the attention of the Committee for 2012/13.

Fraud, Corruption or Bribery and Whistle Blowing

2.10 No actual, suspected or allegations of fraud, corruption or bribery have been identified during 2012/13, outside of benefit fraud. The Council informed the Audit Commission in their annual fraud survey that for 2012/13 there were 24 cases of benefit fraud. Four of these cases were prosecuted.

2.11 We are unaware of any whistle blowing reports in 2012/13.

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 follow this table :

Corporate priorities engaged:	All/Corporate
Statutory powers:	Accounts and Audit Regulations 2011
Considerations of equality and human rights:	There are no specific equality and human rights issues arising from this report.
Biodiversity considerations:	There are no specific biodiversity issues arising from this report.
Sustainability considerations:	There are no specific sustainability issues arising from this report.
Crime and disorder implications:	There are no specific crime and disorder issues arising from this report.
Background papers:	CIPFA Code of Practice for Internal Audit in Local Government 2006; SHDC 5-year Audit Plan 2010/11 to 2015/16.
Appendices attached:	Appendix A: Audit Plan 2012/13 – Final Position Exempt Appendix B: Planned Audit 2012/13 – Final Reports: Summary of Results Exempt Appendix C: Unplanned Audit 2012/13 Exempt Appendix D: Summary of Grant Thornton PAYE & VAT audits.

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	Opportunity of Make the Best Use of Scarce Audit Resource	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.	-	-	-	↔	A risk based audit plan directs scarce audit resources towards areas of high risk to the Council.	Chief Internal Auditor
2	Inappropriate Use of Scarce Audit Resource	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.	2	2	4	↔	Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year.	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	Links with External Audit	The external auditor gaining no assurance from 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.	2	2	4	↔	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.	Chief Internal Auditor
4	Assurance for the Annual Governance Statement	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.	2	2	4	↔	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 without fail.	Chief Internal Auditor

Direction of travel symbols ↓ ↑ ↔

Progress Against the 2012/13 Internal Audit Plan

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	13	■	■	■	■		■			Summary to Audit Committee - June 2013
Creditor Payments	11	■	■	■	■		■			Summary to Audit Committee - June 2013
Payroll	10	■	■	■	■		■			Summary to Audit Committee - June 2013
Council Tax	14	■	■	■	■			■		Summary to Audit Committee - April 2013
Business Rates (NDR)	12	■	■	■	■			■		Summary to Audit Committee - April 2013
Benefits	20	■	■	■	■		■			Summary to Audit Committee - June 2013
Debtors	10	■	■	■	■		■			Summary to Audit Committee - June 2013
Treasury Management	7	■	■	■	■	■				Summary to Audit Committee - June 2013
Capital Expenditure	8	■	■	■	■		■			Summary to Audit Committee - June 2013
Fundamental Systems	105									
Galcombe Harbour	10	■	■	■	■		■			Summary to Audit Committee - April 2013
Dartmouth Lower Ferry	9	■	■	■	■		■			Summary to Audit Committee - January 2013
Street Scene - Car and Boat Parking	9	■					■			Summary to Audit Committee - June 2013
Private Sector Housing Renewal	8	■	■	■	■		■			Summary to Audit Committee - January 2013
Data Quality & Performance Indicators	5	■	■	■	■			■		Summary to Audit Committee - April 2013
Email Monitoring	4	■	■	■	■		■			Summary to Audit Committee - January 2013
Internet Monitoring	4	■	■	■	■		■			Summary to Audit Committee - January 2013
Computer Audit	26	-	-	-	-	-	-	-	-	See detailed table at the end of this Appendix.
Grants - RDPE Rural Community LAGs	50	63 days used	-	-	-	-	-	-	-	120 Project claims audited; plus 49 Management & Admin invoices.

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Progress Against the 2012/13 Internal Audit Plan

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	5 days used	-	-	-	-	-	-	-	
Contingency (Unplanned)	55	57 days used	-	-	-	-	-	-	-	
Corporate Governance	8	■	■	■	■	-	-	-	-	Presented to June 2013 Audit Committee under separate cover.
Exemptions to Contract or Financial Procedure Rules	5	2.5 days used	-	-	-	-	-	-	-	12 Exemption applications received and processed April 2012 to March 2013.
System of Internal Control (SIC) & Annual Governance Statement (AGS)	5	■	■	■	■		■			AGS recommended to the Council for approval following report to the Audit Committee - July 2012. AGS published September 2012. Audit report summary to Audit Committee - September 2012
Risk Management / Business Continuity	5	C/Fwd	-	-	-	-	-	-	-	Carried forward to 2013/14 plan, Quarter 1.
West Devon Borough Council	95 + 5	121 days used	-	-	-	-	-	-	-	Separate report to WDBC Audit Committee ##
<i>Dartmouth Town Council</i>	5 - 5	X	X	X	X	X	X	X	X	<i>Arrangement ended by Town Council.</i>
Other Essential	307									
Community Parks and Open Spaces	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Building Maintenance	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Print Room	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Health and Safety at Work	9	■	■				■			Summary to Audit Committee - June 2013
Pannier Markets	9	■	■	■	■			■		Summary to Audit Committee - January 2013
Insurance	9	■	■	■	■			■		Summary to Audit Committee - April 2013
Complaints System	5	■	■	■	■			■		Summary to Audit Committee - September 2012
Building Control	5	■	■	■	■		■			Summary to Audit Committee - January 2013
Capital Receipts & Grants	5	■	■	■	■		■			Summary to Audit Committee - April 2013

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Progress Against the 2012/13 Internal Audit Plan

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	
Inventories	3	■	■	■	■		■			Summary to Audit Committee - April 2013
Procurement	10	■	■	■	■		■			Summary to Audit Committee - June 2013
Schemes with Other Organisations	9	■	■	■	■		■			Summary to Audit Committee - January 2013
Land Charges including Street Naming	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Major Developments (including Sherford)	6	■	■				■			Summary to Audit Committee - January 2013
Advice to Information Compliance/Other Groups	3	2 days used	-	-	-	-	-	-	-	
Asset Management	7	■	■				■			Summary to Audit Committee - June 2013
Corporate Management Cost Centre	6	■	■	■	■	■				Summary to Audit Committee - January 2013
Shared Services	5	■	■	■	■		■			Summary to Audit Committee - January 2013 13.9 days used also includes 2015 Project Management; visit to Vale of White Horse D.C. and drafting Financial Procedure Rules.
Other	127									
Audit Administration	20	15 days used	-	-	-	-	-	-	-	
Audit Management, including Audit Planning	20	17 days used	-	-	-	-	-	-	-	
Audit Monitoring against the Plan, including Reports to Management and Audit Committee	15	13 days used	-	-	-	-	-	-	-	
Training	10	9.5 days used	-	-	-	-	-	-	-	
Miscellaneous e.g. Financial Procedure Rules	5	2 days used	-	-	-	-	-	-	-	
Overheads - total	70	56.5 days used								
Overall Total	601									

Progress Against the 2012/13 Internal Audit Plan

APPENDIX A

Included above:										
Installation & Healthcheck	7	■	■	■	■		■			Summary to Audit Committee - June 2013
Departmental IT/Cost Effectiveness	7	■	■	■	■		■			Summary to Audit Committee - June 2013
Project Management and Systems Development	8	■	■	■	■		■			Summary to Audit Committee - June 2013
Other Reviews	4	-	-	-	-	-	-	-	-	Planned as advice re 2015 Transformation Programme – used for part of 9 day secondment to new Website Project.
Computer Audit	26									

Planned Audit 2011/12 and 2012/13 – Final Reports Issued

The following tables provide a summary of the **audit opinion** and main issues raised in the reports issued to managers.
In all cases (unless stated) an action plan has been agreed to address these issues.

Opinion Definitions

Excellent

The areas reviewed were found to be well controlled; internal controls are in place and operating effectively. Risks against the achievement of objectives are well managed.

Good

The majority of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified.

Fair

There is a control framework in place, but some of the areas reviewed were not found to be adequately controlled. In these areas risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives.

Poor

Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.

Planned Audit 2011/12 – Final Reports Issued

September 2012 Audit Committee

Print Room Issued 26.07.2012 **Good**

Community Parks and Open Spaces Issued 30.07.2012 **Good**

Building Maintenance Issued 02.08.2012 **Good**

Complaints and Compliments System Issued 09.08.2012 **Fair (0 high priority recommendations)**

Land Charges including Street Naming Issued 13.08.2012 **Good**

Planned Audit 2012/13 – Final Reports Issued (continued)

September 2012 Audit Committee (continued)

System of Internal Control and Annual Governance Statement Issued 13.08.2012 **Good**

January 2013 Audit Committee

Major Developments - Sherford Issued 06.09.2012 **Good**

Schemes with Other Organisations Issued 27.09.2012 **Good**

Shared Services Issued 04.10.2012 **Good**

Use of Internet and Email Issued 09.10.2012 **Good**

Corporate Management Cost Centre Issued 11.10.2012 **Excellent**

Pannier Markets Issued 12.10.2012 **Fair**

Travel and Subsistence (Follow Up) Issued 26.09.2012 **Good**

Building Control Issued 30.10.2012 **Good**

Leisure Client (Follow Up) Issued 08.10.2012 **Fair**

Payroll (Follow Up) Issued 26.09.2012 **Good**

Dartmouth Lower Ferry Issued 30.10.2012 **Good**

Private Sector Housing Renewal Issued 22.10.2012 **Good**

April 2013 Audit Committee

Salcombe Harbour Issued 12.12.2012 **Good**

Insurance Issued 13.12.2012 **Fair**

Data Quality and Performance Indicators Issued 13.12.2012 **Fair**

Capital Receipts and Grants Issued 22.01.2013 **Good**

Inventories Issued 23.01.2013 **Fair**

Non Domestic Rates (NDR) Issued 30.01.2013 **Fair**

Council Tax Issued 26.02.2013 **Fair**

Planned Audit 2012/13 – Final Reports Issued (continued)

June 2013 Audit Committee

Subject	Audit Findings	Management Response
Payroll Issued 08.03.2013 Page 25	Good The Payroll section is able to meet its objectives in providing accurate payments to staff in a timely manner. The key issues identified are: <ul style="list-style-type: none"> • Changes to pay and grading following pay and grading reviews are submitted to the relevant Strategic Director for approval but no formal record of this was held; • The Head of Corporate Services should consider the recommendations made in the Grant Thornton Employment Taxes Review report and make prompt amendments where appropriate 	Agreed, although confirmation is sought from the Strategic Director this will be supported by written confirmation. The Personnel Manager and Payroll Officer are working on the issues raised in the report and liaising with the Council's Chief Internal Auditor.
Treasury Management Issued 27.03.2013 Page 25	Excellent Our conclusion regarding the Treasury Management system is that controls are in place and operating over daily investments. All the investments that we sampled were in line with the Treasury Management policy and strategy.	Three minor issues were raised and an appropriate action plan agreed.
Health and Safety Issued 02.04.2013	Good Following the introduction of shared working between the two Councils, officers are working to provide a more unified set of procedures and policies for Health and Safety, However there are still a number of areas this could be improved, including: <ul style="list-style-type: none"> • A process or recording inspections, certificates and requirements for examination of health and safety and risk in one central location or system; • An updated joint record of guidance, procedures and policies shared across both authorities; • A central employee protection register or policy. 	Agreed, a process of including these records on Concerto, a central database of asset information, is underway. Agreed this is an area that needs updating. A number of policies and guidance are in draft and awaiting final approval and will be published on the intranet. Agreed, this is something the Council needs to consider and put into operation across all services.

Planned Audit 2012/13 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Benefits Issued 19.03.2013</p>	<p>Good The benefits system ensures that the right people are paid the right amount of benefit at the right time. However, there remain some outstanding issues that will further strengthen the controls over the management of Benefits, the most significant of which are:</p> <ul style="list-style-type: none"> • Claims are currently reviewed when a data match under the NFI or HBMS schemes give a result, or if a Benefits Assessor has cause to look at a claim and finds that it has not been reviewed for some time. There is no formal programme of review encompassing all claims; • Several instances of One Strike Loss of Benefit Notifications for Benefit fraud were found to have not been actioned; and • There are several areas in the management of fraud investigations where procedures could be strengthened, including introducing a procedure manual, reviewing work by the Fraud Team Leader, plus a number of administrative matters. <p>The recommendations have been made with regard for the changes to the benefits system which will be introduced from April 2013. However the issues raised remain applicable despite these changes.</p>	<p>The reporting tools on the Benefits software will be investigated with a view to producing a report which lists those claims where there has been no action or change of circumstances for twelve months and sending review forms out to these claimants. The Benefits Team Manager will ensure that procedures allow for One and Two Strike sanctions received from DWP to be actioned promptly Agreed, this includes a SHDC fraud hotline leading to an answer phone is to be publicised on the website, which Fraud staff can also dial into. An anonymous reporting form is also to be published, which will be returned directly to SHDC.</p>
<p>Main Accounting and Budgetary Control Issued 30.04.2013</p>	<p>Good There are no major issues to report relating to the main accounting system or budgetary control. However, a small number of minor issues were identified where controls could be improved, including: ensuring that access rights to the General Ledger remain appropriate and are promptly removed for leavers.</p>	<p>The Acting Head of Finance & Audit (MT) will arrange for access to be removed for those officers who no longer work for the Council, although the risk is mitigated by removal by ICT of the wider log in.</p>

Planned Audit 2012/13 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Capital Expenditure Issued 18.04.2013</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 27</p>	<p>Good</p> <p>The system for controlling capital expenditure is in place and operating satisfactorily.</p> <p>The key issues identified during the audit are:</p> <ul style="list-style-type: none"> • Relatively minor issues and reminders relating to construction project management, documentation and audit trails; • For one specific project, the need for either the Member approval to be revised as certain additional costs have been added that did not feature in the approval, or, the additional costs charged to the appropriate revenue budgets; and • For one area of capital expenditure, the approval had been exceeded but the position recovered through the intervention of the Capital Accountant. The service would benefit from reviewing the way it maintains its monitoring spreadsheets. 	<p>A summary checklist will be introduced, for use with each project, to readily demonstrate the actions taken at key stages.</p> <p>The Capital Expenditure is within the approval made by members and relates to the purchase of the software. The revenue credits have been transferred out of the capital code to the relevant revenue ledger codes.</p> <p>The spreadsheets have been reviewed to avoid a repeat of the situation.</p>
<p>Procurement Issued 24.04.2013</p>	<p>Good</p> <p>The systems in place for controlling and managing procurement are generally satisfactory.</p> <p>Contract Procedure Rules are in place to promote good procurement practice and public accountability and to deter corruption.</p> <p>A procurement strategy is in place, with template documents covering most basic stages of procurement, allowing officers to adapt these to individual tenders.</p> <p>There are also standard terms and conditions to be used with contracts. The documents are labelled as SHDC, but are in fact available to both SHDC and WDBC for use.</p> <p>However many of these documents are now aged and are due for review.</p>	<p>The present Corporate Procurement Officer had already intended to address many of the issues raised, but due to the short time in post has not yet had opportunity to action them. Therefore many of the audit recommendations support actions already planned.</p>

Planned Audit 2012/13 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
ICT – Department/Cost Effectiveness Issued 30.04.2013 Page 28	Good We were able to confirm that controls are in place and operating over procurement, financial management and outsourcing. There is no ICT Strategy in place. However we are aware that a strategy was drafted in late 2012 and presented to the Assets Programme Board as part of the Transformation 2015 programme. Senior managers in liaison with the Head of ICT & Customer Services decided that it was not effective to produce a final version of the ICT Strategy as it would almost certainly be superseded by the outcome of the service reviews planned to take place across the Councils in September 2013. Instead a series of key principles in relation to ICT purchases, as well as procedures for managing new ICT projects, were agreed.	Internal Audit are making no further recommendation in relation to this matter as both senior managers and member representatives were involved in the decision which is recorded in the Shared Services Joint Steering Group minutes.
Debtors Issued 07.05.2013	Good Controls remain in place to limit the level of outstanding debt held by the Council. However, there are areas where further work can be undertaken which include: <ul style="list-style-type: none"> • Ensuring departments raise their own debt promptly and reducing the duplication and possible delays in getting Corporate Finance to raise them on their behalf; • Updating the process and procedures in regard to recovery which is to include a more shared approach with West Devon Borough Council; • As part of the above review, a possible joint procurement of external Bailiff/Debt Collection services. 	We have identified this as an area that needs to be raised with Assets and a meeting is planned in May. The level of recovery has significantly improved with the introduction of a dedicated Sundry Debt Officer. The whole process of recovery is to be considered as part of the service review planned in the coming months.

Planned Audit 2012/13 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
Creditors Issued 07.05.2013 Page 29	Good Our conclusion is that the creditors system is fulfilling the purpose for which it is intended. Invoices presented to the creditors section have been promptly processed and input for payment. The main issues raised included: <ul style="list-style-type: none"> • The use of the electronic ordering system to process payment request vouchers (white vouchers) is now possible following a recent software upgrade and should be rolled out across the Council; and • Electronic payment methods are used these are not always supported by a valid invoice and VAT appropriately recovered. 	<p>As identified below there is currently an issue in ensuring that all electronic vouchers are supported by electronic records. This process will be reviewed, along with others, as part of the alignment of Financial Service procedures and processes across South Hams and West Devon Councils. The current procedure of using white payment vouchers remains adequate until this review has been completed.</p> <p>Agreed, this is something we have identified with services and again will be reviewed as part of the alignment of processes with West Devon Borough Council.</p>
ICT – Project Management Issued 23.05.2013	Good We have concluded that there are sufficient controls in place to manage projects and these are operating satisfactorily. A small number of minor recommendations were made mainly relating to the standard of the some of the evidence available in specific decisions including post project reviews.	<p>Action plan agreed.</p>

Planned Audit 2012/13 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Street Scene – Car Parks Issued 09.05.2013</p>	<p>Good</p> <p>Improvements to systems continue to be made and indeed many of last year's recommendations were implemented. However it was not possible to implement all recommendations due to other work pressures caused by the introduction of a shared Street Scene service across South Hams and West Devon.</p> <p>Some of the other issues raised are out of the control of Street Scene staff and lie with other services, or indeed members.</p> <p>There are some areas where further improvements could be implemented which will add to the progress made, the most significant of which the most significant is seeking a further review of the range of car park permits and weekly tickets available to the public.</p>	<p>We are currently reviewing all of the street scene charges, which will include parking permits, and a member task and finish group is planned later in the year.</p>
<p>Asset Management Issued 23.05.2013</p>	<p>Good</p> <p>The 2015 Transformation Programme - Strategic Asset Review is one of the key projects for the Council. The project has been operated using the Prince 2 methodology (an acronym for PROjects IN Controlled Environments), with regular reports to an Assets Programme Board on achievements and progress being made. At this stage, therefore, it has not been appropriate to update the 2010 Asset Strategy document, some of which has now been superseded or is out of date.</p> <p>Other findings included:</p> <ul style="list-style-type: none"> The need to continue the progress being made by the current Head of Assets and the Council's solicitor in the negotiation of management agreements for the Dartmouth Embankment with Dart Harbour (DHNA). 	<p>An Asset Management Strategy document will be drafted as part of the implementation stage of the Strategic Assets Review. The document will be aligned with West Devon where possible but some specific areas may not be the same</p> <p>Negotiations are continuing with DHNA in a positive atmosphere.</p>

Planned Audit 2012/13 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>ICT - Installation and Healthcheck Issued 15.05.2013</p>	<p>Good</p> <p>The ICT Service has been at the forefront for many years in ensuring that Council services are able to operate effectively and at the same time limiting the risk. However, there are still some areas where due to organisational changes, further actions are required:</p> <ul style="list-style-type: none"> • A number of key policies and strategies need to be formally approved and issued to all staff, these include: <ul style="list-style-type: none"> • A Joint ICT Security Policy; • The formal issue of and joint Acceptable Use Agreements; • User agreement on portable media; • Social Networking; and • The shared ICT Business Continuity Plan. • The Council has implemented compensating controls over the management of payments card verification values it stores from recording telephone calls, as per the Payment Card Industry Data Security Standard (PCI DSS). However, we have highlighted the need to ensure that these controls are activated at all times and consideration is given to eliminating the storage of this data in the future. 	<p>Agreed, we are involved in a joint working group with Devon wide authorities to produce a standard collection of ICT policies. These are expected later in the year and will include individual modules that will link to an overarching policy. This will be presented to all staff when they are available.</p> <p>The individual modules will replace the existing Acceptable Use Agreements and which will link to an overarching policy. These are expected later in the year and will include individual modules, which will replace the existing user agreements, and will link to an overarching policy. Social Media Guidelines have now been issued and approved by the Strategic Management Team. Training has been undertaken with members and the guidelines will be issued to staff shortly.</p> <p>We will maintain our current plan and continue to highlight to the Strategic Management Team any significant risks to both Councils.</p> <p>It is felt that the level of risk is minimised following the controls we have in place. There is minimal risk of the loss or misuse of the data held. Access to the data has been recently reviewed to ensure controls are in place.</p> <p>It is currently too costly and not in line with the long term goals to invest in a system that removes the recording of the data.</p>

Planned Audit 2012/13 – Work Complete (No Audit Report)

Subject	Comments
Exemptions to Financial Procedure Rules	See table at Appendix A.
RDPE Rural Communities – Local Action Groups (LAGs)	See table at Appendix A. Audit of project funding claims on behalf of Council who act as Accountable Body
System of Internal Control (SIC), and Annual Governance Statement (AGS)	A report setting out the work done to enable the AGS to be completed in line with the CIPFA/SOLACE guidance was presented to the July 2012 Audit Committee. The Committee recommended approval of the AGS to the Council. The AGS will be published in September 2012.
Update of Anti Money Laundering Policy	Revised joint Anti Money Laundering Policy presented to the Audit Committee to recommend approval by the Council. Following the Council approval, the document and supporting guidance has been published on the Council's Intranet and targeted training commenced.
Financial Procedure Rules	Update and alignment of a joint draft document completed and with the Monitoring Officer and S.151 Officer for review.
Code of Corporate Governance – Compliance Review 2012/13	Presented to the Audit Committee June 2013 under separate cover.

Planned Audit 2012/13 – Follow Up with 2012/13 Audits

September 2012 Audit Committee

Land Charges and Street Naming - 2007/08. Mainly implemented.
 Customer Complaints – 2008/09. Mainly implemented.
 Building Maintenance – 2009/10. Mainly implemented.
 Print Room – 2006/07. Mainly implemented.
 Community Park and Open Spaces – 2008/09. Mainly implemented.

January 2013 Audit Committee

Private Sector Housing Renewal – 2011/12. Implemented.
 Building Control 2009/10 Follow Up – 2010/11. Mainly implemented.
 Pannier Markets – 2005/06. Mainly implemented.
 Email Monitoring – 2011/12. Implemented.
 Internet Monitoring – 2011/12. Implemented.
 Shared Services – 2011/12. Progress being made on all issues raised.
 Partnership Schemes – 2008/09. Mainly implemented.
 Sherford – 2009/10. Implemented.

April 2013 Audit Committee

Council Tax – 2011/12. Some implementation.
 Non Domestic Rates (NDR) – 2011/12. Some implementation.
 Inventories – 2006/07. Mainly implemented.
 Capital Receipts and Grants – 2008/09. Implemented.
 Data Quality and Performance Indicators – 2011/12. Some implementation.
 Insurance - 2007/08. Mainly implemented.
 Salcombe Harbour – 2011/12. Mainly implemented.

Planned Audit 2012/13 – Follow Up with 2012/13 Audits (continued)

June 2013 Audit Committee

Subject	Comments
ICT – Project Management – 2009/10	Mainly implemented. 1/4 issues repeated.
Asset Management – 2008/09	Mainly implemented. 1/12 issues repeated being the management of Dartmouth Embankment.
ICT Installation and Healthcheck – 2011/12	Some implementation. 10/18 issues repeated mainly in the area of policies being developed on a Devon wide basis.
Street Scene: Car Parks – 2011/12	Mainly implemented. 2/12 issues repeated although agreed action being progressed.
Creditors – 2011/12	Mainly implemented. 2/8 issues repeated relating to the electronic use of payment requests (known as white vouchers).
Debtors – 2011/12	Some implementation. 6/11 issues repeated but to be covered in impending service review.
ICT Department/Cost Effectiveness – 2009/10	Implemented.
Main Accounting and Budgetary Control – 2011/12	Mainly implemented. 3/6 issues repeated but covered by impending service review.
Procurement – 2008/09	Mainly implemented. 3/7 issues updated.
Capital Expenditure – 2011/12	Mainly implemented. 2/5 issues repeated, one of which is as a reminder only as risk accepted by managers.
Benefits – 2011/12	Mainly implemented. 8/21 issues repeated.
Health and Safety – 2005/06	Mainly implemented. 5/12 issues updated.
Treasury Management – 2011/12	Mainly implemented. 3/6 issues repeated but covered by impending service review.
Payroll – 2011/12	Some implementation. 4/7 issues repeated, several of which are outside of the control of the section but repeated as a reminder.

Planned Audit 2012/13 – Follow Up of Previous Audits by Written Confirmation

Subject	Comments
ICT Installation and Network Security – 2011/12	Reminder sent 02.01.2013. Follow up with annual audit.
ICT Change Control – 2011/12	Reminder sent 20.12.2012. Follow up with annual audit.
Street Scene/Car Parking – 2011/12	Reminder sent 28.11.2012. Follow up with annual audit.
Housing Benefits – 2011/12	Follow up with annual audit.
Creditors - 2011/12	Memo sent and revised implantation date agreed for one recommendation. Further follow up with annual audit.
Main Accounting System and Budgetary Control – 2011/12	Memo sent as reminder. To annual audit.
Non Domestic Rates – 2010/11	Memo sent as reminder. Cleared with annual audit.
Council Tax – 2010/11	Memo sent as reminder. Cleared with annual audit.

Planned Audit 2012/13 – Follow Up of Previous Audits by Written Confirmation (continued)

Subject	Comments
Stores – 2011/12	Followed up with linked Building Maintenance audit 2012/13.
Elections – 2011/12	Memo sent as reminder as not all agreed implantation dates past, further memo sent 30th November 2012.
Private Sector Housing Renewals – 2011/12	Memo sent as reminder. Cleared with annual audit.
Treasury Management – 2011/12	Memo sent and discussed and taken to annual audit.
Payroll – 2011/12	Discussions held with the relevant officers and a follow up report issued view revised action plan. Opinion remains unchanged.
Dartmouth Ferry – 2011/12	Memo sent and discussed and taken to annual audit.
Leisure Client – 2011/12	Discussions held with the relevant officers and a follow up report issued view revised action plan. Opinion remains unchanged.
HR Recruitment – 2011/12	Follow up carried out with Payroll.
Travel and Subsistence – 2011/12	Discussions held with the relevant officers and a follow up report issued view revised action plan. Opinion remains unchanged.
Data Quality and Performance Indicators – 2011/12	Memo sent 30 th April 2012. No reply by 30 th May 2012 so discussed progress on revised performance monitoring and timing of 2011/12 audit. Cleared with annual audit.
Recycling – 2011/12	Memo sent but part reply only received. Meeting arranged.
Cash Collection – 2011/12	Memo sent but part reply only received. Meeting arranged.
Public Conveniences – 2011/12	Memo sent but part reply only received. Meeting arranged.

Unplanned Audit – 2012/13

General

Description	Main Issues
<p>Minor enquiries and issues investigated, including some planned work, which by its nature does not require a report. Resourced from the contingency line of the audit plan.</p>	<ul style="list-style-type: none"> • General procurement and disposal rules advice; • General ICT issues; • General Finance issues; • Document retention enquiries; • Additional individual internet and e-mail monitoring as requested by managers; • Future of local audit consultation submission to Local Government Futures; • Salcombe Harbour/Creek Boat Park – advice; • Audit Commission fraud survey; • Dartmouth Embankment – advice; • Leisure issues – advice; • Dartmouth regatta – advice; • Room and refreshment booking process; • NFI and Fighting Fraud Locally checklists and report to the Audit Committee; • Additional testing of 2011/12 transactions around year end cut off, on behalf of the Audit Commission; • Assistance to Grant Thornton tax audits – PAYE and VAT; • Assistance re HMRC inspection; • Advice re matters relating to Totnes Pavilions; • Contribution to a review of the future of the aging Housing Rent software; • Secondment to New Website Project (5 of the 9 days); • Review of potential new ferry management software; • Numerous minor control issues, advice on financial controls and procurement procedures given to service officers at all levels and contribution to various draft policies & strategies.

Grant Thornton **APPENDIX D**
Employment Taxes Review
Compliance and Process review for South Hams District Council
23 November 2012

Background and Scope

We have been engaged to undertake a high level review of the expenses and benefits systems and procedures to identify any compliance failures or weaknesses that has resulted or may have resulted in a reporting failure or an underpayment of employment taxes.

We have also been engaged to recommend where appropriate on how processes can be improved to ensure that the highest standard of compliance is maintained.

Our review therefore focuses on identifying whether the Council's internal systems and procedures ensure that it fulfils its compliance obligations. In order to achieve this we have;

issued an employment tax compliance questionnaire to various members of staff within the payroll, Human Resources and Finance teams based in South Hams which enabled us to focus on particular issues identified,

- met with payroll staff, to understand existing processes for identifying and allocating expenses/benefits, and how this information is then extracted for reporting purposes (i.e. on forms P11D), and
- reviewed various documents provided by the client.

Documents Provided to Us

We considered the following documents and information when producing our report:

- responses to employment taxes questionnaire and discussions with staff members;
- home working policy;
- policy detailing procedures for claiming travel between home and work and between workplaces;
- external report completed into employee business mileage claims;
- HMRC correspondence relating to employee business mileage claims;
- expense claim form;
- sick pay policy;
- travel and subsistence policy, including mileage rates dated 31 March 2011;
- employment contract;
- template compromise agreement;
- draft relocation allowance policy;
- relocation allowance claim form;
- compromise agreement;
- expenses claim form;
- P11D dispensation and dispensation correspondence;
- a sample of essential car users P11D calculations;
- fleet mileage odometer readings for 2012/13

Internal Audit Annual Report 2012/13

Grant Thornton **APPENDIX D**
Employment Taxes Review
Compliance and Process review for South Hams District Council
23 November 2012

- internal audit report dated 26 September 2012
- letter confirming the arrangement between the Council and a small number of self employed people or their agents.

We have set out the findings of our report below. We have split these into three areas, compliance issues, process improvements and communication.

Compliance

Based on the work completed it is clear that the employees who work within payroll and Human Resources have a good understanding of the tax treatment of many of the items paid by the Council.

Landline telephone and broadband bills

We understand that home telephone line rental is paid for a small number of employees, rather than a second home line provided. A percentage of broadband fees have also been paid. These payments have not historically been taxed via the payroll or included as a benefit in kind. Line rental for a personal telephone line is taxable so a potential underpayment of PAYE/NIC has arisen. The Council has taxed these payments from 1 September 2012.

Processes

While the Council has policies and processes in place concerning employment taxes compliance, we have set out below possible improvements that can be made to existing processes to ensure that a high standard of compliance continues to be achieved.

P11D process

An additional review of completed P11Ds needs to take place by someone other than the individual who prepares them. This will reduce the risk that errors occur. It may also be worth the Council seeing if a P11D dispensation update is required. This is likely to be the case if any payments made are not covered by the old P11D dispensation. We understand from our meeting of 8 October 2012 that the Council intends to implement this recommendation.

Employment status process

The Council's current process for engaging individuals on a self-employed basis states that employment status must be considered and a document exists which sets out questions and other matters to be considered in the determination of employment status. While currently only a few self-employed individuals are used by the Council we recommend that the improvements outlined in this report are made to the current process.

This will ensure that decisions made are consistent and documented. This process should also enable the Council to monitor the engagement to establish if it changes into one of employment over time.

For one individual, it appears from the information provided that she/he may be an agency worker but this is not clear. We recommend that the Council establish the exact working arrangements so they can establish if they need to consider the employment status or the implications of the new agency regulations.

Termination payments process

Initially the use of compromise agreements was common at the Council; however, this is not the case now. Despite this we would recommend that a policy is produced to ensure that the correct questions are asked to enable the correct tax treatment to be applied to any payments made to employees leaving. It is worth noting that when looking at the tax treatment of any payments made to individuals leaving each case needs to be looked at in isolation and each individual element of payment needs to be reviewed to establish if it is taxable or not.

Construction Industry Scheme (CIS)

Currently the Council is a deemed contractor within CIS. If the Council has spent less than £1m in each of the last 3 years then the Council may be able to deregister. Deregistering would reduce the compliance burden and reduce the risk of the Council being charged penalties. As such, we recommend that the Council review their construction expenditure to see if they are in a position to deregister. When considering the possibility of de-registration, we recommend that the value of future construction projects are considered as it is unlikely to be beneficial for the Council to deregister if an obligation to re-register will arise in the near future.

Mileage claims

Whilst the current process of reviewing mileage claims is reasonably strong the process could be further strengthened by putting a process in place to review the claims made by employees identifying which journeys are taxable and which are not. This should include occasional reviews of the claims. This would enable any erroneous claims to be identified and provide support to HMRC, if required, that claims are being monitored.

Based on the findings of the external report and the discussions with HMRC it is possible that historic mileage payments for journeys between South Hams and West Devon for certain employees have not been taxed correctly. The Council has reviewed this issue but considers that due to the prompt professional advice sought that it is unlikely that any underpayment of tax has arisen.

Vans and Cars

Initially the report recommended:

Internal Audit Annual Report 2012/13

Grant Thornton
Employment Taxes Review
Compliance and Process review for South Hams District Council
23 November 2012

APPENDIX D

The Council should consider re-issuing annual declarations to each employee provided with a van or car confirming that they are expressly banned from making private use of the van/ car and that they agree not to do so.

In the absence of detailed information consideration should be given to collecting information for a sample of drivers for the next few months in order to establish if private use is made of the vehicles.

However, after further work was completed HMRC have been informed that the Council do have processes in place to monitor the use of vehicles. Whether the correct amount of tax has been paid on these journeys remains an outstanding point within HMRC's current review.

Communication

As with most organisations communication is key. The importance of providing timely information to payroll will greatly increase as of 2013 when Real Time Information (RTI) applies. When RTI applies you will have to provide information to HMRC every pay run and as such it is important that this information is accurate.

We therefore recommend that prior to the introduction of RTI a process is put in place detailing how all information is provided to payroll. This should inform all relevant employees (including managers etc) of their responsibilities and the possible consequences of delaying providing information to payroll.

Processes have been put in place which include a submission using the payroll software to the HMRC via the 'Government Gateway' and changes to the BACs process.

Scope

This report has been drafted in accordance with our contract with SHDC dated 14 May 2012. The periods under review are 1 April 2010 to 31 March 2011, and 1 April 2011 to 31 March 2012. In carrying out the review we have:

- Examined a sample of the monthly VAT returns and a selection of associated working papers across the period;
- Reviewed the partial exemption and de minimis calculations;
- Considered correspondence on VAT with HMRC;
- Examined the VAT position of outsourcing contracts existing between SHDC and third parties;
- Reviewed the procedures and risk management controls in place relating to VAT in the Local Authority; and
- Reviewed a sample selection of income codes and expenditure codes.

Our findings are based upon the information provided at our meeting of 18 October 2012, and the information provided by Acting Chief Accountant and VAT Officer.

Key Findings and Recommendations

SHDC's VAT systems were found to be excellent. Please note that our comments are the exception.

VAT return preparation

SHDC is registered for VAT and submits monthly VAT returns. SHDC aims to submit its returns prior to the end of the month following the submission deadline, and has not submitted or paid a return late in the last several years.

SHDC is normally in a repayment position each month, recovering between £30,000 - £50,000 of VAT each month, however occasionally it is required to pay VAT. For example in August 2012 a payment of £60,170.31 was payable to HMRC.

We recommend that

- staff are trained to provide cover in the event of key employees involved in the VAT return (notably the VAT Officer and Acting Chief Accountant) being absent or unavailable to prepare or check the return. We understand that a new member of staff is being trained in the completion of VAT returns.
- further checks are carried out where the VAT return figures fall outside the normal range of VAT recoverable. High value transactions that distort the VAT returns should be reviewed to ensure that the correct VAT treatment is being applied.
- the use of manual transfers of figures to/from spreadsheets in the production of VAT returns is minimised where possible to reduce the risk of transposition errors.

- the VAT liability of significant charges/recharges of costs between SHDC and West Devon Borough Council is examined to ensure that these are properly subject to VAT.
- We recommend that a procedure is put in place to allow SHDC to verify figures for the VAT return provided by third parties.

Partial exemption position

SHDC has completed its partial exemption calculations for 2010/2011 and 2011/2012. At 2.37% and 1.52% respectively these are well below the 5% de-minimis limit.

SHDC should continue to monitor its partial exemption position at the start of each financial year, in particular to consider any capital projects that could give rise to significant levels of exempt input VAT.

The recommendations were discussed with the Grant Thornton auditor and the Council's VAT Officer is implementing the actions agreed.

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AGENDA
ITEM

7

SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

7

NAME OF COMMITTEE	Audit Committee
DATE	13 June 2013
REPORT TITLE	CODE OF CORPORATE GOVERNANCE - 2012/13 COMPLIANCE REVIEW
Report of	S.151 Officer Monitoring Officer Chief Internal Auditor
WARDS AFFECTED	All/Corporate

Summary of report:

The purpose of this report is to inform Members of the results of the 2012/13 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 Committee.

The Accounts and Audit (Amendment) (England) Regulations 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

That the Committee note the findings of the 2012/13 Compliance Review of the Council's Code of Corporate Governance 2011, including the significant governance issues to be taken to the Annual Governance Statement.

Officer contact:

For further information concerning this report, please contact:

Mike Tithecott, Acting Head of Finance & Audit/S.151 Officer (01803) 861413

Allan Goodman, Chief Internal Auditor (01803 861375) or email

allan.goodman@southhams.gov.uk

1. BACKGROUND

- 1.1 CIPFA (Chartered Institute of Public Finance and Accountancy)/SOLACE (Society of Local Authority Chief Executives) 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 version of the Code of Corporate Governance.
- 1.2 The document described 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. Minor updates took place in 2011.

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.
- 1.9 In 2012 CIPFA/SOLACE issued new guidance entitled 'Delivering Good Governance'. The document provided a revised suggested structure for the Annual Governance Statement, as well as a revised Code of Corporate Governance. The covering report suggests that there is a need for the Code to be updated to reflect the role of the head of internal audit. However, the template Code provided does not reflect the suggested changes, nor the above March 2010 update. The guidance makes it clear that it is not essential to use the template, but it was decided not to update the Council's 2011 Code of Corporate Governance until the guidance has been clarified.

Discharging Responsibilities under the Code Including Monitoring

- 1.10 Overall responsibility for Governance rests with the Council.
- 1.11 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.
- 1.12 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.

1.13 The Code of Corporate Governance sets out the requirement for it to be monitored and tested for compliance on an annual basis.

1.14 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 consider the Council's arrangements for corporate governance and to ensure compliance with best practice and to receive and comment upon an annual review of the Council's Code of Corporate Governance'.

Results for the 2012/13 Review

1.15 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. **Shaded bold blue print indicates a change compared with the 2011/12 review**, text not in bold means that arrangements have remained unchanged.

1.16 The main changes during 2012/13 are the:

- **New arrangements for the Standards function; and**
- **Code of Conduct**

1.17 At the end of each Appendix is a separate table noting any gaps in the governance arrangements for that Principle, which will be carried into the Annual Governance Statement 2012/13.

2. ANNUAL GOVERNANCE STATEMENT 2012/13

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 3, 4, 5 and 6 there are no issues to raise in relation to the governance arrangements.

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

Issues for 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:

Compliance Review Findings for this Principle	Action Plan with Responsible Officer & Target Date
<i>The Data Quality Strategy was written in 2009 and, although much of it remains largely fit for purpose, it would benefit from an update.</i>	<i>The Council's Data Quality Strategy should be reviewed and updated and the appropriate approval sought for any revised document.</i> <i>Business Development Manager</i> <i>30th September 2013</i>

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 Monitoring Officer is in the process of reviewing an Overarching Agreement between the two Councils, which will also include responsibilities relating to contract liabilities e.g. costs incurred in relation to disputes by one of the two Councils only under a shared contract.</i>	<i>As planned, the Monitoring Officer should complete the review of an Overarching Agreement between the two Councils, which should also include responsibilities relating to potential contract liabilities.</i> <i>Monitoring Officer</i> <i>30th September 2013</i>
<i>The Monitoring Officer is putting in place Onward Delegation documents, setting out those areas delegated by the Heads of Service to the relevant Middle Manager.</i>	<i>As planned, the Monitoring Officer should put in place Onward Delegation documents, setting out those areas delegated by the Heads of Service to the relevant Middle Manager.</i> <i>Monitoring Officer</i> <i>30th September 2013</i>
<i>The Council's Partnership Framework, 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 Director should consider which corporate resource is best placed to oversee the Council's Partnership Framework, Policy and Guidance.</i> <i>The identified officer 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>Director (TW)</i> <i>31st December 2012</i>

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 2011/12 ACTION PLAN

3.1 The results of the annual review for 2011/12 presented to the joint meeting of the Audit Committee and Standards Committee (April 2012) 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
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.	Repeated 2012/13. Not completed because of the need to align the wider corporate responsibility for overseeing the Partnership Framework with West Devon.
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.	The commitment to complete Fresh Operating Agreements with the new Heads of Service and Middle Managers appointed under the senior management and middle manager reviews was made by the previous Monitoring Officer. The current Monitoring Officer has commenced work in this area but has not finished due to other work demands.
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: a) To consolidate the existing elements of the framework for the Governance of the Shared Services arrangements (both financial and legal): b) Recharging the salaries of Shared Service officers	The project has been completed and a Closure report accepted by the Joint Steering Group. Future development and improvement of the key processes and documents will continue as 'business as usual', which includes this annual review of the governance framework. Implemented Implemented, and subject to an annual internal audit for the foreseeable future.

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
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. 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.	Implemented

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
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. Other improvements to the Risk Management	Implemented, but will be subject to an internal audit early in 2013/14.

Framework are being developed but these have yet to be finalised against the revised Strategy.	
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4. LEGAL IMPLICATIONS

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

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.

Corporate priorities engaged:	All
Statutory powers:	Accounts and Audit Regulations 2003, 2006, and 2011
Considerations of equality and human rights:	No specific equality and human rights issues arising from this report.
Biodiversity considerations:	No specific biodiversity issues arising from this report.
Sustainability considerations:	No specific sustainability issues arising from this report.
Crime and disorder implications:	No specific crime and disorder issues arising from this report.
Background papers:	<ul style="list-style-type: none"> • The Council's Code of Corporate Governance 2011; • CIPFA/SOLACE (2012) Delivering Good Governance in Local Government; • CIPFA/SOLACE Application Note to Delivering Good Governance in Local Government: a Framework: March 2010; • CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations – June 2009; • CIPFA/SOLACE (2007) Delivering Good Governance in Local Government – Framework; • CIPFA/SOLACE (2007) Delivering Good Governance in Local Government – Guidance Note for English Authorities.

<p>Appendices attached:</p>	<p>Appendix A – 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>Appendix B – Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles;</p> <p>Appendix C – Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;</p> <p>Appendix D – Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;</p> <p>Appendix E – Principle 5: Developing the capacity and capability of Members and officers to be effective; and</p> <p>Appendix F – Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.</p>
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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 is committed to good governance: doing the right thing, for the right people, in the right way. A sound Governance Framework.	3	2	6	↔	The Council will be able to readily demonstrate to the community and other stakeholders that the principles of Corporate Governance are being adhered to. The adoption of a Code of Corporate Governance, written in line with the CIPFA/SOLACE framework and guidance will make it possible to readily monitor compliance.	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	↔	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. The Terms of Reference of the Audit Committee include 'to consider the Council's arrangements for corporate governance and to ensure compliance with best practice and to receive and comment upon an annual review of the Council's Code of Corporate Governance'.	Audit Committee; S.151 Officer; Monitoring Officer; Chief Internal Auditor.
3	Annual Governance Statement (AGS)	Risk that if the Corporate Governance process is not formalised and brought together, some aspects	3	2	6	↔	The Council will produce an Annual Governance Statement, in line with the latest guidance, describing the governance framework and reflecting	The Council; Audit Committee; S.151 Officer; Monitoring Officer;

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			
		<p>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>					<p>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>	Chief Internal Auditor.

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"> Develop and promote the Council's purpose and vision; Review on a regular basis the Council's vision for the local area and its impact on its governance arrangements; Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners; 	<p>Purpose and Vision</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. These are to be reviewed in early 2013/14.</p> <p>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.</p> <p>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 engagement with the voluntary/community sector, business sector and the community at large.</p> <p>At the meeting of 12th July 2012, the Executive resolved that members reaffirm their ambitions to break new ground in the way that the Council engages with local people to deliver better services; have local communities that feel supported; be innovation and do more with less.</p> <p>Partnerships</p> <p>Article 11 of the Constitution allows the Council or the Executive 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><i>Connect Partnership</i></p> <p>On 14th 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.</p> <p>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.</p> <p>The Strategy links to plans of partner organisations and the Partnership's Governance arrangements include a Delivery Group comprising of the key stakeholders who monitor plans and report to a Connect Partnership Board etc. A Connect Strategy 'Annual Update' was published in 2012/13 and is available on the Council's website.</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"> Publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance. 	<p>Publishing Activities and Achievements</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, but this is likely to change in 2013/14.</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 magazine, 'South Hams Connect' is jointly produced with Devon County Council, Fire and Rescue and NHS Devon and is sent to all households in the district. It contains some key performance results for each Priority and is available on the Council's web site (Issues Summer and Winter 2012). The magazine included an invitation to the Community to comment on the Council's budget.</p> <p>It also contains details of the activities and functions linked to the Priorities including the Voluntary Voice, Business Voice, Town and Parish Voice and Community Voice.</p> <p>In addition from March 2012 the community and other stakeholders can subscribe to e-Connect for news of services, events and other information.</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. The website also includes a Financial Summary.</p> <p>Financial Statements</p> <p>The financial statements are certified by the S.151 Officer by 30th June and subsequently approved by the Audit Committee by 30th September as required by the Council's Constitution (Article 9 and Part 3 Delegation to Committees).</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"> 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; Put in place effective arrangements to identify and deal with failure in service delivery. 	<p>Quality of Service and Data</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. <i>The Strategy was written in 2009 and, although much of it remains fit for purpose, it would benefit from an update. Performance measures were reviewed for 2012/13 with new or revised indicators linked to drivers, goals and the service/Council priorities.</i></p> <p>The Council uses a suite of performance indicators that include 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 (Corporate Performance and Resources 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>Plans with service objectives and actions 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 is still working to the Customer First Charter which outlines the standards and level of service the Council aims to deliver. 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'. <i>The Charter is being updated and re-launched as part of the Customer First 2015 Project.</i></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>Failure in Service Delivery</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>As well as the normal 'Contact Us' information, the Council's website includes a Comments and Complaints page which outlines the procedure for making a complaint, suggestions, and how to contact the Local Government Ombudsman.</p> <p>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.</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"> 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. 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; 	<p>Performance and Value for Money</p> <p>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.</p> <p>The targets set within these plans are achievable and realistic delivering outcomes for local communities. Progress against the targets is reported regularly to the Connect Partnership Board and the relevant Scrutiny Panel.</p> <p>The External auditor's Annual Governance Report is presented to the Audit Committee (latest September 2012) and included an unqualified value for Money conclusion for 2011/12. The assessment of the Council's arrangements for securing economy, efficiency and effectiveness is measured against criteria including financial management and resilience.</p> <p>Their Annual Audit Letter was sent to members separately in September 2012. The letter referred to the Annual Governance Report and confirmed the conclusion that the Council made proper arrangements to secure economy, efficiency and effectiveness in the use of resources. 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 Covalent 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>Financial Advice</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.</p> <p>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"> 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; Ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code. 	<p>Prudential Financial Framework The Council publishes a Medium Term Resource Strategy each year, which covers a four year period. That for period 2013/14–2016/17 was approved by the Executive in September 2012 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. 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 following recommendation from the Executive. Quarterly reports to the Executive monitor income and expenditure against the approved budget. 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. The annual Statement of Accounts includes the performance against the budget in the year and the impact on balances.</p> <p>Treasury Management 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 are 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>

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Principle 1 - Action Plan

Compliance Review Findings for this Principle	Recommendation	Action Plan with Responsible Officer & Target Date
<p><i>The Data Quality Strategy was written in 2009 and, although much of it remains largely fit for purpose, it would benefit from an update.</i></p>	<p><i>The Council's Data Quality Strategy should be reviewed and updated and the appropriate approval sought for any revised document.</i></p>	<p><i>Business Development Manager 30th September 2013</i></p>

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"> 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; Set out a clear statement of the respective roles and responsibilities of other Council Members, Members generally and senior officers. 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. 	<p>Member Roles and Responsibilities The Council's Constitution defines the roles and responsibilities of the Council, Executive, Overview and Scrutiny and all other Member bodies, Members generally and senior officers. Its purpose is 'to ensure the good governance of the Council in the public interest'. It aims 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 (Article 1). 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 Overview and Scrutiny. 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 the statutory officers (Section 151 and Monitoring Officers). It states that the Council may engage such staff (referred to as officers) as it considers necessary to carry out its functions. 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 monitored and evaluated annually as set out in Article 15. Members of the Executive, Scrutiny and the Leader and Chairman of the Council have 'job descriptions' that describe their roles. Status of the Chief Financial Officer (CFO) 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. The Management Structure changed during 2011/12 to a shared management team with West Devon Borough Council and the Constitution amended accordingly.</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"> 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; 	<p>Delegation Scheme/Collective Decision of the Council Part 3 of the Council's Constitution sets out the Delegation Scheme and has been updated for 2012/13. It includes the Principles of Delegation, the list of powers reserved for the Council and Delegations to the Executive, Committees and other Council bodies. Subject to those matters which are reserved for Committee all Senior Officers shall be responsible and shall have delegated authority for the day to day operation and management of the Services and land for which they are responsible. 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"> 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; 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; 	<p>Delegation Scheme/Constitution</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. However, the Monitoring Officer is in the process of reviewing an Overarching Agreement between the two Councils, which will also include responsibilities relating to contract liabilities e.g. costs incurred in relation to disputes by one of the two Councils only under a shared contract.</p> <p>They are 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>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>South Hams District Council's Audit Committee April 2013 recommended approval of the Constitution, as part of the Monitoring Officers annual review. This included the delegations to member bodies and officers covering the Council's Functions and Responsibilities (Part 3).</p> <p>The Monitoring Officer is putting in place Onward Delegation documents, setting out those areas delegated by the Heads of Service to the relevant Middle Manager.</p> <p>Leader and Chief Executive</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. The Council has adopted the Strong Leader Model, the Leader having been appointed for a four year term rather than the previous annual renewal.</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 ('shared' post).</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"> • 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; • Ensure that the Council's governance arrangements allow the CFO direct access to the CEO and to other leadership team members; • 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; • 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; • 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; 	<p>Leader and Chief Executive</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. A Corporate Director also attends on a fortnightly basis.</p> <p>Chief Financial Officer (CFO)</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, the Delegation Scheme to Officers, also reflects the S.151 Officers delegated authority for all statutory provisions of the Local Government and Finance Acts and matters set out in the Financial Procedure Rules. This includes the publication of the Council's audited annual Statement of Accounts and the budget for the coming year.</p> <p>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> <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. (Article 12)</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 Part 4 of the Constitution. 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).</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"> • Ensure that budget calculations are robust and reserves adequate, in line with CIPFA guidance; • 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; • 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. 	<p>Budgets Budget calculations are robust and include approved new spend and savings and realistic assumptions for pay and price increases, grant, capital charges etc in line with CIPFA guidance. 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 asks members to note the assessment of their adequacy and the robustness of the budget estimates. 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>Monitoring Officer 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>
<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"> • Develop protocols to ensure effective communications between Members and officers in their respective roles; 	<p>Communication between Members and Officers The Council's Constitution defines the roles of Members and officers as discussed in previous paragraphs. 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. Lead Executive members are aligned to services areas and regularly communicate with and provide strategic direction to the relevant Head of Service.</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"> 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; Ensure that effective mechanisms exist to monitor service delivery; 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; Establish a medium term business and financial planning process to deliver strategic objectives including: 	<p>Remuneration of Members</p> <p>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 5 December 2011 to consider changes to the Scheme for 2012/13, which would take effect from 1 April 2012. Their recommendation was approved by Council at the meeting of December 2012. A similar approach has also been taken for 2013/14.</p> <p>Remuneration of Officers</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. 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. The policies can all be found on the Council's Intranet.</p> <p>From May 2012, the Council's Personnel Panel was disbanded, with its functions of 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, divided between the Executive, Chief Executive, Heads of Service, and Overview and Scrutiny.</p> <p>Monitoring Service Delivery</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>Vision, Strategic Plans etc.</p> <p>See also Principle 1(a) for details of documentation of the Council's vision and strategy, including the 'Connect Strategy and Delivery Plans', financial reporting and the monitoring process. The South Hams and West Devon Connect Partnership bring together key stakeholders from the community, voluntary, business and public sectors. Community consultation: see also Principle 6(b), Appendix F.</p> <p>Business and Financial Planning</p> <p>The Council's Medium Term Resource Strategy and annual budget process is described at Principle 1(c) Appendix A. Both are regularly reviewed and monitored.</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>	<ul style="list-style-type: none"> Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used; <p>When working in partnership:</p> <ul style="list-style-type: none"> Ensure that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council; Ensure that there is clarity about the legal status of the partnership; 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. 	<p>Business and Financial Planning The Council's Medium Term Resource Strategy and annual budget process is described at Principle 1(c) Appendix A. Both are regularly reviewed and monitored.</p> <p>Partnerships Article 11 of the Constitution allows the Council to enter into joint arrangements with other bodies in order to promote the economic, social or environmental well-being of its area. 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"> Guidance for arrangements where the Council is 'working with' other parties towards 'joint objectives'; Initial assessment; Identifying Significant Partnerships; Partnership Risk Management; Governance Arrangements, including the legal status; and Agreements; Information Sharing; Terms of Reference which includes roles and responsibilities; Partnership Monitoring; and Scrutiny. <p>A report to the April 2010 Community Policy Development Group provided information on the value for money survey carried out on partnerships. 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. With the exception of monitoring reports from 3 of the significant partners to the Corporate Performance and Resources Scrutiny panel during 2012/13, the only other report on Partnerships has been an overview by the Director (TW).</p> <p>As a result of the management changes, it is unclear which corporate resource has responsibility for the Partnership Management Framework, and the previous area responsible at South Hams differed to West Devon. The Partnership Framework, Policy and Guidance and reporting requirements would benefit from a review and update as a shared approach with West Devon Borough Council.</p>

Principle 2 - Action Plan

Compliance Review Findings for this Principle	Recommendation	Action Plan with Responsible Officer & Target Date
<i>The Monitoring Officer is in the process of reviewing an Overarching Agreement between the two Councils, which will also include responsibilities relating to contract liabilities e.g. costs incurred in relation to disputes by one of the two Councils only under a shared contract.</i>	<i>As planned, the Monitoring Officer should complete the review of an Overarching Agreement between the two Councils, which should also include responsibilities relating to potential contract liabilities.</i>	<i>Monitoring Officer 30th September 2013</i>
<i>The Monitoring Officer is putting in place Onward Delegation documents, setting out those areas delegated by the Heads of Service to the relevant Middle Manager.</i>	<i>As planned, the Monitoring Officer should put in place Onward Delegation documents, setting out those areas delegated by the Heads of Service to the relevant Middle Manager.</i>	<i>Monitoring Officer 30th September 2013</i>
<i>The Council's Partnership Framework, 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 Corporate Director should consider which corporate resource is best placed to oversee the Council's Partnership Framework, Policy and Guidance. The identified officer 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>Corporate Director (TW) 31st December 2012</i>

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"> • Ensure that the Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect; • 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; • 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. 	<p>Openness</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 petition, 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 (including to the Monitoring Officer about a perceived breach of the Members' Code of Conduct).</p> <p>Part 4 of the Constitution includes the Council's 'Access to Information Procedure Rules' which is described at paragraph 6(b)</p> <p>The Council's website includes a Comments and Complaints page which outlines the procedure for making a complaint as discussed at Principle 1(b)</p> <p>Standards of Conduct – Members and Officers</p> <p>The Codes of Conduct for councillors (Part 5a of the Constitution) and staff (Part 5b of the Constitution) set out the standard of 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 has been provided to Members and officers.</p> <p>The Member Code of Conduct changed as a result of the Localism Act. The revised Code was adopted by the Council at the meeting of 28th June 2012 with a start date of the 1st July 2012. The Constitution also includes a 'Members Planning Code of Good Practice' and a 'Protocol on Councillor / Officer Relations'.</p> <p>The 'Code of Conduct and Standard of Behaviour for Staff' is published on the Council's Intranet and is linked to the confidential reporting (whistle blowing) system.</p> <p>The formal confidential reporting (whistle blowing) system and a grievance procedure enable 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. & 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, and publicised through electronic bulletins, Intranet and leaflets on notice boards and officer Induction training etc.</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"> • 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 • 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; • 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. • Develop and maintain an effective Standards Committee; 	<p>Values</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 – see above.</p> <p>Procedures Conform to Ethical Standards</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 a Code of Conduct. This is a requirement of the National Scheme of Conditions of Service applicable to all Local Government Officers. The Code of Conduct and Standards of Behaviour for Staff is published on the Council's Intranet.</p> <p>Financial Administration</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. Contract Procedure Rules were updated in 2011/12 and aligned as far as possible with West Devon Borough Council's equivalent.</p> <p>Financial Procedure Rules were also reviewed, updated and aligned as far as possible with the West Devon Borough Council equivalent, with presentation to the Audit Committee in December 2012 and approval by Council in January 2013.</p> <p>Standards Function</p> <p>Part 3 of the Constitution, Delegation Scheme, gives the new Terms of Reference for the Council's Standards function under the Corporate Performance and Resources Scrutiny Panel and its sub-committee – the Code of Conduct Scrutiny Panel</p> <p>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"> 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; 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. 	<p>Decision Making 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, includes the Delegation Scheme and links to Article 13. 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>Partnership 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
Satisfactory	None	No further action required.

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"> • 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; • Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based: • 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; 	<p>Scrutiny</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’. The Scrutiny Panels may scrutinise and review decisions made or actions taken in connection with the discharge of any Council function. Scrutiny Panels may also invite other people and public sector bodies to discuss issues of local concern.</p> <p>Evidence of Decisions</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 include in the Delegation Scheme (described at Principle 2(b).</p> <p>All decision-making by Members is formally recorded in the Agenda and Minutes for the relevant meeting, 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 Chairman 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>Safeguards Against Conflicts of Interest</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 Disclosable Pecuniary Interest for which the code requires the member to declare and leave the room.</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"> • Ensure an effective internal audit function is resourced and maintained; • 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; • Ensure that the Council's governance arrangements allow the CFO direct access to the audit committee and external audit; • Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints. 	<p>Internal Audit</p> <p>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.</p> <p>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>Audit Committee</p> <p>Article 9 of the Constitution, with the Delegation Scheme Part 3, 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.</p> <p>Part 4 of the Constitution includes 'Rules for Other Bodies of the Council'. This sets out the membership requirements for the Audit Committee, which normally meets four times per year. The Committee carries out a self assessment of its performance and approach annually. The CFO or his/her deputy attends all Audit Committee meetings.</p> <p>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.</p> <p>Complaints</p> <p>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 Comments and Complaints 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"> • 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; 	<p>Quality of Information</p> <p>A 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"> • 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; • 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. • Ensure the Council's governance arrangements allow the CFO to bring influence to bear on all material decisions; • Ensure that advice is provided on the level of reserves and balances in line with good practice (LAAP) guidance. 	<p>Budget and Financial Performance 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 audit by the external auditors as part of their work towards providing the Council with an opinion to the Statement of Accounts and Members with an annual report providing assurance or highlighting significant issues that require attention. The Council has provided Members with access and training to enable them to use the performance management system. See Principle 1.</p> <p>Professional Advice 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>CFOs Influence 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>Reserves 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"> • 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; • Ensure the Council's arrangements for financial and internal control and for managing risk are addressed in annual governance reports; • 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 • Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the Council have access. 	<p>Risk Management The formal management of risk is in place and subject to internal and external audit consideration. It includes:</p> <ul style="list-style-type: none"> • An adopted Strategic Risk Management Policy; • Strategic, Operational and Partnership risk registers; • A system for identifying risks and the controls to mitigate them; • Training for officers and Members; • A Risk Management Group; • SMT regularly and frequently consider strategic risks; • Risk assessment in projects and reports to the decision makers; • Regular risk monitoring reports to the Audit Committee; and • Publicising and providing training on risk management to Members and officers. <p>Further work on improvements to the operational risk framework is underway.</p> <p>Internal and Financial Control 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.</p> <p>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>Whistle Blowing 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.</p> <p>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"> 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; 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; 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. 	<p>Legal Requirements and Lawful Activity</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, the Monitoring Officer reviews of their web-sites and information received from managers' professional bodies.</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 Delegation Scheme 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 to address the relevant Scrutiny Panel and local people about their activities and performance.</p>

Principle 4 - 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 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"> • Provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis; 	<p>Induction and Ongoing Development - Members</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 contributed to the 2011 induction programme.</p> <p>The Devon Member Development Officer, managed through the Council, offered all Members a ‘one to one’ interview which helped to formulate a corporate training plan for Members, and also identify individual development needs which were drawn up into Personal Development Plans.</p> <p>At the February 2012 Council meeting, as part of the report of the Political Structures Working Group, recommendations were accepted to amend procedures to:</p> <ul style="list-style-type: none"> (i) All Members are expected to attend planning training refresher sessions as and when they are provided; (ii) Newly elected Members will have to attend appropriate induction Planning Training before they can take part in the planning decision-making process; (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; (iv) If they so wish, re-elected Members would be welcome to attend the induction sessions. <p>A 360 degree Appraisal process is being undertaken, involving many of the councillors. The Leader is to review the results to form the basis of the recommendation to Council of senior member appointments for 2013/14.</p> <p>Other ad hoc training is also provided as required, and is recorded on the web-site.</p> <p>Members 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"> • 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. • Provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis; • Ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role; • Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised; • Provide the finance function with the resources; expertise and systems necessary to perform its role effectively. 	<p>Induction and Ongoing Development - Officers</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. The Article 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 all officers that is linked to the annual Employee Appraisal & Competency scheme, which includes identification of one off training requirements as well ongoing professional training. A development and training programme for Middle Managers was completed in 2012/13.</p> <p>The Council continues to meet the Investors In People (IIP) standards since it retained accreditation in September 2008. It was renewed for a further 12 months in late 2011/12 but the fee for 2013/14 has not been paid and membership will lapse.</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. Financial Procedure Rules set the standards for controlling financial systems.</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"> • Assess the skills required by Members and officers and make a commitment to develop those skills to enable roles to be carried out; • Embed financial competencies in person specifications and appraisals; • 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; • 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; 	<p>Skills Development</p> <p>Member and officer development is discussed at 5(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.</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 liaise with the relevant Head of Service, either individually though regular meetings or through a collective briefing, and may invite expert advice e.g. Highways, Environmental Health (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"> 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 	<p>Reviewing the Performance of the Executive</p> <p>The Constitution, Part 4 Overview and Scrutiny Procedure Rules, 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: i) any particular decision or series of decisions; ii) the extent to which the actions taken implement Council policy; or iii) their performance. 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). Member training and development is discussed at paragraph a) above.</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"> 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; 	<p>Encouraging the Community to Participate in the Work of the Council</p> <p>'Community Life' is one of the Councils Priorities as described at Principle 1, Appendix A. A Delivery Plan for the priority has been developed as part of the Connect Strategy. Wider engagement with the community is discussed at Principle 6. 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><i>The Council's new website, under 'Your Council' includes the 'How You Can Get Involved' page, which provides advice on areas such as Public Questions at Meetings and 'Becoming a Councillor'.</i></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 to 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. 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 outcomes will be built into the officer report to the Development Management Committee.</p>

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"> • Make clear to ourselves, all staff and the community to whom the Council is accountable and for what; • Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required; • Produce an annual report on the activity of the scrutiny function. 	<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>Considering Institutional Stakeholders</p> <p>Institutional stakeholders to whom the Council is accountable such as the external auditors etc. are considered and relationships monitored by the Audit Committee. Part of the Constitution 3 Delegation Scheme (section 5 Overview and Scrutiny) states that a Scrutiny Panel will review and scrutinise the performance of other public bodies in the area and invite reports from them by requesting them to address the Scrutiny Panel 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>Scrutiny Annual Report</p> <p>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 2012 refer, being the latest available.</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"> • Hold meetings in public unless there are good reasons for confidentiality; • 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; 	<p>Meetings in Public</p> <p>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>Clear Channels of Communication with the Community</p> <p>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 was completed for all new/changed policies, strategies and relevant projects including new service delivery, but this was amended during the year to cover only significant changes that affect the community or staff. The assessment covers Equality, 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"> • 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; • 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; 	<p><i>Clear Channels of Communication with the Community</i></p> <p>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 bring together key stakeholders from the community, voluntary, business and public sectors. Annual stakeholder events are held for each Council Priority.</p> <p>The Council has developed the ‘Voice’: Business Voice, Town and Parish Voice, and Voluntary Voice, consulting and engaging covering issues that are important to the particular groups.</p> <p><i>Local Development Framework</i></p> <p>The 2004 Planning and Compulsory Purchase Act requires local planning authorities to prepare a Statement of Community Involvement (SCI).</p> <p>This document sets out how and when the Council will involve the community in preparing development plans and processing planning applications.</p> <p>West Devon and South Hams have worked together on a revised SCI. This document sets out how communities and other stakeholders can get involved in planning and was adopted by South Hams District Council on 29th March 2012 and West Devon Borough Council on 17th April 2012.</p> <p><i>Other arrangements and documents include (list not exclusive):</i></p> <ul style="list-style-type: none"> • Local business and Town/Parish Councils’ events providing input to the Council’s budget planning; • Events and survey for residents as part of the budget setting process, online and publicised through the Council’s magazine; • 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. • Parish Needs Surveys. • Voluntary Voice – quarterly meetings with the Community and Voluntary Services (CVS). • Sustainable Communities Locality Fund – community grants for councillors to use to support projects which benefit the community; • 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;

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"> • 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; • 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; 	<p>Other arrangements and documents include (list not exclusive):</p> <ul style="list-style-type: none"> • Town and Parish Voice Cluster meetings – held every 6 months: community can tailor agenda, chair and host event. Meetings now also consider applications for the Town and Parish Fund; • Community pages of the Council’s website with related links; • Social network ‘conversations’ – ‘Stay in Touch with South Hams’; • Twitter/Facebook accounts – tweets are monitored and responded to. Allows quicker dissemination of information and are linked to the Council’s web-site; • Members Southhams.gov.uk e-mail addresses; • South Hams Connect – Outreach events: taking a wide range of services nearer to South Hams residents including Customer Services, Planning, Waste; Customer First Charter and its associated service standards. Includes other partner organisations and details are available on the Council’s web-site, and E-Connect from March 2012; • Stakeholder events for Connect Strategy Delivery Plans; • Benefits - home visits to assist clients in application processing; • Surveys, plus other community consultation; • Business Voice - publication of the Business Newsletter (e-Bulletin); • Attending Parish Council meetings and running six monthly surgeries on affordable housing; and • 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. <p>Types of Issues Consulted On</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>Details of consultations being conducted are available on the Council’s web-site; 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"> 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; 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. 	<p>Performance and Outcomes 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>Open and Accessible Citizens have the right to attend meetings of the Council, the Executive, Scrutiny Panels 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.</p> <p><i>The Council has approved an updated Communications Policy, 2012 – 2015.</i> 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. 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 and members concerning specific issues that need communicating including from the Chief Executive, Senior Management Team or other managers.</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"> Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making. 	<p>Consulting Staff Representatives 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>Consulting Staff 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. Staff Voice has been developed, with well publicised briefings to all staff on current issues. Other ad-hoc consultation with staff is undertaken when key changes are proposed. The Chief Executive sends emails to all staff on specific topics and contributes to the weekly newsletter which is an email briefing on a range of issues. The Chief Executive, Directors, and Heads of Service will attend team meetings as required or upon request, allowing two way communications of issues.</p>

Principle 6 - Action Plan

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

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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT FOLLATON HOUSE, TOTNES ON 13 JUNE 2013

Members in attendance			
* Denotes attendance			
*	Cllr I Bramble	*	Cllr L P Jones
*	Cllr C G Bruce-Spencer (Vice Chairman)	*	Cllr J T Pennington (Chairman)
*	Cllr A S Gorman		

Other Members in attendance and participating
Cllrs H D Bastone and S A E Wright

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Acting Head of Finance and Audit, Chief Internal Auditor and Member Services Officer. Audit Manager - Grant Thornton

A.01/13 MINUTES

The minutes of the meeting held on 11 April 2013 were confirmed as a correct record and signed by the Chairman.

A.02/13 DECLARATIONS OF INTEREST

Members and officers 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.03/13 REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT 2012/13

The Chief Internal Auditor presented a report that provided Members with assurance that the System of Internal Audit was in place and was effective. He added that he was required to undertake this review on an annual basis as part of the process to produce the Annual Governance Statement.

The review had covered:

- Compliance with the standards set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government 2006;
- Effectiveness of the Audit Committee;

- Assurance provided to the external auditor by Internal Audit;
- Client and management opinion; and
- Extent to which Internal Audit adds value and helps delivery of corporate objectives.

During the discussion, the following points were raised:

- The Chief Internal Auditor advised Members that there would be a requirement for an independent review of the internal audit service every 5 years under the new United Kingdom Public Sector Internal Audit Standards. The external auditors expressed that this should be undertaken by a third party for it to be truly independent and it was discussed that Teignbridge District Council and other local Authorities in Devon could be approached. The Chief Internal Auditor agreed to establish if an exchange with other Councils would meet the requirements.
- The Committee also suggested that the effectiveness of the Audit Committee should also be included in the review.
- A Member commented on the positive and complimentary feedback given in the satisfaction survey by Managers and wished for this to be noted.
- The officer highlighted that 99% of the Audit Plan 2012-13 had been achieved and the Risk Management audit would be carried forward into the 2013/14 audit plan and indeed the audit was already underway.

It was then:

RESOLVED

That the findings of the Review of the Effectiveness of the System of Internal Audit has been noted and commented on.

A.04/13

INTERNAL AUDIT – ANNUAL REPORT AND OPINION ON THE ADEQUACY OF INTERNAL CONTROL 2012/13

Members considered a report that informed them of the principal activities of the Internal Audit Section of Finance and Audit during 2012/13. The Chief Internal Auditor highlighted that his 'opinion on the adequacy and effectiveness of the control environment' formed a key part of the assurance for the Annual Governance Statement. His opinion was based on the Audit Plan for 2012/13.

During the discussion, the following points were raised:

- It was noted that there had been twenty four cases of benefit fraud, four of which had been prosecuted. Members asked if the organisation had adequate resources to deal with this number of cases and wished to know how much money was involved. The Chief Internal Auditor agreed to find out this information and report back to the Audit Committee at its meeting in September 2013. He went on to say that the Authority did have a Benefit Fraud Prosecution and Sanctions Policy which set out the base line for when prosecutions were pursued. The officer reminded Members of the report to the Audit Committee, on the Audit Commission's National Fraud Initiative (NFI) data matching service, but accepted that there was room for improvement in reporting NFI to Members. The September internal audit progress report would also include an update on the latest position.
- In regard to the two issues in relation to Capital Expenditure, Members were informed that both were as a result of ledger coding problems by the relevant service manager. In one case, the Council's Capital Accountant had already identified the issue and was dealing with it. In the other, the Capital Accountant would have noted the coding at the next reconciliation and reported it to Members. In both cases the expenditure was within approved capital or revenue budgets.
- Members wished for the excellent rating ascribed to Treasury Management, in the final reports, to be noted, and a Member commented that the Authority should continually aspire to attain excellence where it was currently rated as 'good'. Another Member expressed that given the financial constraints of the Council, the overall picture was good.
- The officer informed that discussions would be undertaken with the Assets team with regard to it raising its own invoices, as currently it was the only service that did not do this task. It would require resources, which meant that progress was unlikely to be achieved in the short term, but it was pending, and the Head of Service would report back to a future meeting of the Committee
- The officer highlighted that car parking permits, because of their cash value, required a control system and secure storage, which incurred resources, so the question was asked, if from a value for money perspective, the Authority could rationalise them. Members were informed that the Economy and Environment Scrutiny Panel would be convening a Task and Finish Group to review car parking charges and permits and that this could be a consideration for the Group.
- Members expressed their concern at the number of

recommendations in the final audit reports which were not implemented, which had resulted in the repetition of some issues. It was felt that if officers were not able to implement recommendations, they should not agree to them. The Chief Internal Auditor welcomed the comments and emphasised that it would be helpful if the Committee requested the attendance of managers to discuss their own individual reports.

- The officer informed the Committee that the Employment Taxes Review (pages 40 to 45 of the published agenda) undertaken by Grant Thornton at the request of the Council, had been submitted to HM Revenue and Customs, along with other documents, as the Authority was currently subject to an inspection.

With regard to the Termination of Payments process, the officer requested that the words '*was common*' in the opening sentence on that topic (page 42 of the published agenda) be amended, as he felt that the wording gave the impression that a compromise agreement had been reached in most cases of redundancy, which had not been the case.

- Grant Thornton had recommended that a process be put in place to review the claims made by the employees to determine which ones would be classed as taxable income.

The officer responded that the current situation, where good guidance was provided to officers to assist them to classify their claims, was reasonable, as the Authority could not be expected to investigate every journey for which there was a mileage claim, but they could introduce random sampling. The travel claim form highlighted the need for employees to seek HMRC guidance on taxable journeys. He added that there was also a corporate drive to reduce the necessity for officers to travel, which should reduce the number of travel claims.

- Members commented on the Council's VAT systems which had been found to be excellent, and wished for this to be noted.

It was then

RESOLVED

That the report has been commented on and the Chief Internal Auditor's Opinion on the Adequacy of Internal Control be noted.

The Chief Internal Auditor presented the report which informed Members of the results of the 2012/13 compliance review of the 2011 Code of Corporate Governance and both he, and the Chairman, highlighted and discussed the importance of the six listed principles of Corporate Governance (page 47 of the published agenda) to the Audit Committee.

During the discussion, the following points were raised:

- Members were informed that a summary of an audit report, (an issue highlighted in the current governance review), on the Authority's Partnership arrangements, would be presented to the Committee at its meeting in September 2013. Whilst there was a policy in place, it had become outdated and was in need of a review. The Corporate Director (TW) would assign an officer to undertake this piece of work.
- In relation to the Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk, Members expressed their concern at a report which had recently been presented to the Economy and Environment Scrutiny Panel which was lacking in detail with regard to costs.

Members went on to say that they had concerns about the quality and standard of agenda reports generally. Another Member said that sloppiness had crept into report writing and cited an example where wording implying a subjective opinion had been used but which had no evidence within the body of the report to substantiate that opinion.

The Chief Internal Auditor responded that this would be best addressed by updating and re-launching the Guidance produced for officers on report writing and the Democratic Services Manager had responded to the concerns by canvassing Members for their views. Members discussed that this issue be included when formulating the recommendations on this item.

- Members noted the regular meetings between the Leader, Deputy Leader and the Chief Executive. One Member felt that notes should be taken at these meetings and distributed to Members, whilst another felt that a summary of the topics discussed should be produced. It was then **PROPOSED** and **SECONDED** that it be recommended that a summary of the topics discussed be produced and distributed.

It was then

RESOLVED

1. That the findings of the 2012/13 Compliance Review of the Council's Code of Corporate Governance 2011, including the significant governance issues to be taken to the Annual Governance Statement be noted; and
2. That support be given to the review into the Officer Guidance to Report Writing in an effort to address Member concerns over the standard of published agenda reports.

It was then

RECOMMENDED by four votes in favour and one abstention

That the Executive be **RECOMMENDED** to support the early implementation of:

1. The recommendation at Principle 1 on the Action Plan (page 60 of the published agenda);
2. The recommendation at Principle 2 on the Action Plan (page 67 of the published agenda); and
3. A summary document of the topics considered at the weekly meetings between the Chief Executive, Leader and Deputy Leader, being produced and made available to the wider membership.

(Meeting commenced at 2.00 pm and finished at 3.45 pm)

Chairman