

**SOUTH HAMS DISTRICT COUNCIL**

<b>NAME OF COMMITTEE</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>27<sup>th</sup> September 2012</b>
<b>REPORT TITLE</b>	<b>UPDATE of the ANNUAL GOVERNANCE STATEMENT 2011/12</b>
<b>Report of</b>	<b>Head of Finance and Audit (S.151 Officer) Monitoring Officer Chief Internal Auditor</b>
<b>WARDS AFFECTED</b>	<b>All/Corporate</b>

**Summary of report:**

Members were provided with information at the July 2012 Audit Committee meeting to allow them to independently examine the draft Annual Governance Statement for 2011/12 and the supporting process and assurance streams; and recommend approval of the Annual Governance Statement (AGS) to the following Council (A.09/12).

The AGS provides public confirmation that this Council has a sound framework of governance and system of internal control, which facilitates the effective exercise of the Council's functions and includes arrangements for the management of risk.

The Accounts and Audit (Amendment) (England) Regulations 2006 and 2011 require the Council to publish the Annual Governance Statement by the end of September with the audited Statement of Accounts. However, the AGS must be reviewed and updated to take account of any significant changes in the governance or control frameworks between the date of production and the publication date. No significant changes were identified and only minor amendments made to the AGS.

**Financial implications:**

Within existing budgets.

**RECOMMENDATION:**

**It is RECOMMENDED that Members consider and note the minor updates to the Annual Governance Statement (AGS) 2011/12 approved by the Council.**

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## **1 BACKGROUND**

### **The 2011/12 Annual Governance Statement (AGS)**

- 1.1 The Accounts and Audit Regulations 2003 states that 'The relevant body shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices' with any relevant financial statements the body is required to publish.
- 1.2 In 2006, the Accounts and Audit Regulations were amended to replace the Statement of Internal Control with the 'Annual Governance Statement'.
- 1.3 The 2011 Accounts and Audit Regulations removed the requirement to publish the AGS within the Council's Statement of Accounts. The Regulations suggest that the AGS should 'accompany' the accounting statements rather than being included within them.
- 1.4 The extract from the CIPFA Finance Advisory Network guidance (Appendix A) sets out a suggested framework for the System of Internal Control part of the AGS and the assurance gathering process.
- 1.5 This also formed part of the report to the July 2012 Audit Committee meeting which allowed members to independently examine the draft Annual Governance Statement for 2011/12 and the supporting process and assurance streams; and recommend approval to the following Council (A.09/12).
- 1.6 However, the AGS must be reviewed and updated to take account of any significant changes in the governance or control frameworks between the date of production and the publication date.
- 1.7 The following paragraph set out the required amendments.

## **2. UPDATING THE 2012 ANNUAL GOVERNANCE STATEMENT**

- 2.1 The assurance streams for the draft Annual Governance Statement presented to the July 2012 Audit Committee were revisited to ensure that, up to the date of publication, the AGS included any relevant issues coming to light since its production.
- 2.2 No new significant issues were identified for inclusion in the AGS.
- 2.3 The draft Statement also included an action plan to address any significant governance and internal control issues, which were identified through the assurance process.
- 2.4 Minor amendments have been made to this as per the following table:

<b>Draft AGS Issue</b>	<b>Update</b>
Partnership Management	Links with Risk Management. Progress is being made but a revised date of 31 <sup>st</sup> December 2012 is required for completion.
Shared Services Operating Agreements	Revised date for completion of 31 <sup>st</sup> March 2013 due to the interim arrangements for the Monitoring Officer, pending the results of the review of the legal service.
Risk Management Framework	Progress is being made but a revised date of 31 <sup>st</sup> December 2012 is required for completion.
Dartmouth Embankment	An oral update on the progress being made on this issue will be provided to members at the meeting.

2.5 The updated AGS for 2011/12 appears at Appendix B to this report.

### **3. LEGAL IMPLICATIONS**

3.1 The Accounts and Audit (Amendment) (England) Regulations 2003, 2006 and 2011 (Statutory Instrument No. 817) require the Council to publish an Annual Governance Statement.

### **4. FINANCIAL IMPLICATIONS**

4.1 Within existing budgets.

### **5. RISK MANAGEMENT**

5.1 The risk management implications follow these considerations:

<b>Corporate priorities engaged:</b>	All/Corporate
<b>Statutory powers:</b>	Section 111, Local Government Act 1972; and Accounts and Audit Regulations 2003, 2006 and 2011 (Statutory Instrument No. 817).
<b>Considerations of equality and human rights:</b>	There are no specific equality and human rights issues arising from this report.
<b>Biodiversity considerations:</b>	There are no specific biodiversity issues arising from this report.
<b>Sustainability considerations:</b>	There are no specific sustainability issues arising from this report.
<b>Crime and disorder implications:</b>	There are no specific crime and disorder issues arising from this report.

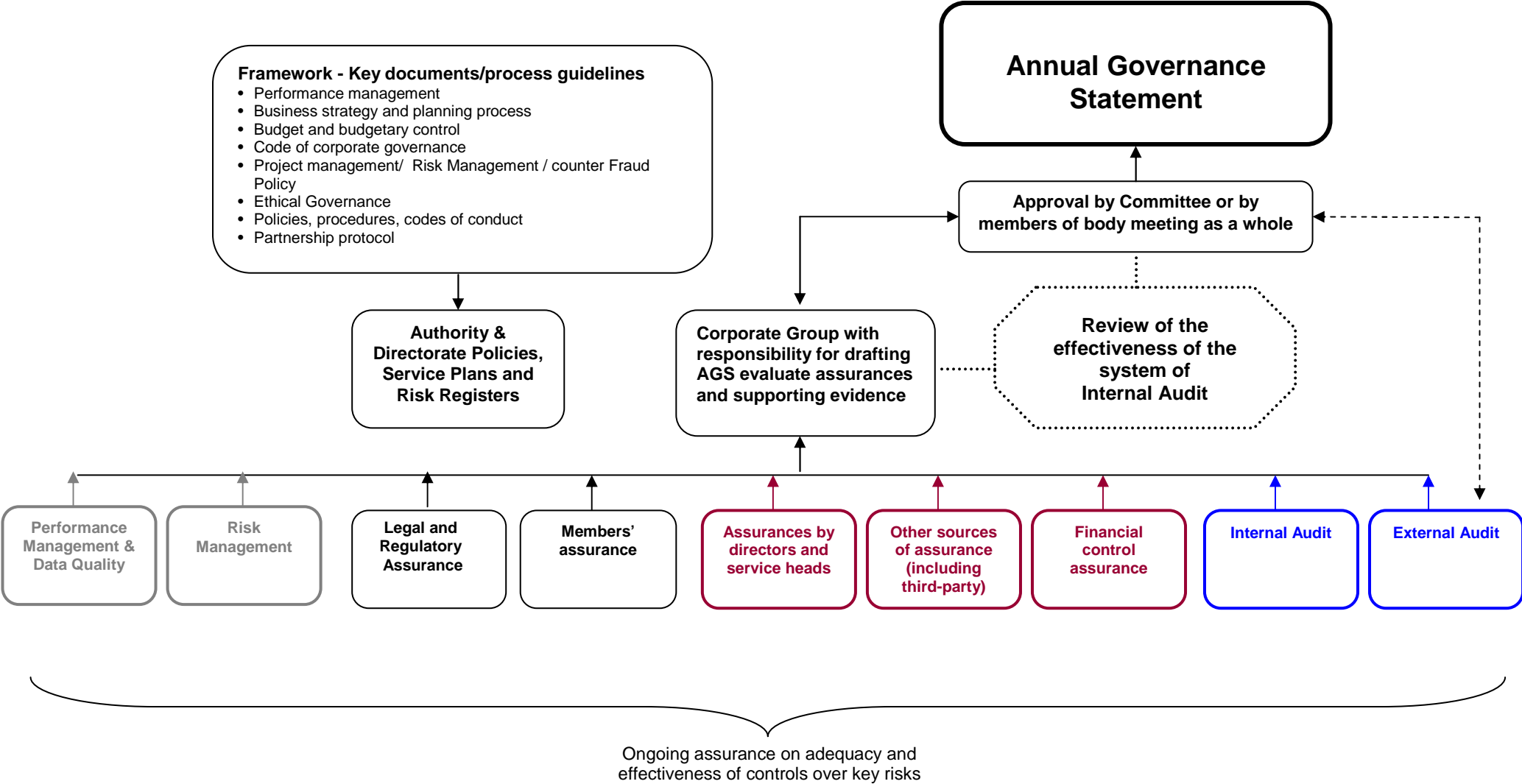
<p><b>Background papers:</b></p>	<p>Code of Corporate Governance for South Hams District Council 2008  CIPFA/SOLACE (2007) Delivering Good Governance in Local Government – incl. Guidance Note for English Authorities  Accounts and Audit (Amendment) (England) Regulations 2006  Independent Commission on Good Governance in Public Services (2005): The Good Governance for Public Services  CIPFA/SOLACE document: Corporate Governance in Local Government: A Keystone for Community Governance: CIPFA (2001)</p>
<p><b>Appendices attached:</b></p>	<p><b>Appendix A</b> – Framework for the System of Internal Control and Annual Governance Statement  <b>Appendix B</b> – Updated Annual Governance Statement for 2011/12</p>

## STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1.	Opportunity	<p>The Council is able demonstrate that the policies, processes, tasks, behaviours and other aspects of the Council, taken together:</p> <ul style="list-style-type: none"> <li>• Facilitate effective and efficient operation by enabling an appropriate response to significant business, operational, financial, compliance and other risks to achieving the Council's objectives (including the safeguarding of assets from inappropriate use, loss or fraud, and ensuring that liabilities are identified and managed);</li> <li>• Help ensure the quality of internal and external reporting.</li> <li>• Help ensure compliance with applicable laws and regulations, and internal policies with respect to the conduct of business.</li> </ul>	-	-	-	-	Monitoring compliance of the Code of Corporate Governance and the System of Internal Control will feed the Annual Governance Statement (AGS) process and provide assurance to the community that a good governance framework is in place.	The Council Audit Committee Senior Management Team (SMT) S.151 Officer Monitoring Officer Chief Internal Auditor

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
2	System of Internal Control - Formal Identification of objectives, risks and related controls.	Senior managers may be unable to demonstrate that they have set their service objectives linked to those of the Council, identified the risks to achieving these service objectives and assessed the controls in place to mitigate the risks.	2	2	4	↔	Service planning guidance reminds managers that the service plan process is the basis for the System of Internal Control supported by a formal assessment of controls, with evidence of their satisfactory operation.	Senior Management Team (SMT) S.151 Officer Monitoring Officer Chief Internal Auditor
3	Assurance streams for the Annual Governance Statement (AGS)	Risk that the Council does not have the system in place to produce a meaningful AGS to be included in the accounts; or that the process does not satisfy the requirements under the Accounts and Audit Regulations 2003/2006/2011.	3	2	6	↔	AGS completed through the annual reviews of the Code of Corporate Governance and System of Internal Control, in line with all the relevant national guidance, and subject to review by the external auditor.	The Council Audit Committee Senior Management Team (SMT) 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 may fall by the wayside. 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. The Council may not act within the 'Accounts and Audit Regulations', and be publicly criticised by the external auditor as a result.	3	2	6	↔	The Council will produce an Annual Governance Statement, in line with the latest guidance, describing the governance framework and reflecting issues identified from a number of assurance streams including the review of the Code of Corporate Governance. 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.	The Council Audit Committee Senior Management Team (SMT) S.151 Officer Monitoring Officer Chief Internal Auditor

# ANNUAL GOVERNANCE STATEMENT FRAMEWORK



## South Hams District Council

### Annual Governance Statement

#### 1. Scope of Responsibility

South Hams District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

South Hams District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute for Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework *Delivering Good Governance in Local Government*. A copy of the Council's code is available on our website [www.southhams.gov.uk](http://www.southhams.gov.uk) or can be obtained from the Chief Internal Auditor, South Hams District Council, Follaton House, Plymouth Road, Totnes TQ9 5NE.

This statement explains how South Hams District Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2011 in relation to the publication of a statement on internal control.

#### 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of South Hams District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at South Hams District Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.



### 3. The Governance Framework

The key elements of the systems and processes that comprise the Council's governance arrangements follow under the headings (*italics*) suggested by the CIPFA/SOLACE guidance:

**1. Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users: and**  
**2. Reviewing the vision and its implications for the Council's governance arrangements:**

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.

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'. The Leader presented a report to the March 2011 meeting of the Council recommending that the Shared Services and Beyond document be formally adopted and 'South Hams Voice' be developed as the means by which the Council increases engages with the voluntary/community sector, business sector and the community at large.

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 that period for each of the new priorities.

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.

The Strategic direction is communicated to the citizens and service users through a booklet sent annually with all Council Tax and Business Rates bills, reports sent to all households in the Council's joint magazine with Devon County Council, as well as on the Council's web-site.

The booklet includes a statement from the Leader of the Council, and sets out the Council's achievements and opportunities.

The implication for the governance arrangements is considered by an annual compliance review of the Code of Corporate Governance with the results reported to a joint meeting of the Audit and Standards Committees (5<sup>th</sup> April 2012). The report and minutes are available on the Council's web-site and any issues identified included in this Annual Governance Statement.

**3. Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources:**

The Connect Strategy referred to above links to plans of partner organisations and the Partnership's Governance arrangements includes a Delivery Group comprising of the key stakeholders to monitor plans and report to a Board, Elected Member Board etc.

It has four detailed Delivery Plans (Community Life, Economy, Environment and Homes). Wherever possible the delivery plans seek to maximise opportunities from shared services to deliver efficiencies, be more cost-effective and improve outcomes for local people. The targets set within these plans will be achievable and realistic delivering outcomes for local communities. Progress against targets will be reported regularly to the Connect Partnership Board and Elected Member Board.

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.

The Council uses a suite of performance indicators that includes measurement of the quality of service. A 'Balanced Scorecard' system of regular reporting of the key indicators to the Senior Management Team (SMT), and Members (Corporate Performance and Resources Scrutiny Panel) is in place.

Performance measures are being reviewed for 2012/13 with new or revised indicators linked to drivers, goals and the service/Council priorities.

Each Head of Service draws up a service plan (now known as a Blue Print) setting out, for the coming year, the obligations and objectives of their area of responsibility linked to the Council's priorities. The service plans also link to the budget setting process, risk management framework and the system of internal control.

The Council publishes a Medium Term Resource Strategy each year, which covers a four year period. That for the period 2012/13–2015/16 was approved by the Executive in July 2011 and has regard to the Priorities, business planning – pressures and savings, government grant settlements, council tax, and reserves. It also reflects the revenue implications of the capital programme.

Inspectorate reports are received and acted upon. The external auditors' reviews and reports on the Council's Statement of Accounts, governance arrangements, and value for money are summarised in an Annual Audit Letter to members, which is presented with other reports to the Audit Committee.

**4. Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication:**

Parts 2 and 3 of the Council's Constitution, which is available on the Council's web-site and Intranet, defines and documents the roles and responsibilities of the executive, non executive, scrutiny and officer functions, and contains clear delegation arrangements.

Part 5 of the Constitution includes a Protocol on Councillor/Officer Relations. The Protocol is a guide to Members and Officers in their dealings with each other, and applies equally to co-opted members of Council bodies in their dealings with officers where appropriate. It seeks to reflect the respective codes of conduct.

Protocols for effective communication are in place including a Corporate Communications Policy.

**5. Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;**

Part 5 of the Constitution sets out the Code of Conduct for elected members (2007).

There is also a Code of Practice for Members considering Planning matters. Its aim is to ensure that in the planning process there are no grounds for suggesting that a decision has been biased, partial or not well founded. It links to the Code of Conduct.

An Officer's Code of Conduct also appears in Part 5 of the Constitution and the Staff Pages of the Council's Intranet (internal website).

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 the Code of Conduct is provided to members, and officers also receive training on their Code and the wider ethical framework as part of induction and other internal training.

The Standards Committee's remit includes monitoring the conduct of Members and investigating complaints in respect of individual Members.

**6. Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:**

Part 3 of the Council's Constitution contains a Scheme of Delegation to Officers, which together with the Contract Procedure Rules & Finance Procedure Rules, supporting procedure notes and manuals form a key part of the Council's control environment. These are reviewed annually and updated as required;

The formal management of risk is in place and subject to annual internal audit, external inspection through the Audit Commission, and reporting to the Audit Committee quarterly and annually to the Council. The risk management process includes an approved Strategy, a Risk Management Group, risk registers, systems for identifying emerging risks, consideration of risk and opportunities in reports to members and project management.

A new Corporate Risk Management Policy was approved in April 2012. The review of the Code of Corporate Governance highlighted the need for the risk management framework supporting the Policy to be updated.

**7. Ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer.**

For 2011/12 the Council appointed the Head of Finance and Audit as the designated officer responsible for the proper administration of the Council's financial affairs as required under Section 151 of the Local Government Act 1972 (the 'S.151 Officer'). This appointment is reflected in the Article 12 of the Constitution.

A self assessment of the Role of the Chief Financial Officer (CFO) confirmed that the Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government'.

The assessment highlighted the potential for a conflict of interest as the CFO (also known as the S.151 Officer) is also the S.151 Officer at West Devon Borough Council. This risk is mitigated by formally appointed Deputy S.151 Officers who are dedicated to each Council (not shared).

**8. Undertaking the core functions of an Audit Committee, as identified in CIPFA's document 'Audit Committees – Practical Guidance for Local Authorities':**

Article 10 of the Constitution sets out the functions 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 and to oversee the financial reporting process and the effectiveness of the Treasury Management function

The Terms of Reference are based on the CIPFA document: Audit Committees – Practical Guidance for Local Authorities;

Part 4 of the Constitution includes 'Rules for Other Bodies of the Council', sets out the membership requirements for the Audit Committee.

**9. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:**

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.

Some of the services provided are statutory, whilst others are a matter for the Council to decide upon. There is a process to ensure that any new legislation is identified and acted upon, which includes letters to the Chief Executive from the relevant government departments, and Monitoring Officer reviews of their web-sites. Part 3 of the Council's Constitution includes both the Responsibility for Functions (Local Choice and Council) and the Scheme of Delegation to Officers.

Article 12 of the Constitution sets out the statutory functions of the 'Monitoring Officer', which includes ensuring lawfulness and fairness in decision making. These responsibilities are reflected in the related job description and specification. The Scheme of Delegation to Officers reflects statutory provisions. The Monitoring Officer reviews the reports to Members for legality.

There is the potential for a conflict of interest as the Council's Monitoring Officer is also the Monitoring Officer at West Devon Borough Council. This risk is mitigated by formally appointed Deputy Monitoring Officers who are dedicated to each Council (not shared).

A system of consultation of other professionals in advance of presentation of reports to Members is in place, particularly where a recommendation requires the input of more than one profession e.g. legal advice, financial advice etc.

Adherence to regulations, policies and procedures are also reviewed and monitored on behalf of the S.151 Officer by Internal Audit and the Audit Committee.

The Council has an active internal audit function which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Internal audit is responsible for monitoring the quality and effectiveness of the Council's control framework which includes ensuring that activities are lawful and internal policies and procedures are complied with. A risk based audit plan, approved annually by the Audit Committee ensures there is adequate audit coverage for this purpose.

### **10. Whistle-blowing and receiving and investigating complaints from the public:**

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.

The Council's website also includes a Complaints and Suggestions page which outlines the procedure for making a complaint, a complaint about a Member, suggestions, and how to contact the Local Government Ombudsman.

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.

In addition the web-site publishes related documents:

- An Anti Fraud, Corruption and Bribery Policy and Strategy;
- An Anti Money Laundering Policy; ;
- Links to the Local Government Ombudsman;
- A Local Code of Conduct – Complaints Procedure enables people to complain about members who may have breached the Code.

### **11. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:**

#### *Members*

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".

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.

A politically balanced Member Development Steering Group has been formed and the group's terms of reference were agreed. A Member Development Strategy was approved by the Council and has contributed into the 2011 induction programme.

At the February 2012 Council meeting, as part of the report of the Political Structures Working Group, recommendations were accepted to amend procedures to:

- (i) All Members will be 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 will be welcome to attend the induction sessions.

Other ad hoc training is also provided as required, Members and officers receive a weekly Members Bulletin which provides an update on current issues, background information on training events and a range of other topics.

### *Senior Officers*

The responsibilities of each management post are reflected in the related job descriptions and specifications. A programme of training is provided to these officers that is linked to the corporate employee appraisal and competency scheme, which includes identification of one off training requirements as well ongoing professional training.

### **12. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:**

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 and other bodies of the Council except where confidential or exempt information is likely to be disclosed.

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

In addition, the 360 Assessment has been developed and rolled out to all relevant staff. An assessment must be completed for all new/changed policies, strategies and relevant projects including new service delivery. The assessment covers Equality, Duty to Involve, Human Rights, Data Protection, Crime and Disorder, Child Protection, Biodiversity and Sustainability.

### *Connect Strategy*

The Connect Strategy and related Delivery Plans are produced by the South Hams and West Devon Connect Partnership brings together key stakeholders from the community, voluntary, business and public sectors. Annual stakeholder events are held for each Council Priority.

The Council is developing the 'Voice': Business Voice, Town and Parish Voice, and Voluntary Voice, consulting and engaging covering issues that are important to the particular groups.

### *Local Development Framework*

The 2004 Planning and Compulsory Purchase Act requires local planning authorities to prepare a Statement of Community Involvement (SCI). This document sets out how and when

the Council will involve the community in preparing development plans and processing planning applications. In 2006, the Council adopted its SCI.

However, a recent update makes it clear how the Council will engage with the community, in line with the latest planning legislation, for plan making and planning applications. In October 2011 South Hams and West Devon Councils agreed to publish a draft SCI for formal consultation. The comments received during the 6 week consultation have informed amendments to the final version of the SCI, which was presented to the March 2012 Executive to recommend adoption by the Council.

### *Other Arrangements*

In addition there are numerous other arrangements through which the Council engages with local people and other stakeholders, including input to the budget planning process, surveys, various fora, town and parish cluster meetings, South Hams Connect, the magazine etc.

A more comprehensive, but not exclusive, list was included in the compliance review of the Code of Corporate Governance presented to the Joint Audit and Standards Committees meeting (5<sup>th</sup> April 2012). The report and minutes are available on the Council's web-site.

### **13. Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements:**

Article 11 of the Constitution allows members and officers to enter into joint arrangements with other bodies in order to promote the economic, social or environmental well-being of the Council's area.

The Executive approved the adoption of a Partnership Policy and Guidance document, which contains Appendices to guide officers in considering the purpose of joining a partnership, risk management, governance arrangements, information sharing, monitoring and scrutiny.

It also includes the requirement for an annual report to Members for significant partnerships covering an appraisal of the outputs/achievements/outcomes, a review of the aims and objectives and an evaluation of whether they align with the Council's objectives and priorities, cross-cutting themes and commitments and an appraisal of the financial commitment/staff input and whether the partnership continues to provide value for money for the Council. The partnership risk register is also be reviewed annually by Members.

## **4. Review of the Effectiveness of the Governance Framework**

South Hams District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The effectiveness of the governance framework is considered by an annual compliance review of the Council's Code of Corporate Governance with the results reported to a joint meeting of the Audit and Standards Committees (5<sup>th</sup> April 2012).

This and the review of effectiveness of the system of internal control is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and

also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework including the system of internal control for 2011/12 is as follows:

<b>Responsibility</b>	<b>Responsible Party</b>
<ul style="list-style-type: none"> <li>• Oversee the effective management of risk by officers of the Council.</li> <li>• Maintain a system of internal control.</li> <li>• Review system of internal control annually.</li> <li>• Evaluate assurance and conclude as to the independence and objectivity of the various sources of assurance before coming to an overall conclusion. This can be delegated to an appropriate member body to recommend approval, although approval remains with the Council.</li> <li>• Approve the Annual Governance Statement.</li> </ul>	<p style="text-align: center;">‘The Relevant Body’ - South Hams District Council</p>
<ul style="list-style-type: none"> <li>• Propose the budget and policy framework to the Council, including the Code of Corporate Governance, Risk Management Strategy etc.</li> </ul>	<p style="text-align: center;">The Executive</p>
<ul style="list-style-type: none"> <li>• Review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and particular service areas.</li> </ul>	<p style="text-align: center;">Scrutiny</p>
<ul style="list-style-type: none"> <li>• Promote and maintain effective processes for governance issues including maintaining high standards of conduct by the Councillors and Co-opted members of the authority,</li> <li>• Receipt of an annual review of the Council’s Code of Corporate Governance and approval of any action plan arising from the review.</li> </ul>	<p style="text-align: center;">Standards Committee</p>
<ul style="list-style-type: none"> <li>• Monitor the effective development and operation of risk management and corporate governance in the Council.</li> <li>• Consider the Council’s arrangements for corporate governance and to ensure compliance with best practice.</li> <li>• Consider internal audit’s annual report and opinion, and summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council’s corporate governance arrangements;</li> <li>• Carry out an annual self assessment of the effectiveness of the Committee;</li> <li>• Oversee the production of the Council’s Annual Governance Statement and recommend its adoption to the Council.</li> </ul>	<p style="text-align: center;">Audit Committee (Delegated Member Body)</p>
<ul style="list-style-type: none"> <li>• Establish principal obligations and objectives, identify risks to these obligations and objectives and key controls to mitigate these risks.</li> <li>• Provide assurance through routine monitoring of internal controls as an integral part of the risk management process.</li> <li>• Regularly report on the operation of internal controls to elected members through the management team.</li> </ul>	<p style="text-align: center;">Heads of Service</p>



Responsibility (Continued)	Responsible Party
<ul style="list-style-type: none"> <li>• These statutory functions provide a key source of assurance that systems and procedures of internal control are in operation and effective.</li> <li>• With the Chief Internal Auditor complete a compliance review of the Code of Corporate Governance and System of Internal Control and produce the Annual Governance Statement.</li> </ul>	S.151 and Monitoring Officers
<ul style="list-style-type: none"> <li>• With the S.151 and Monitoring Officers complete a compliance review of the Code of Corporate Governance and System of Internal Control.</li> <li>• Review the effectiveness of the system of internal audit annually and report results to the Audit Committee.</li> <li>• Subject to complying with the Code of Practice for Internal Audit in Local Government, provide independent and objective assurance across the whole range of the Council's activities.</li> <li>• The annual internal audit report to the Council (Audit Committee) to include an opinion on the overall adequacy and effectiveness of the internal control environment, providing details of any weaknesses that qualify this opinion and issues relevant to the preparation of the Annual Governance Statement.</li> </ul>	Chief Internal Auditor
<ul style="list-style-type: none"> <li>• Provide explicit assurance on the control environment and governance arrangements in relation to their area of responsibilities.</li> </ul>	Risk Management Group External Auditor Other Review Agencies/Inspectorates

## 5. Significant Governance Issues

Overall the Council's governance arrangements are satisfactory for 2011/12. However, the following action plan has been drawn up to address the weaknesses identified and ensure continuous improvement of systems or to deal with governance issues:

### ***From the Compliance Review of the Code of Corporate Governance (Joint Meeting of Audit and Standards Committees 5<sup>th</sup> April 2012) issues for:***

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

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p><b><i>Partnership Management</i></b> 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, following the changes in the Risk Management Framework.</p>	<p>The Council's Risk and Health &amp; Safety Advisor, in association with a Director, should review the Council's Partnership Management Framework and ensure that the related Policy and Guidance is updated as a shared document with West Devon Borough Council.</p>	<p>Risk and Health &amp; Safety Advisor Director 31<sup>st</sup> December 2012</p>

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

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p><b>Shared Services – Operating Agreements</b></p> <p>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.</p>	<p>Fresh Operating Agreements will be concluded with the new Heads of Service and Middle Managers appointed under the senior management and middle manager review after the revision of the overall agreement between the Councils has been completed. (Part of the Financial Controls and Governance Arrangements for Shared Services project within the Council's 2015 Transformation Programme.)</p>	<p>Monitoring Officer 31<sup>st</sup> March 2013</p>
<p><b>Shared Services – Financial Controls and Governance Arrangements</b></p> <p>The Financial Controls and Governance Arrangements for Shared Services are being reviewed as a project of the 2015 Transformation Programme.</p> <p>The project is being managed by the S.151 Officer, Monitoring Officer and Chief internal Auditor and tasks include:</p> <p>a) To consolidate the existing elements of the framework for the Governance of the Shared Services arrangements (both financial and legal):</p> <p>b) Recharging the salaries of Shared Service officers</p> <p>Extensive detailed work has been carried out by a small group of officers on the recharging of salaries for the 2011/12 financial year for shared officers, following the Senior Management Review (effective from 1st April 2011) and the Middle Manager Review (effective from 1st October 2011). Officers have produced a methodology for recharging the salary costs of shared costs of shared officers using an appropriate ratio e.g. call volumes, property numbers, caseloads etc. and as a last resort time recording. The work carried out includes establishing from the Heads of Service the relevant recharge requirements for every member of staff, which will feed into a review of the method used for 2011/12 against other options.</p>	<p>The S.151 Officer, Monitoring Officer and Chief Internal Auditor, as the Project Managers for the Financial Controls and Governance Arrangements for Shared Services project of the 2015 Transformation Programme, should ensure that key tasks are completed in line with the formal project plan reported and monitored by the Shared Services Joint Steering Group .</p>	<p>S.151 Officer Monitoring Officer Chief Internal Auditor</p> <p>Timescales in Line with those reported to the Shared Services Joint Steering Group</p>

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

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p><b>Risk Management Framework</b></p> <p>The Council's Risk Management Strategy is in the course of being updated and aligned as a single document with West Devon Borough Council, following the presentation of a new Joint Risk Management Policy to the April 2012 Audit Committees.</p> <p>Other improvements to the Risk Management Framework are being developed but these have yet to be finalised against the revised Policy.</p>	<p>The Council's Risk and Health &amp; Safety Advisor, in association with a Director, should review the Council's Risk Management Framework and ensure that it meets the requirements of a revised Policy and good practice.</p>	<p>Risk and Health &amp; Safety Advisor Director 31<sup>st</sup> December 2012</p>

### **From the System of Internal Control:**

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

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p><b>Dartmouth Embankment</b></p> <p>A previous formal management agreement between the Council and Dart Harbour Navigation Authority (DHNA) for the latter to manage the Embankment was terminated by the Council in 2003 in exchange for retaining all harbour dues.</p> <p>This was as a result of the increasing costs of maintaining the asset and the long term need for monies to be reserved to replace the coast protection that the Embankment provides when it comes to the end of its useful life.</p> <p>Further negotiations have taken place with DHNA since, with some disagreement over the interpretation of Section 54 and related parts of the Dart Harbour Navigation Act 1975. The legislation says that 75% of the net harbour dues should be paid to the Council.</p> <p>This would provide a reserve for repairs etc. if accepted by DHNA. Speciality legal advice may be required to clarify the position of the Council and the DHNA if agreement cannot be reached.</p> <p>Dialogue with the current DHNA Harbour Master has commenced.</p>	<p>The Head of Assets is to:</p> <ul style="list-style-type: none"> <li>• Continue dialogue with the Dart Harbour Master with a view to reaching agreement for some annual contribution to a sinking fund for maintaining the Embankment, and clarifying the management responsibilities for the Embankment;</li> <li>• Discuss with the Council's Solicitor the need to obtain specialist legal advice to clarify the legislation; and</li> <li>• Draw up a new formal agreement if satisfactory solutions can be found.</li> </ul>	<p>Head of Assets 31<sup>st</sup> March 2013</p>

**From the System of Internal Control (Continued):**

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p><b>Pay and Grading</b></p> <p>In July 2009, Executive decided that no further progress towards single status could be made at that time. It is now the Council's intention to work toward convergence of terms and conditions of employment for all staff across the two Authorities which includes Pay.</p> <p>It is not possible to estimate the cost of such convergence and it is difficult to foresee to what extent the Council will be subject to equal pay claims.</p>	<p>A pay and grading review programme commenced in June 2012 on a service by service basis with a planned completion date of 31<sup>st</sup> March 2014.</p>	<p>Head of Paid Service Head of Corporate Services 31 March 2014</p>
<p><b>Land Charges</b></p> <p>In common with 370 other English district and unitary councils, South Hams District Council may be the subject of a claim by a group of companies whose business is the making of personal searches of our land charges records.</p> <p>No claim has been served upon the Council and the issue is whether the charges were lawfully imposed. The authorities contend that charges were imposed in accordance with Regulations made by the Government and if those regulations were unlawfully made, the Government should compensate.</p>	<p>The matter is being dealt with by the Local Government Association.</p> <p>The case was due for another case management discussion at the High Court on 19<sup>th</sup> June 2012, which was adjourned and rescheduled for September 2012.</p> <p>Any action the Council takes will be dependant upon the judgement.</p>	<p>Monitoring Officer Head of Planning, Economy and Community</p> <p>Timescales dependant upon the judgement.</p>
<p><b>Internal and External Audit Reports</b></p> <p>Some issues have been identified in audit reports by the Council's external auditor and the shared in-house internal audit team.</p> <p>Individually the recommendations do not impact on the wider system of internal control, but action plans for remedial action have been agreed.</p>	<p>All remedial actions detailed in external and internal audit reports will be completed in line with the agreed timescales. These actions will be monitored by the auditors' 'follow up' procedures.</p>	<p>Heads of Service S.151 Officer Chief Internal Auditor In line with agreed timescales</p>

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

**Signed and Dated:**

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**Leading Member & Chief Executive on behalf of  
South Hams District Council**