AUDIT COMMITTEE   AGENDA ITEM: 6
25TH SEPTEMBER 2012:

ANNUAL GOVERNANCE STATEMENT

Portfolio Holder   Cllr Peter Hare-Scott
Responsible Officer   Head of Communities & Governance

Reason for Report: To present the Committee with the updated Annual
Governance Statement (Appendix A) for 2011/12

RECOMMENDATION(S): The updated Governance Statement is approved and the
Leader of the Council and the Chief Executive sign the revised Statement as per the
statutory guidance.

Relationship to Corporate Plan: Having good governance arrangements and an
effective internal control environment is a fundamental element of being a well
managed council.

Financial Implications: None
Legal Implications: None
Risk Assessment: Failure to produce an Annual Governance Statement would
result in the Council breaching the Accounts and Audit Regulations 2003 (Amended
2006).

1.0   Introduction

1.1   Mid Devon District Council is required to prepare an Annual Governance
        Statement (AGS) as per the requirements laid out in the Good Governance
        Framework, introduced by CIPFA SOLACE in 2007 and is a statutory
        requirement set out in Regulation 4(2) of the Accounts and Audit Regulations
        2003, as amended by the Accounts and Audit (Amendment) (England)
        Regulations 2006.

1.2   Good Governance Framework also sets out the six principles of Corporate
        Governance which are underpinned by supporting principles and
        requirements. Authorities are expected to comply with the requirements of
        the Framework and thus meet the principles of good Corporate Governance,
        which are:

        • Focusing on the purpose of the authority and on outcomes for the
          community and creating and implementing a vision for the local area
        • Members and officers working together to achieve a common purpose with
          clearly defined functions and roles
        • Promoting values for the authority and demonstrating the values of good
          governance through upholding high standards of conduct and behaviour
        • Taking informed and transparent decisions which are subject to effective
          scrutiny and managing risk
        • Developing the capacity and capability of members and officers to be
          effective

- Engaging with local people and other stakeholders to ensure robust public accountability.

The Annual Governance Statement was first presented to the Audit Committee in June 2012 but this version did not include reference to the changes to the Framework as listed in the CIPFA/ SOLACE 'Application note to delivering good governance in Local Government'. Section 3.10 has been added to the Governance Statement which includes information on the role of the chief financial officer.

The Action Plan was reviewed as Appendix B at the June meeting and a progress report is also on the agenda for the Audit Committee meeting on 25th September 2012.

Contact for more Information: Amy Tregellas, Head of Communities & Governance ext 4246

Circulation of the Report: Management Team and Peter Hare-Scott

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1.0   SCOPE OF RESPONSIBILITY

1.1   Mid Devon 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. Mid Devon District 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.

1.2   In discharging this overall responsibility, Mid Devon District 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.

1.3   Mid Devon District Council has approved and adopted 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.midevon.gov.uk or can be obtained from the Head of Communities & Governance. This statement explains how Mid Devon District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2.0   THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

2.2   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 Mid 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 efficiently, effectively and economically.

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2.3   The governance framework has been in place at Mid Devon District Council for the year ended 31 March 2012 and up to the date of approval of the Annual Report and Accounts for the 2011/12 financial year.

3.0   THE GOVERNANCE FRAMEWORK

3.1   The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its' services. The structures and processes, risk management and other internal control systems are in place to manage the barriers to achieving organisational objectives.

3.2   The Local Code of Corporate Governance is reviewed on an annual basis by both the Audit and Standards Committees and was last reviewed in March 2012. Members and senior officers are responsible for putting in place proper arrangements for the stewardship of the resources at its disposal.

3.3   The key elements of the systems and processes that comprise the Council's Governance Framework are:

3.4   Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

3.4.1   The Council's Constitution makes clear reference to the Council's purpose; how it operates; how it will engage citizens, the rights of citizens and the values of the organisation.

3.4.2   The Council has adopted a Corporate Plan, which outlines its strategic vision and priorities that drive its work. The priorities align with the priorities for Mid Devon through the Mid Devon Sustainable Community Strategy for 2010 to 2015 which sets out the Local Strategic Partnerships vision for Mid Devon.

3.4.3   Following the election of a new administration in May 2011, the Council did a full review of its Corporate Plan during the 2011/12 financial year. Before the introduction of the revised Corporate Plan the Cabinet and Policy Development Groups (PDGs) completed a review of the Corporate Plan Performance Indicators for the 2011/12 financial year and these were regularly monitored by the Cabinet, Scrutiny Committee, three Policy Development Groups and the Audit Committee.

3.4.4   The Council's Corporate Plan for 2012-2015 clearly defines the Council's five priorities, which are:

- Thriving Economy
- Better Homes
- Empowering our Communities
- Caring for our environment
- Managing our resources

3.4.5   For each priority in the 2012-2015 Corporate Plan there is a comment on the Council's long term vision, details of aims and objectives and deliverable actions with details of the lead officer and target dates for completion. Following approval by Cabinet the Corporate Plan has been published on the Council's website and promoted via the mediums of Mid Devon Talk magazine and a press release.

3.5   Reviewing the authority's vision and its implications for the authority's governance arrangements

3.5.1   The last full review of the Corporate Plan took place during the 2011/12 financial year for the period of 2012 to 2015.

3.5.2   Initially, a series of discussions took place between Management Team and the Cabinet to discuss their vision and priorities. Discussions were then held between each Cabinet Member and their relevant Head(s) of Service to develop these ideas further. These ideas were then discussed with Service Managers and then an initial list of priorities and actions were drawn up. This information then went to the wider Committees for discussion, with them feeding back any proposals to the Cabinet.

3.5.3   Once a list of draft proposals had been put together a consultation exercise was conducted where consultees were asked to rank their top 3 projects under each priority. Consultation took place with the Citizens' Panel (which is a cross section of the Mid Devon Community), local businesses, Voluntary and Community Groups and Town and Parish Councils to ensure that the proposed priorities continued to reflect local concerns and aspirations.

3.5.4   The Council's Corporate Plan outlines the authority's vision and is aligned to the Governance framework in the following ways:

- The Corporate Plan is linked to both the Medium Term Financial Plan and the Workforce Plan to ensure that the implications on the Council's finances and workforce are considered when the vision and priorities are set.

- The Corporate Plan is regularly discussed at the Cabinet and agendas are available to the Council's stakeholders via the Internet.

There is also an opportunity for the public to ask questions in a designated session at the start of each Cabinet meeting.

- The Corporate Plan is available to local people on paper or on the internet, and copies can be made available for people in alternative formats.

- Every report (whether it be to the Cabinet, Scrutiny Committee, Audit Committee, the Policy Development Groups or a Regulatory Committee) is required to outline how the recommended action helps to achieve one or more of the Corporate Plan priorities.

- Service business plans demonstrate how the service will deliver the Corporate Plan priorities that are relevant to that service area.

- Progress against the Corporate Plan Indicators are reviewed on a regular basis, along with the Councils key business risks, by the Cabinet, Scrutiny Committee and PDGs.

- The Council's performance reporting system (SPAR.net) includes all of the performance indicators associated with the Corporate Plan. Regular reporting of performance against targets is mandatory throughout the Council, and reported to the PDGs, Scrutiny Committee and Cabinet. Where performance against target is unsatisfactory or not reported, the responsible officer is required to offer an explanation to Management Team.

3.6   Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

3.6.1   As outlined in sections 3.4 and 3.5 there are a number of Performance Indicators on the Council's performance reporting system (SPAR.net) that measure the outcomes of service delivery and these include Local Indicators some of which are former National Indicators (NIs) and Best Value Performance Indicators (BVPIs).

3.6.2   Services within the Council have their own processes for measuring their performance and the quality of services that they provide for users and this information is included in their Service Business Plans. Each service area follows a standard template, which includes the following headings:
- Vision for the service
- Key areas of focus or activity
- Key issues facing the service in the next 12 months
- Must do's for the financial year
- Corporate Priorities

- Performance Indicators
- Service Standards
- Key Business Risks
- Financial Targets
- Strategy/Activity for reducing the cost of service
- Benchmarking

3.6.3 The Council has a Community Engagement Strategy which clearly outlines how the Council will consult with its citizens and also includes a timetable for consultations throughout the year. The Strategy is updated every two years and was last updated in March 2011. The action plan is reviewed and updated on an annually basis in March. Both the Strategy and the action plan are reviewed by the Community Well Being PDG before going to the Cabinet for approval.

3.6.4 As outlined in section 3.5 the public and other stakeholders are consulted on the Budget and Corporate Plan each year and the results inform the Council's priorities and also feed into the Medium Term Financial Plan and Workforce Plan.

3.6.5 The Council is committed to using its resources in the most economic, efficient and effective way and has undertaken a number of projects in the last year to either reduce expenditure or increase income. Wherever possible, when a member of staff leaves the authority as assessment is done to see if the role can be absorbed within the existing establishment before reviewing options for replacement.

3.7   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

3.7.1 The Council has adopted a Constitution which sets out how it operates, and assigns clear roles and responsibilities for decision making bodies and individuals within the Council.

3.7.2 The Articles and Terms of Reference within the Council's constitution clearly define the roles and responsibilities of:

- Full Council
- The Cabinet
- Scrutiny Committee
- Audit Committee
- The Policy Development Groups
- The Standards Committee
- The Regulatory Committees (including Planning Committee, Licensing Committee, Regulatory Committee and other Bodies)

3.7.3   The Council has a clearly defined Scheme of Delegation, which is also contained within the Constitution. This document sets out the powers of the Council, the powers of the Cabinet, delegations to Cabinet Members and Officers and the matters delegated to the Committees listed in section 3.7.2. The Scheme of Delegation to Officers includes specific reference to the statutory posts of Head of Paid Service, Monitoring Officer and Section 151 Officer.

3.7.4   Cabinet Members are able to make decisions individually subject to certain provisos. The scheme of delegation within the Constitution outlines the details and also contains the decision recording form.

3.7.5   The main decision-making committee is the Cabinet. Each Cabinet Member is assigned a portfolio of services (which has been aligned with the Management Team structure) requiring them to work very closely with their relevant Head(s) of Service in the pursuance of the Council's goals. Regular meetings between Cabinet Members and Heads of Service take place during which service performance, risk and budgetary control are discussed as well as any other issues affecting service delivery. The Cabinet and Management Team also meet on a monthly basis.

3.7.6   The Council also has a Scrutiny Committee which comprises of non-cabinet members whose duties include: reviewing and scrutinising decisions made by the Cabinet, exercising the right to call in decisions if necessary, and appointing review groups to look at particular issues of local concern.

3.7.7   As well as the Scrutiny Committee the Council also has an Audit Committee which provides an independent assurance on the adequacy of the Council's governance arrangements including its risk management framework and associated control environment. The Committee also provides an independent scrutiny of the Council's financial and non-financial performance.

3.7.8   A protocol on member and officer relations is included in the Constitution to assist in understanding and promoting effective communication.

3.7.9   The Council's Management Team provides corporate leadership and meets on a regular basis and considers performance management, risk management, financial management, internal control, efficiency and value for money issues.

3.7.10 Staff are kept regularly updated on all relevant issues via the Core Brief which is discussed at the Senior Officers Forum and also gets publicised in the Council's newsletter 'the Link'.

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3.8   Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

3.8.1   The Council has Codes of Conduct for both Officers and Elected Members, which are contained within the Council's Constitution. These are both kept under review and updated as necessary. The Codes are communicated to members via member training sessions and the Officers Code of Conduct is issued and explained to officers during their induction. Thereafter, the Codes of Conduct are available on the Council's website.

3.8.2   The Council holds both a register of interests and gifts and hospitality register for both officers and members. These registers are regularly reviewed and subject to an independent review by Internal Audit as part of their strategic audit plan. Members also receive training on ethics as part of their Induction following election. Following the election on 5th May 2011, training took place on 12th May 2011 and covered the areas of standards and ethics.

3.8.3   The Council has a Standards Committee, which promotes and maintains high standards of conduct by Councillors and co-opted members and also deals with local investigations and with any members who are alleged to have breached the Code of Conduct. This Committee has also been active in reviewing the changes to the Standards Regime due to come into effect from the 1st July 2012.

3.8.4   The Council's Standards Committee and Monitoring Officer play a pro-active role in ensuring and promoting high standards of conduct for members. The Chairman of the Standards Committee attends the Full Council meetings to provide members with updates on the work of the Standards Committee and she also produces an annual report which is available on the Council's website.

3.8.5   The Council's website has comprehensive information available as to how members of the public can make a compliant about a Councillor whether it relates to a District, Town or Parish Councillor.

3.8.6   The Council has disciplinary and grievance procedures in place, which are accessible to officers through the Intranet pages. Any instances of alleged breaches of the Code of Conduct would be dealt with in accordance with these procedures.

3.9   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.

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3.9.1   The Council has a comprehensive set of financial and contract procedure rules which are contained within the Council's Constitution. This document sets out the overall framework that governs the management of the Council's finances.

3.9.2   The Council has a clearly defined Scheme of Delegation, which is also contained within the Constitution. This document is reviewed and updated, as and when required in light of any specific amendments that need to be made if the structure of the Council changes for any reason.

3.9.3   The Council's Constitution clearly defines and documents how decisions are made and this is covered in Article 13.

3.9.4   The internal audit process examines procedure notes and manuals held by service areas and highlights any areas where the notes/manuals are missing or are found to be inadequate. Any areas in which improvement can be made are highlighted in the audit report along with recommendations for improvement.

3.9.5   The Council has a Risk Management Strategy, which is updated annually and clearly outlines the roles and responsibilities within the Council for Risk Management as well as the Risk Management process, which includes guidance on:

- Identifying corporate and operational risks
- Assessing the risks for likelihood and impact
- Identifying mitigating controls
- Allocating responsibility for the mitigating controls

3.9.6   The Audit Committee is responsible for reviewing and approving the Risk Management Strategy and the current document was approved on 20th March 2012. A risk management briefing for new members was held on 17th May 2011 and a general session was held for all Members on 21st June 2011. The Head of Communities & Governance attends the staff induction sessions to ensure that all new staff are aware of the risk management strategy and their responsibilities. The Head of Communities and Governance has run risk assessment sessions for members of staff on 6th October 2011 and 29th February 2012. Further sessions are being scheduled in 2012/13.

3.9.7   Each Service Business Plan contains a section on Risk Management and these are currently being loaded into the centralised risk register (on our SPAR.net performance system).

3.9.8   The key business risks are reported to the Management Team, Cabinet, Audit Committee, Scrutiny Committee and the three Policy Development Groups on a regular basis. The Council's performance

management framework has changed to provide decision-makers with information on finance, performance and risk to fully support decision-making.

3.10 Ensuring the authority's financial management arrangements conform with the governance arrangements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)*

3.10.1 The Council has appointed the Head of Finance as the Chief Financial Officer and Section 151 Officer. The Head of Finance reports directly to the Chief Executive and is a Member of the Council's Management Team.

3.10.2 The Head of Finance is a qualified Accountant and has a line of professional accountability for finance staff throughout the organisation.

3.10.3 The Head of Finance meets regularly with the Cabinet Member for Finance to ensure that he is fully briefed on all financial matters.

3.10.4 The Head of Finance has direct access to the Audit Committee and the External Auditors.

3.10.5 Regular financial monitoring reports go to the Cabinet to provide Members with timely, accurate and impartial financial advice and information to assist in decision making.

3.10.6 Regular financial information and update reports are presented to the Scrutiny Committee and the Policy Development Groups.

3.10.7 The Authority has a Medium Term Financial Plan which is populated with prudent financial information and forecasts to ensure that the Authority has a clear picture of the financial challenges that it faces going forward.

3.10.8 The MTFP forms a key part of the Budget setting process and Service Manager, Management Team and Members all have an input into this process before the Budget is set and agreed by Full Council each year in February.

3.10.9 The Council has a robust Treasury Management Strategy in accordance with the CIPFA Guidance is place and this is reviewed every six months.

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3.11   Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

3.11.1 The Council's Audit Committee undertakes the core functions as per the CIPFA guidance and has been in existence since January 2009.

3.11.2 The Audit Committee provide independent assurance on the adequacy of the risk management, control and governance environment as well as scrutinising the Council's financial and non-financial performance. The Committee also oversees the financial reporting process and is responsible for reviewing and approving the Annual Report and Accounts. They also review any reports from the External Auditor.

3.11.3 Members of the Audit Committee and their substitutes are provided with training as and when it is appropriate.

3.12   Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

3.12.1 The Council has designated its Head of Legal & Democratic Services as its Statutory Monitoring Officer and he has two deputy Monitoring Officers (the Head of Communities & Governance and the Assistant Solicitor) to support him. The Monitoring Officer is responsible for ensuring the Council conducts its business lawfully and he has a duty to report to Full Council any proposal, decision or emission that would give rise to unlawfulness or maladministration.

3.12.2 Article 12 in the Council's Constitution outlines the functions of the Chief Executive as the Head of Paid Service, the Head of Legal & Democratic Services as the Monitoring Officer and the Head of Finance as the Section 151 Officer.

3.12.3 If any Committee wants to make a decision the members must, when reaching decisions, have regard to any relevant advice provided to them by the Authority's Monitoring Officer and/or the Head of Finance (as Section 151 Officer). Committee reports are considered for risks and financial and legal issues by Management Team prior to being distributed to Members.

3.12.4 The Council maintains an Internal Audit section, 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 and the Head of Communities & Governance and Audit Team Leader report to the Audit Committee on a regular basis. A risk-based audit plan ensures that the audit coverage is adequate in order for the Head of

Communities & Governance to give an opinion on the Council's control environment.

3.12.5 The Council's Internal Audit Service has no responsibility for directly running services and therefore provides independent assurance to Members, the Chief Executive, the Section 151 Officer and the Monitoring Officer on the adequacy of the system of internal control.

3.12.6 Internal Audit examines the Council's policies and procedures in the course of its work and highlights any areas where these are not being adhered to. Any areas in which improvement can be made are highlighted in the audit report along with recommendations for improvement.

3.12.7 A data quality assurance process is in place to ensure that the data contained within Committee reports is checked prior to the Committee agenda being released. This has led to improved assurance that decisions are being made based on accurate and relevant data.

3.13   Whistle-blowing, and the process for receiving and investigating complaints from the public

3.13.1 The Council has policies with regard to Anti-Fraud & Anti-Corruption, Whistle-blowing and Anti-Money Laundering. All three policies were reviewed, updated and approved by the Audit Committee on 20th September 2011. This review took account of the changes under the Bribery Act. These policies are subject to annual review and are next due to be presented to the Audit Committee in September 2012. The Scrutiny Committee reviewed the Whistle-blowing Policy in May 2012 and have agreed to have a report made to them on a six-monthly basis so that they can monitor the effectiveness of the Policy.

3.13.2 There is a flow diagram, which accompanies the Anti-Fraud & Anti-Corruption and Whistle-blowing Policies, which clearly outlines the process for reporting any suspected cases of fraud, corruption or financial irregularity and the steps that will be taken to deal with any allegations that are made. The Head of Communities & Governance attends the Corporate Induction sessions with new members of staff to inform them of the policies and they are accessible to all staff through the audit pages on the Intranet (Sharepoint).

3.13.3 The Council has a clearly defined complaints procedure, which lists the steps for making a complaint and how to make a formal complaint. The procedure also gives guidance on how to contact the Ombudsman if the member of the public wishes to take the matter further.

3.13.4 There is also information available on how to make a complaint about a Councillor. The matter would be referred to the Monitoring Officer and

ultimately the matter would be referred to the Standards Committee if the complaint related to a breach of the Code of Conduct.

3.14 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

3.14.1 Each member has an induction as well as training that is relevant to their particular role (i.e. dependent on which Committee they are serving on). Members that serve on the Policy Development Groups are given specific training on the topics that fall under their remit.

3.14.2 Members that serve on the regulatory committees such as Planning and Licensing are given specific training due to the specialist nature of these areas.

3.14.3 Each member has had a one to one with an officer from our Member Services team with the result being to draw up a personal development plan for the member, which includes training needs and also any areas of training that they request.

3.14.4 Briefing sessions for members are held on a regular basis which all members are invited to attend. Details of these sessions are publicised through the member's newsletter called the Weekly Information Sheet (WIS).

3.14.5 The Council has a Member Development Group and the Chairman of this group is the lead member for member development. The lead member provides updates to the Cabinet on the outputs from the work of this group and the Standards Committee review feedback from training courses on a six monthly basis (this will be picked up by the Scrutiny Committee in the future).

3.14.6 The Council has successfully achieved, and been awarded with the Member Development Charter.

3.15 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

3.15.1 The Council has a Community Engagement Strategy and accompanying action plan which was approved by the Community Well Being PDG in March 2012, which clearly outlines how the Council will consult with its citizens and also includes a timetable for consultations throughout the year.

3.15.2 The Council has a dedicated Consultation and Youth Involvement Officer who has worked with, and is continuing to work with, various

stakeholder groups in the Mid Devon area on a number of consultations.

3.15.3 There is a 'have your say' section on the front of the Council's website for links to current consultations and for the results to be displayed here. The feedback in relation to consultation is published there and after every consultation the results are fed back to the groups taking part.

3.15.4 All data collected from surveys and consultation exercises form a report and a summary is sent to the participants or they are told where and when the results will be displayed (usually our website). Further work is being completed to ensure that the information is being fed back in a version which suits them and their needs .e.g. a learning disability group would want the results in a different format to a senior officer.

3.15.5 The Citizens' Panel receive a feedback note stating the findings for each questionnaire explaining how the Council has reacted to the findings i.e. if we made a change due to the findings or if not, why not.

3.15.6 The Consultation and Youth Involvement Officer has formed a group of Consultation Champions and created a number of methods for departments to use including street surveys and online surveys. The Citizens' Panel is reviewed on a regular basis to ensure that it is balanced in line with the profile of the Mid Devon community.

3.15.7 The Council has an approved Single Equalities Scheme following the changes to the Equalities Bill and the Public Sector Equality Duty which came into effect in April 2011.

3.15.8 The Council works with the Mid Devon Equalities Forum whose membership is stakeholders from groups who represent the various equality strands including age, disability and ethnic minority groups. As well as this group the Council runs Member & Community days where elected members visit groups and projects out in their communities.

3.16 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.

3.16.1 The Council has very few strategic partnerships but these are assessed using the partnership toolkit and have been reviewed during the collation of the Annual Governance Statement. This includes information on the contribution the Council makes to the partnership, whether the partnership has formal terms of reference and how the Council benefits from continued involvement.

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4.0 REVIEW OF EFFECTIVENESS

4.1 Mid 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 the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Team Leader's annual audit outturn report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework include:

- The Head of Legal & Democratic Services in his role as Monitoring Officer has a duty to monitor and review the operation of the Council's Constitution to ensure that its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.

- The Head of Finance in his role as the Chief Financial Officer and Section 151 Officer has a duty to lead and direct financial strategy and operations. This includes regular communication and provision of financial information to officers and Members

- The role of the Cabinet is to exercise all of the Council's functions which are not the responsibility of any other part of the Council. The Cabinet provides leadership to the overall activities of the Council.

- The Council has a Scrutiny Committee, which has the role of reviewing and scrutinising decisions made or actions taken in connection with the discharge of any of the Council's functions. They can look at particular decisions in depth, before making recommendations to the Cabinet as well as being able to 'call-in' a decision that has been made by the Cabinet but not yet implemented, to enable consideration as to whether the decision has been made in accordance with the proper process as laid out in Article 13 of the Constitution.

- The Council has an Audit Committee to provide effective leadership to the Council on audit and governance issues, and independently contributes to the overall process for ensuring that effective systems are maintained for internal control, risk management and corporate governance.

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- The Council's Standards Committee has the role of promoting and maintaining high standards of conduct by Councillors and co-opted members as well as reviewing and monitoring the Code of Conduct for members. The Code of Conduct includes specific reference to the Register of Members' Interests, procedures for declaring interests at Committee meetings and protocols for accepting gifts and hospitality and member/employee relations. The Standards Committee also advises and trains members of the Code of Conduct and deals with any alleged breaches to the Code. The Standards Committee also has an overview of complaints handling and Ombudsman investigations, as well as dealing with local investigations.

- The Council has an Internal Audit section, which is totally independent of any service area, with the Audit Team Leader reporting to the Head of Communities & Governance who reports directly to the Chief Executive. The Head of Communities & Governance and Audit Team Leader regularly report to the Audit Committee and present the following reports on an annual basis:

  - Four-year Strategic Audit Plan
  - Annual Audit work plan
  - Internal Audit Strategy
  - Internal Audit Terms of Reference
  - Quarterly reports outlining progress against the annual audit work plan
  - Outturn Internal Audit report (covering the whole financial year)
  - Risk Management Strategy and Action Plan
  - Code of Corporate Governance
  - Annual Governance Statement plus progress reports
  - Key business risks
  - Whistle-blowing Policy
  - Anti-fraud and Anti-Corruption Policy
  - Anti-Money Laundering Policy
  - Data Quality Strategy and Action Plan

- Reviews of the Council's key (core) financial systems by Internal Audit against known evolving risks on an annual basis. Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks – e.g. changes to systems of staff

- The relevant Head of Service, Chief Executive and all four Members of the Audit Committee receive copies of Audit reports.

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Any issues arising from these reports are discussed at the Audit Committee.

- Annual Internal Audit outturn report, to the Audit Committee for 2011/12, highlights the work of Internal Audit including an opinion on the overall adequacy and effectiveness of the Council's internal control environment

- Annual reviews of the Council's financial accounts and records by the external auditor leading to their opinion as published in the Annual Audit and Inspection Letter and Governance Report

- Strategic risk review and evaluation of controls in place to manage risks together with the commencement of specific project risk assessment

- External Audit and Inspection also contributes to the review of effectiveness.

4.3   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 a plan to address weaknesses and ensure continuous improvement of the systems is in place.

5.0   SIGNIFICANT GOVERNANCE ISSUES

5.1   At the current time, there are no significant governance issues but a number of recommendations for improvement are set out in Appendix B. The action plan details the minor governance issues that have been identified, the proposed action, the responsible officer and the target date for completion.

5.2   The work of Internal Audit identified one system that was classed as poorly controlled – Recovery of Debt. The key issues highlighted in this review were Service Managers and Legal being slow to respond to recovery instructions, separation of duties regarding trade waste invoicing and Service Managers not authorising write offs. Action is being taken to address these issues by the Head of Finance and team as per the recommendations made in the Audit Report.

5.3   The Audit Committee will continue to receive regular reports on the progress being made on implementing Internal Audit recommendations throughout the financial year.

5.4   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

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were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: …………………………….. ……………………………………..

Name: Kevin Finan   Peter Hare-Scott
Position: Chief Executive   Leader of the Council
Date: 30th September 2012   30th September 2012