DRAFT ANNUAL GOVERNANCE STATEMENT

For the year ended 31ˢᵗ March 2014

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. A copy of the code is on our website at www.eastdevon.gov.uk.   This statement explains how East Devon District Council has complied with the code. The Council is required under the Accounts and Audit Regulations 2011 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 was presented to the Council's Audit and Governance Committee on 26 June 2014 and a copy can be found here:

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 2014 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 2012 -16 which was refreshed in 2014 and has 4 core strategies supporting the Plan; Homes and Communities, Economy, Environment and Finance. Along side the Council Plan we also have produced a Customer Services Plan, a Communication Plan and an ICT Plan. All these documents can be found on the Council's website.

- Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the annual appraisal process which is recorded and monitored through the Council's performance management systems. Delivery of the Council Plan is monitored by 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. This committee also holds Cabinet to account with particular areas in 2013/14 being separately scrutinised at the request of the Audit & Governance Committee.

- The Council has designated the Deputy Chief Executive as Monitoring Officer (with an advising and deputy role through the Corporate Legal & Democratic Services Manager) to ensure 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 they consider 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 with 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 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 (Grant Thornton UK 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 Report and Opinion 2013/14 (included on agenda)

- Internal and external audit and inspection.

- A specific review of the effectiveness of internal control and compliance to the governance framework undertaken in May through the completion of assurance statements by the Strategic Management Team. These were then reviewed by the Group Auditor for SWAP, the Head of Finance, the Corporate Legal & Democratic Services Manager, the Monitoring Officer and the Chairman of the Audit & Governance Committee for compliance and any apparent organisational improvements are included in the Governance Action Plan.

- 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 monthly 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 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 2013/14 to note include;

➢ Further staff training has been given on Contract Standing Orders and Procurement practices and there has been the continued roll out e-procurement making procurement activities more transparent. The further refinement of Pro-spend as a spending analysis tool is a useful aid to have corporate oversight to procurement activities.

➢ The Council has received improved assessment of key financial controls as reported by SWAP. Their annual report states there as been a noticeable improvement on previous years in a reduction in the number of audit recommendations made which indicates an improved level of internal control at service level.

➢ External reports received from Grant Thornton during the year also show a good and improving position for the Council.

➢ Staff have been reminded of the key content in the Governance Policies.

➢ The Accounts Forward and Accounting Policies, along with the proposed layout of the Governance Statement, were presented to the Audit and Governance Statement at their March meeting for early agreement and involvement in the process. This was request by the Committee following debates by the Committee of the Grant Thornton publication "Slow Burner".

➢ The preparation of the Governance Statement itself has had involvement from the Chair of Audit & Governance and draft copy was presented to his Committee for early consideration in June.

➢ Members of the Audit & Governance Committee have requested differing formats of the risk register for review in order to ensure scrutiny is carried out and the register is now reviewed at every meeting.

Significant Governance and Control Issues Identified – Governance Action plan

The Audit and Governance Committee expressed concern during the year in the risk of the Council not having processes in place to regularly monitor a 5 year land supply for strategic planning purposes. This issue and concern has been highlighted to Council by the Committee who continue to pursue the matter.

Details were included in last years Governance Statement on a councillor's resignation following allegations made against the councillor concerning planning influence. In 2013/14 the Audit & Governance Committee requested a review into Governance Arrangements for Members and the findings of which were the Auditors could find no evidence of any improper influence and gave reasonable assurance on the governance framework. Committee members were content with the findings of that review.

Separately, the Council is still waiting the conclusion of the police investigation into the allegations against the Councillor.

It should be noted that there is currently a senior management restructure that is being proposed that involves changes to statutory officer's position and roles. This is being considered by Cabinet, Overview and Scrutiny and finally Council.

The Council is currently involved in two significant projects which have associated risks; office relocation and the proposal for an ICT shared service arrangement with Exeter City Council and Teignbridge District Council. In addition to this being monitored through a detailed risk register for each project, SWAP have and continues to independently review both these projects. In addition with the ICT shared service additional assurance work is being undertaken by Grant Thornton as separate piece of requested work by the Councils involved.

Council Members and Officers 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. The key areas are listed below, along with the proposed actions to remedy or improve the position.

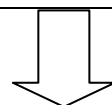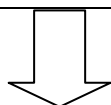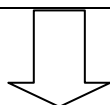| **SWAP reviews undertaken in 2013/14 which only achieved partial assurance**			
Corporate Back Up Routines (audit date 20/5/13)	Presently the backup servers remain within the main building and other systems are still being backed up to tape, which although approximately 100 metres from the main building are still within the Council grounds.	It was agreed that the ICT Design and Compliance Manager would ensure: • the prompt relocation of the backup servers to the offsite storage facility; **Now complete** • a risk assessment of the premises is undertaken; **Not required as the current on site premises is no longer the primary storage area for the backups** • a risk assessment of the current backup arrangements for tapes is carried out with a view to storing these offsite as well. **No longer required as tapes are no longer**	ICT Design and Compliance Manager

		used as the primary means of data recovery.	
Corporate Procurement Cards	A number of significant high priority findings from an audit review of Procurement Cards. A request was made by the Head of Finance to review this area as producers appeared weak. No inappropriate uses of the cards were found but a number of recommendations were made to improve procedures.	Recommendations have been agreed inline with the audit report and have been, or being implemented. SWAP will follow up on the implementation in 2014/15.	Income & Payments Officer

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 inline 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.

Corporate Governance Framework		
Corporate Governance comprises the systems and processes, cultures and values, by which the council is directed and controlled, and through which we account to, engage with and where appropriate, lead the community.		
1. Focus on purpose of the Council, vision for local area and outcomes for the community.	2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.	3. Promoting values and upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions scrutinised and risk managed.	5. Developing capacity of Members and Officers to be effective.	6. Engaging with local people to ensure public accountability.

(A) Key Documents: Regular/Annual Review or Production	(B) Key Documents: Ad hoc Review or Production	(C) Contributory Processes/Regulatory Monitoring	
• Financial Plan (including Medium Term Financial Plan) • Annual Revenue & Capital Estimates • Service Plans • Statement of Accounts • Internal/External Audit Protocol • Council Tax Booklet • Performance Monitoring Reports (Measure Reports & performance indicators) • Financial Monitoring Reports • East Devon Connect • External Audit Report to those charged with Governance • External Audit Review report • Annual opinion from SWAP Group Audit Manager to support Annual Governance Statement • Management Assurance Statements • Governance Statement	• Council Plan • Constitution including Financial and Contract Standing Orders • Scheme of Delegation • Code of Corporate Governance • Anti-Fraud, Theft and Corruption Policy • Complaints Procedure • Communication Plan • Community Engagement Policy • Customer Service Plan • Procurement Strategy • Freedom of Information • Health Safety, Welfare and Employment Policies • Data and Information Quality Policy • Information Security Policy • ICT Strategy • Protocol – Member Officer Relations • Members Code of Conduct • Employees Code of Conduct • Partnership Policy and Guidance • Risk Management Policy and Guidance • Published Agendas, Reports and Minutes of Committees • Whistleblowing Policy	• Audit & Governance Committee • Standards Committee • Overview & Scrutiny Committee • Housing Review Board • Independent Remuneration Panel for Members Allowances • Strategic Management Team • Monitoring Officer appointed • S151 Officer Appointed • Head of Paid Service appointed • Customer Complaints/Feedback Process • Procurement & Efficiency Group • Resident's Panel consultation • Asset Management Forum	• Job Descriptions and Person Specifications • Job Evaluation Process • Employee Induction • Employee Surveys • Learning and Development Programme – Employees/Members • Performance Excellence Review • Criminal Conviction Checks • Health & Safety Officer • Fraud Forum • External Audit • Internal Audit • Gift and Hospitality Registers for Employees • Members Register of Interest • Annual Review of Internal Audit, Risk Management & Governance Arrangements