

ANNUAL GOVERNANCE STATEMENT

For the year ended 31st March 2016

Scope of Responsibility

East Devon District Council is required to ensure that its business is conducted in accordance with the law and proper standards; that public money is safeguarded, 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 again 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 and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

East Devon's Council's Audit & Governance Committee has approved a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how East Devon District Council has complied with the code. The Council is required under the Accounts and Audit Regulations 2015 to have approved an annual governance statement (AGS) which accompanies its Statement of Accounts.

The Head of Internal Audit is required to provide a written annual report to those charged with governance to support the AGS; this report is presented to the Council's Audit and Governance Committee on 30 June 2016. East Devon's Internal Audit function is performed by the South West Audit Partnership (SWAP).

Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievements 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 therefore only provides 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 East Devon 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 effectively and economically.

The Governance Framework

The governance framework described has been in place for the year ending 31 March 2016 and up to the date of the approval of the statement of accounts.

Some of the key features of the governance framework are set out in the following paragraphs:

- The Council has an adopted Constitution that sets out how it operates, how decisions are taken and the procedures to follow.
- The Council has a Council Plan for 2016-20 which sets out our main priorities and forms the focus of all that we aim to achieve by 2020. Our priorities and outcomes set out in the council plan are: Encouraging communities to be outstanding, developing an outstanding local economy, delivering and promoting our outstanding environment and continuously improving to be an outstanding council.
- Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the Performance Framework which is recorded and monitored through the Council's performance management systems. Delivery of the Council Plan is monitored by the Overview and Scrutiny Committee. This Committee drives the scrutiny process on behalf of the public with a view to improving the delivery of public services.
- A Standards Committee is in place to promote and maintain high standards of conduct by members, to consider reports and make recommendations concerning the governance and ethical standards of the Council and advice on the adoption or revision of the Council's Code of Conduct for members, officers and any other related codes or protocols. The Committee meet quarterly if required.
- Audit & Governance Committee exists with wide-ranging terms of reference including the requirement to consider the effectiveness of the Authority's governance arrangements, taking into account risk management, the control environment and associated anti-fraud and anti-corruption arrangements.
- The Council has designated Monitoring Officer whom ensures compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer the Monitoring Officer will report to the full Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. The Council also conforms to the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- An internal audit service is provided through the South West Audit Partnership (SWAP) which operates to the standards set out in the Code of Practice for Internal Audit in Local Government in the UK. Internal audit are responsible for monitoring the effectiveness of systems of internal control. The Service operates to an audit plan approved by the Audit and Governance Committee. The Council's Internal Audit function is subject to regular inspection by the Councils external auditors who have recently changed to KPMG LLP.
- The Council has a whistle-blowing and anti-fraud and corruption policy.

Appendix A contains a more detailed overview of the Council's Governance Framework

Review of Effectiveness

East Devon 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:

- Internal Audit Annual (SWAP) Report and Opinion 2015/16
- Internal and external audit and inspection.
- A specific review of the effectiveness of internal control and compliance to the governance framework undertaken in May/June through the completion of assurance statements by the Strategic Management Team. These were then reviewed by the Assistant Director for SWAP, the Strategic Lead for Finance (CFO/S151), the Monitoring Officer, Chief Executive and the Chairman and Vice Chairman of the Audit & Governance Committee for compliance and any apparent organisational improvements are included in this Statement.
- The mechanisms for maintaining and reviewing the effectiveness of the system of internal control throughout the year include.
 - Cabinet is responsible for considering overall financial and performance management and receives comprehensive budget monitoring reports on a frequent basis and council service performance reports.
 - Overview & Scrutiny Committee holds the Cabinet Committee to account.
 - The Standards Committee meets quarterly when required and at every meeting considers an update report on complaints against councillors which includes learning points and recommended actions. The Committee also keeps under review the Council's policies and procedures for maintaining high ethical standards.
 - The Audit & Governance Committee meet five times a year to provide independent assurance to the Council in relation to the effectiveness of the risk management and internal control environment.
 - The South West Audit Partnership provides an independent and objective assurance service (Internal Audit function) to the Council and completes a programme of reviews each year to inform an opinion on the internal control, risk management and governance arrangements. The service undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred.

Improvements made in Governance arrangements during 2015/16 to note include;

- 2015/16 was the first full year of the Council having Corporate Counter Fraud & Compliance Officer. In addition to the Council continuing to utilise the National Fraud Initiative (NFI) cross data matching service work was undertaken on Council Tax Single Person Discounts and Council Tax Support Cases. In total these two areas generated additional income to the Council of £87,000 through incorrectly claimed entitlements. Work is currently being planned in the area of tenancy fraud and other areas of corporate fraud.
- Currently East Devon is leading on a Devon wide counter fraud compliance initiative for data sharing.
- The Audit & Governance Committee were extremely active during the year and played a key part in adding to the Council's Governance arrangements.
- The Audit and Governance Committee continued to keep an eye on the process to be put in place in order to regularly monitor a 5 year land supply for strategic planning purposes. A recommendation has been made to form a strategic planning function in 2016/17 to help strengthen governance in this area.
- Following Government policy changes the Housing Revenue Account Business Plan needs to be updated. The importance of this work has been strengthened with members' involvement by the establishment of Task and Finish Forum on the topic.
- Audit review on committee decisions focussing on quality of information presented to members was given an audit opinion of substantial.

Significant Governance and Control Issues Identified.

- Although the following two areas have **not** been deemed as a significant governance or control issue it is considered worth including in this Statement because of their nature and members will be aware of the audits through the Internal Audit Plan:
 - Following a whistle blowing allegation of inappropriate use of Streetscene assets, which was investigated and concluded with no action required; it was considered sensible to arrange a full review by SWAP of the procedures and controls in place – this review is yet to be finalised but is nearing completion and no significant areas of concern have been identified. There will be some minor recommendations to strengthen the arrangements of asset controls.

- Following a complaint into the conduct of a housing officer a full investigation was undertaken by the Council's Human Resources team and SWAP. It was considered that the individual had acted inappropriately and disciplinary action was instigated. The individual no longer works for the Council and the police were notified as the case related to possible fraud. A full review of all systems and procedures in the area were then undertaken and a few minor recommendations implemented to strengthen arrangements.
- The Audit and Governance Committee have been continually updated and advised on the implications of reviews of the effectiveness of the Council's systems of internal control. Plans have been devised and put in place to ensure continuous improvement. The Council's annual review of the governance framework, including the system of internal controls and associated reviews during the year, identified some areas where action is appropriate to enhance the governance and internal control environment and ensure continuous improvement.

We received a partial assurance for creditors; this was as a result of the Authority Signatory List was found to be outdated and conflicted with the list of the permissions set up within the e-Procurement system. 3 payments were found to have been made where the officer was not recorded on the manual authorisation list – the payments were valid and the officer authorising was an appropriate offer but the list was not updated correctly. This has been rectified but is included in this Statement as the audit received only partial assessment.

Signed & Dated

Chief Executive

22/9/2016

Signed & Dated

Leader of the Council

22/9/2016

Appendix A

Below is an overview of the Council's Governance Framework

As stated the Council has an adopted Code of Corporate Governance which is in line with CIPFA/SOLACE documentation on delivering good governance in local Government. This defines the corporate governance framework and sets out six core principles of good governance as shown below.

