

<b>NAME OF COMMITTEE</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>18 July 2013</b>
<b>REPORT TITLE</b>	<b>SYSTEM OF INTERNAL CONTROL; and ANNUAL GOVERNANCE STATEMENT - 2012/13</b>
<b>Report of</b>	<b>Head of Finance and Audit (S.151 Officer); Monitoring Officer; and Chief Internal Auditor</b>
<b>WARDS AFFECTED</b>	<b>All/Corporate</b>

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**Summary of report:**

The purpose of this report is to provide Members with sufficient information to allow them to independently examine the draft Annual Governance Statement and the supporting process and assurance streams; and recommend approval of the Annual Governance Statement to the Council.

The Accounts and Audit (Amendment) (England) Regulations 2011 require the Council to publish an Annual Governance Statement.

It will provide a 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.

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

**Financial implications:**

Within existing budgets.

**RECOMMENDATION:**

**It is RECOMMENDED that Members consider the draft Annual Governance Statement (AGS) for 2012/13 and supporting evidence provided by this report and recommend approval to the Council.**

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# **1 BACKGROUND**

## **Introduction to the Annual Governance Statement (AGS)**

- 1.1 The Accounts and Audit Regulations 2003 introduced a new section requiring every local authority, police authority and fire authority in England to publish a 'Statement on Internal Control'.
- 1.2 Regulation 4(1) of the Regulations state that 'The relevant body (South Hams District Council), shall be responsible for ensuring that financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk'.
- 1.3 Regulation 4(2) goes on to state 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.
- 1.4 In 2006, the Accounts and Audit Regulations were amended to replace the Statement of Internal Control with the 'Annual Governance Statement' (AGS).
- 1.5 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.

## **Guidance Relating to Corporate Governance and Internal Control**

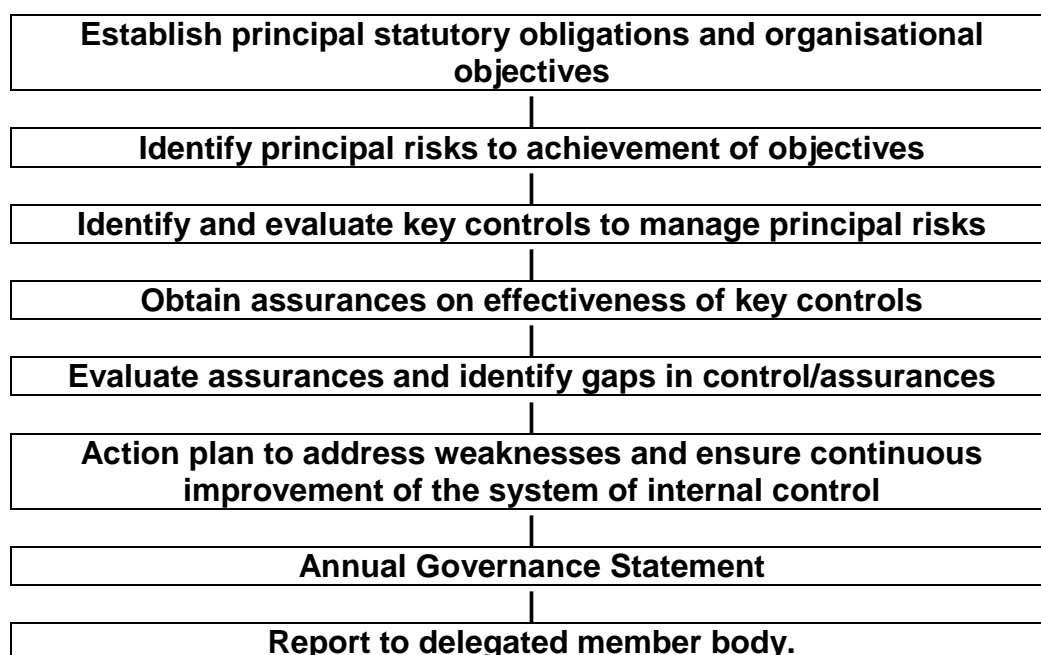
- 1.6 The System of Internal Control (SIC) process is based on guidance issue by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Audit Commission, and the subsequent CIPFA/ Society of Local Authority Chief Executives (SOLACE) documents 'Delivering Good Governance in Local Government' suggests a framework for governance and the basis of the annual statement.
- 1.7 The Council is required to show that:
  - It has conducted an annual review of the effectiveness of its governance framework, including the system of internal control, and reported on this in the governance statement;
  - The assurance framework is fully embedded in the Council's business processes; and
  - Governance arrangements with respect to partnerships are subject to regular review and updating.

## Corporate Governance Framework for the Council

- 1.8 A revised Code of Corporate Governance was approved on behalf of the Council by the Executive at their March 2011 meeting (minute E.92/10). It reflects reflect the CIPFA *Statement on the Role of the Chief Financial Officer in Public Service Organisations* – June 2009.
- 1.9 CIPFA's 2012 updated guidance 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, and as a consequence, the Council's Code of Corporate Governance has remained unchanged while the requirements are clarified. This is considered to be low risk as the role of the head of internal audit is overseen by the Audit Committee.
- 1.10 The Code of Corporate Governance sets out the requirement for it to be monitored and tested for compliance on an annual basis.
- 1.11 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*'.
- 1.12 The results of the 'Compliance Review of the Code of Corporate Governance' appeared on the agenda of the Audit Committee meeting of 13<sup>th</sup> June 2013.

## System of Internal Control (SIC) - Process

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



## **2. RESPONSIBILITIES FOR CORPORATE GOVERNANCE AND SIC**

- 2.1 Both sets of guidance set out the responsibilities for the governance framework, including the system of internal control, and these are detailed in a table in Part 4 of the Annual Governance Statement.
- 2.2 It includes the responsibilities of the:
- 'Relevant Body' - South Hams District Council;
  - Executive;
  - Audit Committee including as the 'Delegated Member Body';
  - Heads of Service;
  - S.151 Officer and Monitoring Officer;
  - Chief Internal Auditor
  - Risk Management Group; and
  - External Auditor and Other Review Agencies and Inspectorates.
- 2.3 The extract from the CIPFA Finance Advisory Network guidance (Appendix A) sets out a suggested framework for the SIC part of the AGS and the assurance gathering process and as detailed above is broadly followed.

## **3. ASSURANCES TO BE CONSIDERED BY THE AUDIT COMMITTEE**

- 3.1 The following paragraphs summarise the assurance provided by the various sources as set out in the framework at Appendix A.

### **Compliance Review of the Code of Corporate Governance**

- 3.2 Overall responsibility for Governance rests with the Council, but monitoring of compliance with the Code is carried out on its behalf by the S.151 Officer, Monitoring Officer and Chief Internal Auditor reporting annually to the Audit Committee.
- 3.3 The result of the 2012/13 compliance review is generally satisfactory with issues raised only 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: and, Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- 3.4 The findings have been taken to the AGS at Appendix B.

### **Effectiveness of the System of Internal Audit**

- 3.5 An annual report has been presented to the Audit Committee (13<sup>th</sup> June 2013) summarising the activities and key findings of Internal Audit (IA).

- 3.6 In this report the **Chief Internal Auditor** (as head of internal audit) gave his '**Opinion on the Adequacy of Internal Control**'. *He concluded that the Council's overall control environment is adequate and effective for the purposes of the AGS.* This opinion is based on the work done on the risk based annual audit plan for 2012/13, which was approved by the Audit Committee.
- 3.7 The Chief Internal Auditor also reviewed the effectiveness of the system of internal audit, which was the subject of a separate report to the 13<sup>th</sup> June 2013 Audit Committee, 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;
  - Effectiveness of the Audit Committee (including annual workshop);
  - Assurance gained by external audit from Internal Audit (IA);
  - Client and management opinion; and
  - Extent to which IA adds value and helps delivery of corporate objectives.

The results are considered to be satisfactory and provide assurance for the System of Internal Control and the AGS.

## **Statutory Officers**

### *S.151 Officer*

- 3.8 As required by the guidance, the S.151 Officer has provided signed assurance that the systems and procedures of internal control were in operation and effective in 2012/13.
- 3.9 The S.151 Officer raised the following significant issues:
- Matters identified in the Review of the Code of Corporate Governance as reported to the Audit and Committee, including:
  - Updating of the Partnership Management Framework – required in part due to partnership changes.
  - Future financial uncertainties.

### *Monitoring Officer*

- 3.10 As required by the guidance, the Monitoring Officer has provided signed assurance that the systems and procedures of internal control were in operation and effective in 2012/13.
- 3.11 The Monitoring Officer has raised issues that have been identified from other assurance sources, such as governance issues in the Review of the Code of Corporate Governance as reported to the Audit and Committee, and the charging of fees relating to Land Charges.

## **Heads of Service (Managers)**

- 3.12 Heads of Service have recorded their service functions, obligations and improvement objectives, and risks to achieving these objectives in a service plan ('Blueprint'), which is linked to the Council's Priorities.
- 3.13 Their service plans enable service objectives to be formally linked to risk and include controls to mitigate the risks. The risk element of the service plans feeds the Council's risk registers maintained by the Risk Management Group.
- 3.14 An element of this service planning requires managers to carry out an assessment of the controls in place to mitigate the risks, and provide assurance to the management group drafting the AGS that controls were in place and operating satisfactorily.
- 3.15 Heads of Service are required to make available evidence to demonstrate that the controls to mitigate the risks to their objectives are in place and operating satisfactorily.
- 3.16 Significant weaknesses or issues identified by Heads of Service have been included in the AGS.

## **Performance Management**

- 3.17 Mechanisms are in place to establish corporate objectives:
- Consultation with stakeholders on priorities and objectives;
  - The Council's priorities and objectives have been agreed and communicated to all staff; and
  - Objectives are reflected in departmental plans and matched with associated budgets;
- 3.18 Performance management arrangements are in place:
- Effective performance management systems operate routinely;
  - Key performance indicators are established and monitored;
  - The Council knows how it is performing against its planned outcomes;
  - Performance achieved is used to support decisions and drive improvements; and
  - Performance management is continuously improved.
- 3.19 For 2012/13 no significant weaknesses or risks have been identified for inclusion in the AGS.

## **Risk Management Group**

- 3.20 The Council's risk management process is in place and is monitored by the Risk Management Group and Audit Committee. Improvements to the risk management framework supporting the Risk Management Policy are continuing (raised as an issue in the 2011/12 AGS).
- 3.21 For 2012/13 one significant weakness or risk has been highlighted for inclusion in the AGS: the need for improvement to some aspects of contract management.

## **External Audit and other Inspections**

### *External Auditor*

- 3.22 The External Auditor also contributes to the assurance for the Annual Governance Statement through their suite of reports to management and the Audit Committee.
- 3.23 The reports did not raise any significant issues for the AGS for 2012/13 other than those already raised by the Council's assurance streams.

### *Grant Thornton – Reviews of VAT and PAYE*

- 3.24 The report to the Council on its VAT procedures concluded that 'SHDC's VAT systems were found to be excellent'. A small number of minor recommendations were made and reported to the Audit Committee. In strictest terms the assurance provided is limited, because as the work was carried out in 2012/13, the transactions tested related to 2011/12. That said the system has not changed compared with that reviewed.
- 3.25 The Employment Taxes Review (PAYE) was equally positive and made a small number of recommendations. A summary of the report was presented to the Audit Committee in June 2013. It has also been passed to the HMRC as part of the evidence provided for an inspection currently underway. No assurance can be gained from the HMRC inspection itself because although it started in 2012/13, their work has continued into 2013/14 and the results are still awaited.

### *Peer Review*

- 3.26 The Council asked a peer team to provide an external view of the two councils and give recognition, where appropriate, of progress made; and supportive challenge and feedback on how we are prepared to meet future issues and opportunities for South Hams and West Devon.

The team was asked to provide specific feedback on:

- Progress on shared services and future opportunities
- The will and commitment of the two councils (Members and staff) to the shared services programme and how it may be developed

- The financial basis for shared service delivery and capacity (leadership and organisational) to progress this
- The internal transformation process
- The progress that the two councils have made on 'Localism' and working arrangements with the voluntary/community and business sectors and town and parish councils.

As the report states that 'It is important to stress that this was not an inspection. Peer challenges are improvement-focused and tailored to meet councils' needs', it is reasonable that the positive report conclusions are not presented as assurance for the AGS, nor its 'suggestions' reflected in the Statement itself.

### **Last Year's Annual Governance Statement (2011/12)**

3.27 Last year the Annual Governance Statement reported the following issues. The following list includes the progress made:

#### *From the 2011/12 Compliance Review of the Code of Corporate Governance*

3.28 The progress made on the issues raised in the 2011/12 AGS taken from the Compliance Review of the Code of Corporate Governance was discussed in the 2012/13 Compliance Review of the Code of Corporate Governance report to the Audit Committee meeting of June 2013.

#### *From the 2011/12 System of Internal Control:*

Issue Raised - Published 2011/12 AGS	Progress on Action Plan to 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.</p> <p>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.</p> <p>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>Updated in the 2012/13 AGS at Appendix B.</p>
<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</p>	<p>The pay and grading review programme commenced in June 2012 on a service by service basis is continuing as per timetable with a planned completion date of 31<sup>st</sup> March 2014 (the target date published in the 2011/12 AGS).</p>



two Authorities which includes Pay. 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.	
<b>Land Charges</b> 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. No claim has been served upon the Council.	Updated in the 2012/13 AGS at Appendix B.

*From the 2011/12 System of Internal Control:*

<b>Issue Raised - Published 2011/12 AGS</b>	<b>Progress on Action Plan to Date</b>
<b><i>Internal and External Audit Reports</i></b> Some issues have been identified in audit reports by the Council's external auditor and the shared in-house internal audit team. Individually the recommendations do not impact on the wider system of internal control, but action plans for remedial action have been agreed.	Repeated for 2012/13 audits. Internal and external audit plans and their outcomes are reported to the Audit Committee on a regular basis.

**The Annual Governance Statement (AGS) 2012/13 - (Appendix B)**

- 3.29 The Statement is a corporate document and is owned by all members and senior officers of the Council.
- 3.30 A draft AGS for 2012/13 appears at Appendix B to this report, based on the pro-forma statement supplied in the original and updated CIPFA guidance.
- 3.31 The Statement concludes that 'Overall the Council's governance arrangements are satisfactory for 2012/13'. It includes an action plan to address any significant governance and internal control issues, which have been identified through the assurance processes described above.

**4. LEGAL IMPLICATIONS**

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

**5. FINANCIAL IMPLICATIONS**

- 5.1 Within existing budgets.

## 6. RISK MANAGEMENT

6.1 The risk management implications follow these considerations:

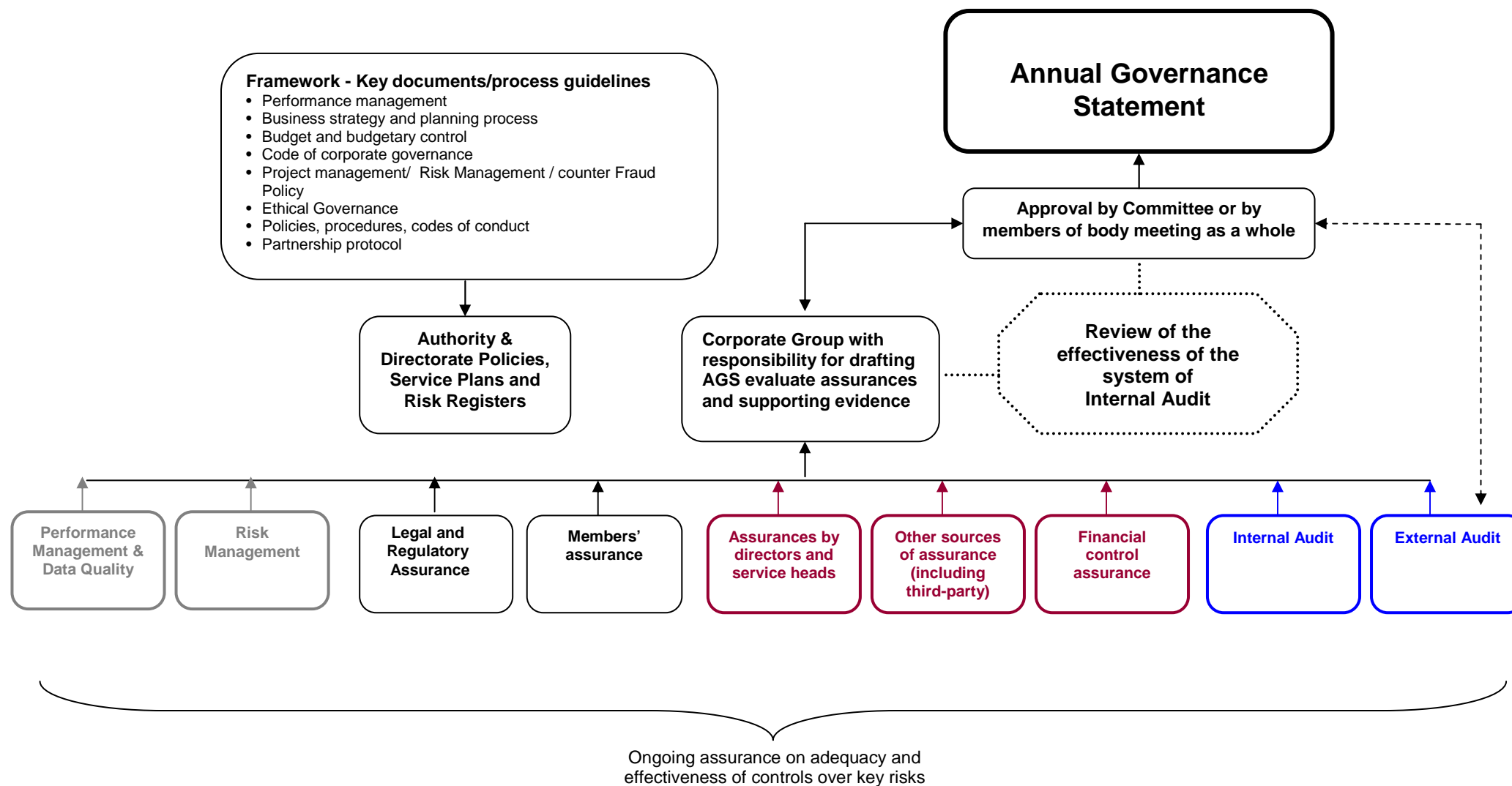
<b>Corporate priorities engaged:</b>	All/Corporate
<b>Statutory powers:</b>	Section 111, Local Government Act 1972; and Accounts and Audit Regulations 2011 (Statutory Instrument No. 817).
<b>Considerations of equality and human rights:</b>	There are no specific equality and human rights issues arising 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.
<b>Background papers:</b>	<ul style="list-style-type: none"> <li>• Code of Corporate Governance for South Hams District Council 2011</li> <li>• CIPFA/SOLACE (2007, 2010, 2012) Delivering Good Governance in Local Government – incl. Guidance Note for English Authorities</li> <li>• Independent Commission on Good Governance in Public Services (2005): The Good Governance for Public Services</li> <li>• CIPFA/SOLACE document: Corporate Governance in Local Government: A Keystone for Community Governance: CIPFA (2001)</li> </ul>
<b>Appendices attached:</b>	<b>Appendix A</b> – Framework for the System of Internal Control and Annual Governance Statement <b>Appendix B</b> – Annual Governance Statement for 2012/13

## 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 to 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	↔	Senior managers are aware that the service plan (Blueprint) 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 2011.	3	2	6	↔	The AGS is 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 the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

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

The governance framework comprises the systems and processes, 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 services and value for money.

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 and potential impact of those risks being 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 2013 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 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. These are to be reviewed in early 2013/14.

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 engages with the voluntary/community sector, business sector and the community at large.

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 innovative and do more with less.

The Connect Strategy (see section 3 below) 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 meeting of the Audit Committee (13<sup>th</sup> June 2013). 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 (value for money):**

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.

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 the Council. A Connect Strategy 'Annual Update' was published in 2012/13 and is available on the Council's website.

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 Strategy was written in 2009 and, although much of it remains fit for purpose, it would benefit from an update. This has been reflected in Part 5 of this Statement.*

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

Each Head of Service draws up a service plan (now known as a Blueprint) 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 Financial Strategy each year, which covers a four year period. That for the 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.

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. Their latest Annual Audit Letter was sent to members separately in September 2012. The letter referred to the Annual Governance Report (Audit Commission) 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.

#### **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:**

Part 2 of the Council's Constitution, Articles, with Part 3 the Delegation Scheme is available on the Council's web-site and Intranet. They define and document the roles and responsibilities of the executive, non executive, scrutiny and officer functions, and contain 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.

Lead Executive members are aligned to services areas and regularly communicate with and provide strategic direction to the relevant Head of Service.

The Council has approved an updated Communications Policy 2012 – 2015.

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

#### ***Members***

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.

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.

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'.

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.

#### ***Staff***

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 Standard of Behaviour for Staff' is published on the Council's Intranet and is linked to the confidential reporting (whistle blowing) system.

### **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, 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. Financial Procedure Rules were 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.

The formal management of risk is in place and subject to monitoring by the Senior Management Team and reporting to the Audit Committee. The risk management process includes an approved Policy (April 2012), a Risk Management Group, risk registers, systems for identifying emerging risks, consideration of risk and opportunities in reports to members and project management.

*The 2011/12 AGS highlighted the need for the risk management framework supporting the Policy to be updated. Work has been and continues to be carried out to improve the risk management framework.*

## **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.**

### ***S.151 Officer (Chief Financial Officer)***

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 Council's S.151 Officer is a qualified accountant.

The S.151 Officer, who acts as the Chief Financial Officer (CFO), will have responsibility for the administration of the financial affairs of the Council; will contribute to the corporate management of the Council, in particular through the provision of professional financial advice; will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity, and budget and policy framework issues to all Members and will support and advise Members and officers in their respective roles; and, will provide financial information to the media, Members of the public and the community. (Constitution Article 12)

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 (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 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).

### ***Head of Paid Service***

Under Part 3 of the Constitution, the Chief Executive has delegated authority for the following:

- Responsibilities of the Head of Paid Service;
- Responsibilities of Returning Officer and Electoral Registration Officer;
- Shared Services.

The Head of Paid Service will report to Full Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of officers.

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

Article 9 of the Constitution and Part 3 Delegation Scheme set out the functions of the Audit Committee, which is to provide independent assurance of the adequacy of the governance framework, risk management framework and the associated control environment, and independent scrutiny of the Council's financial and non-financial performance and to oversee the financial and governance reporting process.

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, the number of times it meets (normally a minimum of four times) and the number of members required to attend to ensure a quorum.

Meetings of Member bodies, including the Audit Committee, are scheduled using a calendar of meetings, and recorded through a system of published Agendas and Minutes.

## **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. 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.

### ***Monitoring Officer***

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 and also include responsibility for maintaining the Constitution, supporting the Standards function, provide advice etc. 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 a formally appointed Deputy Monitoring Officer who is also shared, but is an employee of the other Council.

The Monitoring Officer cannot be the Chief Financial Officer or the Head of Paid Service.

***Chief Financial Officer's (CFO) 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. This Article also requires the S.151 Officer (as CFO) 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.

***Internal Audit/Audit Committee***

Adherence to regulations, policies and procedures are also reviewed and monitored on behalf of the S.151 Officer by the head of internal audit (Chief Internal Auditor) and the audit team, and by 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.

Assurance for the role of internal audit and the effectiveness of the 'system of internal audit' is confirmed to the Audit Committee (June 2013). It includes an annual self assessment of the effectiveness of the Audit Committee itself.

Internal audit's annual report and opinion, a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements is presented by the Chief Internal Auditor at the same meeting.

**10. Whistle-blowing and receiving and investigating complaints from the public:*****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 on the Council's web-site.

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.

***Counter Fraud***

The Council has effective counter fraud arrangements. It published an updated Anti-fraud, Corruption and Bribery Policy and Strategy, and separate Response Plan, which is available on the Council's website, and publicised through electronic bulletins, Intranet, leaflets on notice boards and officer Induction training etc.

An annual review of the Council's counter fraud arrangements are presented to the Audit Committee annually. The latest, April 2013, was based on the checklist from the Audit Commission document: 'Protecting the Public Purse 2012 (Fighting Fraud against Local Government)'.

A dedicated housing benefit fraud and visiting team cover revenues, benefits and housing. Counter fraud and corruption arrangements are also a key part of the internal audit of the Council's financial systems and governance framework.

***Complaints***

The Council's Constitution 'Citizens and the Council' outlines the rights of Citizens including to complain to or about the Council.

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.

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.

<b>11. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:</b>
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***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 to the 2011 induction programme.

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.

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 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.

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.

Other ad hoc training is also provided as required, and is recorded on the web-site. Members 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 development and 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. 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. Meetings of Member bodies are scheduled using a calendar of meetings, and recorded through a system of Agendas and Minutes.

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'.



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.

### ***Connect Strategy***

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

### ***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.

South Hams and West Devon 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.

### ***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 Audit Committee meeting (13<sup>th</sup> June 2013). 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:**

The Council has entered into shared working arrangements with West Devon Borough Council under which officers' services are shared. These officers have Shared Service Operating Agreements by means of which their services are made available to the partner authority as well as their employer. Although work on a number of the governance issues relating to shared services have been completed, there are still some areas to complete and these are reflected in Part 5 of this statement.

Progressing the shared services approach fell under the 2015 Transformation Programme, which was professionally project managed using the Prince 2 (PProjects IN Controlled Environments) methodology.

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 should also be reviewed annually by Members.

*The 2012/13 Review of the Code of Corporate Governance presented to the Audit Committee in June 2013 accepts that some of the governance around partnership management can be improved, updated and aligned as far as possible with West Devon Borough Council. An action plan has been agreed and the issue reflected in Part 5 of this Statement.*

#### **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 review of effectiveness 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 comments made by the external auditors and other review agencies and inspectorates.

The governance framework is considered by an annual compliance review of the Council's Code of Corporate Governance with the results reported to a meeting of the Audit Committees (13 June 2013).

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework, including the system of internal control for 2012/13, is as follows:

<b>Responsibility</b>	<b>Responsible Party</b>
<ul style="list-style-type: none"> <li>To adopt and approve the Constitution and governance arrangements including the form of the Executive.</li> <li>Oversee the effective management of risk by officers of the Council.</li> <li>Maintain a system of internal control.</li> <li>Approve the Annual Governance Statement.</li> </ul>	'The Relevant Body' - South Hams District Council
<ul style="list-style-type: none"> <li>Propose the budget and policy framework to the Council, including the Code of Corporate Governance etc.</li> </ul>	The Executive
<ul style="list-style-type: none"> <li>Review and scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions.</li> </ul>	Scrutiny Panels



<ul style="list-style-type: none"> <li>• Monitor the performance of the “back office” services, complaints (including Ombudsman complaints and those against Members alleging a breach of the Code of Conduct), access to information and related policies and protocols.</li> <li>• To be responsible for the new standards responsibilities under the Localism Act (to include the new Code, Registers of Interests, training, advice, standards complaints, investigations, considering reports, hearings, sanctions and dispensations).</li> </ul>	Corporate Performance and Resources Scrutiny Panel
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<b>Responsibility (Continued)</b>	<b>Responsible Party</b>
<ul style="list-style-type: none"> <li>• Monitor the effective development and operation of risk management and corporate governance in the Council.</li> </ul> <p>Consider:</p> <ul style="list-style-type: none"> <li>• The annual review of the Constitution and recommend approval to the Council;</li> <li>• The Council's arrangements for corporate governance and to ensure compliance with best practice;</li> <li>• The effectiveness of the ‘system of internal audit’. Including an annual self assessment of the effectiveness of the Committee;</li> <li>• 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; and</li> <li>• Oversee the production of the Council's Annual Governance Statement and recommend its adoption to the Council. Evaluate assurance provided and conclude as to the independence and objectivity of the various sources of assurance before coming to an overall conclusion.</li> </ul>	Audit Committee (Delegated Member Body)
<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 risk and internal controls through the management team.</li> </ul>	Heads of Service
<ul style="list-style-type: none"> <li>• With the Chief Internal Auditor complete a compliance review of the Code of Corporate Governance and the System of Internal Control and produce the Annual Governance Statement.</li> <li>• These statutory functions provide a key source of assurance that systems and procedures of internal control are in operation and effective.</li> </ul>	S.151 and Monitoring Officers
<ul style="list-style-type: none"> <li>• Review the effectiveness of the system of internal audit annually and report results to the Audit Committee.</li> </ul>	Chief Internal Auditor (as head of internal audit)

<ul style="list-style-type: none"> <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>• Present an 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>	
<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>	<p>Risk Management Group External Auditor Other Review Agencies/Inspectorates</p>

We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## 5. Assurances, Conclusion and Significant Governance Issues

### Assurances

The appropriate assurances have been obtained for the System of Internal Control and this Annual Governance Statement from:

- Compliance Review of the Code of Corporate Governance (Audit Committee – report to meeting of June 2013);
- Effectiveness of the System of Internal Audit (Audit Committee – report to meeting of June 2013);
- Chief Internal Auditor's 'Opinion on the Adequacy of Internal Control' (Audit Committee – report to meeting of June 2013);
- Statutory Officers - S.151 Officer (Head of Finance and Audit) and Monitoring Officer (Council's solicitor);
- Heads of Service (Managers);
- Performance Management;
- Risk Management Group
- External Audit and other Inspections, including Grant Thornton – Reviews of VAT and PAYE.

### Conclusion

Overall the Council's governance arrangements are satisfactory for 2012/13. 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 (Meeting of Audit Committee 13<sup>th</sup> June 2013) 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:

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

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
<b>Shared Services – Overarching Agreement</b> 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.	As planned, the Monitoring Officer will complete the review of an Overarching Agreement between the two Councils, which will also include responsibilities relating to potential contract liabilities.	Monitoring Officer 30th September 2013
<b>Delegation to Middle Managers</b> 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.	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.	Monitoring Officer 30th September 2013
<b>Partnership Framework</b> 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.	The Council's Corporate Director will consider which corporate resource is best placed to oversee the Council's Partnership Framework, Policy and Guidance.  The identified officer will be asked to 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.	Corporate Director (TW) 31st December 2013

### **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
<b>Pay and Grading</b> 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	The pay and grading review programme commenced in June 2012 on a service by service basis and is continuing as per the timetable with a planned completion date of 31 <sup>st</sup> March	Head of Paid Service Head of Corporate Services 31 March 2014

<p>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>	2014	
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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>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.</p> <p>The legislation says that 75% of the net harbour dues should be paid to the Council.</p> <p>The current Head of Assets, with the support of the Executive Portfolio holder, is making progress on the issues surrounding the Embankment with the current DHNA Chief Executive, by addressing each area in its own right.</p> <p>Previously when attempts were made to address the Act on a much wider basis, the interpretation of the Act by legal representatives of both sides (Counsel for SHDC) failed to come to a single conclusion.</p> <p>Various meetings have been held with DHNA, who appear to accept that there is some breach of the Act.</p>	<p>Dialogue is continuing with the Dart Harbour Authority with a view to reaching agreement for some annual contribution to a sinking fund for maintaining the Embankment, and clarifying the management responsibilities for individual areas on the Embankment.</p>	<p>Head of Assets 31st 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>A public services law firm is advising the majority of Councils including ours, in conjunction with the Local Government Association (LGA).</p> <p>A case management conference is due to be held on 1 July 2013 at the High Court but this may be adjourned as the process to reconcile fees paid to LA's is not yet complete.</p> <p>A report is being prepared by officers for the Senior Management Team to consider the potential liability of the Council.</p>	<p>Monitoring Officer Head of Planning, Economy and Community</p>

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

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<b><i>Contracts Database</i></b> A corporate need has been identified to improve the management and monitoring of contracts.	The Corporate Risk Management Group is reviewing the current approach to managing contracts including a proposed internal audit during 2013/14 of individual service arrangements, and possible future procurement of a contract management software system.	Corporate Risk Management Group 2013/14
<b><i>Internal and External Audit Reports</i></b> Some issues have been identified in audit reports by the Council's external auditor and the shared in-house internal audit team. Individually the recommendations do not impact on the wider system of internal control, but action plans for remedial action have been agreed. Key recommendations and agreed actions are reported to the Audit Committee.	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 and are reported to the Audit Committee.	Heads of Service S.151 Officer Chief Internal Auditor In line with agreed timescales
<b><i>Financial Uncertainty</i></b> As Local Authorities experience reductions in funding, although South Hams District Council currently has a balanced budget, we must continue to review spending and monitor financial plans in order to balance future budgets in the face of the further government funding reductions that are expected.	The Council has commenced several initiatives that aim to help us to reduce our costs and meet the enormous challenge of a significant funding gap. These include: <ul style="list-style-type: none"> <li>• T18 Transformation Programme. The programme will deliver new and very different ways of working;</li> <li>• Strategic Asset Review; and</li> <li>• Strategic Waste Review.</li> </ul>	Senior Management Team Ongoing

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**