ANNUAL GOVERNANCE STATEMENT 2011/12

1 Scope of responsibility

North Devon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and 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 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, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

North Devon Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Society of Local Authority Chief Executives (Solace) Framework "Delivering Good Governance in Local Government". A copy of the code can be obtained from John Patrinos, (Corporate and Community Support Manager). This statement explains how the 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 The purpose of the governance framework

Confidence in public sector governance is of critical importance, given the huge investments by taxpayers in local services and the need to ensure that none is wasted. This Annual Governance Statement is to help provide that confidence by formally recognising, recording and publishing the council's governance arrangements.

The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its 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 the council's aims and objectives. It can only provide reasonable, 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 the council's aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they occur, and
- manage them efficiently, effectively and economically

The governance framework has been in place at North Devon Council for the year ended 31 March 2012, and up to the date of approval of the annual report and statement of accounts.

Our governance framework derives from six core principles identified in the 2007 publication entitled "*Delivering Good Governance in Local Government*, *Framework*". This was produced by the Chartered Institute of Public Finance and Accountancy, and the Society of Local Authority Chief Executives. The six core principles are:

a) Focussing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the local area

b) Members and Officers working together to achieve a common purpose with clearly defined functions and roles

c) Promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

e) Developing the capacity and capability of Members and officers to be effective

f) Engaging with local people and other stakeholders to ensure robust public accountability

3 North Devon Council's governance framework

This section describes the key elements and processes that comprise the council's governance arrangements.

3.1 Identifying and communicating the council's vision and intended outcomes for citizens and service users

The council's aims and objectives are set out in the **Corporate Plan 2011-2015**, which describes the areas where we are focussing our activities. The Plan is fully integrated with our budget so that resources are allocated to our priority areas. The Corporate Plan also reports on our progress in the previous year, including the delivery of our priorities, and shows our targets for the future.

The Corporate **priorities** are communicated to internal stakeholders through the Service Planning process. Improvements have been made to the Service Planning process to ensure that Service Plans:

- identify efficiencies and savings that can be made over the next three years, and
- identify the impact of new initiatives

The council has established a range of communication methods to ensure that employees are clear about the corporate priorities and major new initiatives:

- A Communications team focussed on ensuring the Council's message are understood by staff and reflected as accurately as possible externally, for example through the local media
- Heads of Service cascade key issues from Senior Management Team for discussion at regular team meetings
- There are quarterly briefings for all staff to update them on key initiatives and changes, which this year have included the council's approach to dealing with central Government's spending reductions
- The monthly online staff newsletter contains a 'news from the top' spot written by the Chief Executive
- Frequent press releases transmit messages to the local population via a dedicated external press officer
- The Intranet is used to communicate issues arising from each week's Senior Management Team meetings

3.2 Reviewing the council's vision and its implications for the council's governance arrangements

The preparation of the Corporate Plan includes a **review** of the vision and priorities of the council as part of workshops with Executive members. This is informed by an environmental scan covering political, social, economic and

legal issues. It is also influenced by the results of a range of **consultation** events so that the views of the people of the area are appropriately reflected in the Plan.

As part of this process any impact on governance arrangements is identified and responded to.

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

The **Corporate Plan** provides clarity for all Members and officers by:

- Setting out our detailed objectives
- Reviewing our progress and performance during the last year against our key objectives
- Renewing improvement targets for the future
- Helping manage our performance and improvement planning to deliver better services in the areas that matter most to our residents

Stemming from the Corporate Plan are **Service Plans** that focus on delivering service improvement and outcomes for the public. These form the basis of individual performance appraisal of all staff, which provides clarity about expectations for achievement during the year.

Service planning is underpinned by **financial planning**, with changed expenditure in any service area being approved by the Executive and Council through the annual resource allocation process. As part of this process a rigorous examination of all budgets is undertaken to identify opportunities for making efficiency savings, maximising income, or reducing unnecessary expenditure.

The Executive receives quarterly **Performance and Financial Management** reports from the Executive Team that monitor progress towards delivering the Corporate Plan as well as covering any other areas of service delivery that are of note. This report covers operational performance, revenue and capital expenditure, key prudential code indicators, treasury management performance, and debt management. It integrates the reporting of operational performance with financial performance. The reports are written in clear language and provide a succinct overview of performance so that the lay reader can easily understand them.

Each quarter the Overview and Scrutiny Committee **scrutinises** these reports and the adequacy of the Executive's action in ensuring progress is maintained.

The council has an effective, documented **Performance Management Framework** and utilises a dedicated information technology system to record and report upon performance information. The council's Corporate Plan focuses attention on council priorities and drives the system. This is cascaded through Service Plans, individual employee appraisals and action plans.

The annual service and financial planning and performance **management cycle** is clearly laid out, with a corporate calendar of all the dates available on-screen to all staff. The council's Executive monitors and scrutinises progress against targets and performance in priority areas, and considers and approves any necessary corrective action on a quarterly basis.

In addition to the above, the council maintained robust **budgetary monitoring and control** processes during the year to ensure that financial resources were being used to their best advantage. This includes

- frequent management reporting to the Chief Financial Officer
- monthly monitoring reports to Senior Management Team and the Lead Members, and
- quarterly reports to the Executive, which then go to the Overview and Scrutiny Committee

3.4 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

The **Constitution** sets out how the council operates, how decisions are made, and the procedures that are followed to ensure these are efficient, transparent and accountable to local people.

The main decision-making body is the **Executive**, which is responsible for all executive matters as defined by law and operates within the budget and policy framework approved annually by full council. Meetings are open to the public except where personal or confidential matters are being discussed. In addition, senior and other officers of the council can make decisions under delegated authority; again the extent of these delegations is set out in the Constitution and renewed annually.

The council publishes a **Forward Plan** that contains details of key decisions to be made by the Executive.

Each Executive Councillor works to a pre-defined role description and is the lead member for a specific **area of responsibility**. They work closely with officers to achieve the council's priorities. Each Executive Member is the lead member for a specified area of council activity. However, the council has not adopted individual decision-making powers for the portfolio holders.

The council has several committees that carry out regulatory or scrutiny functions. These are:

- an **Audit Committee** to provide assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and the effectiveness or risk management. Its work is intended to improve the corporate and financial governance of the council and to enhance public trust
- a **Standards Committee**, which promotes, monitors and enforces probity and high ethical standards amongst the council's Members. This extends

to having the same responsibility for all town and parish councils within the area (Note: this arrangement is being altered by statute with effect from 2012-13)

- an **Overview and Scrutiny Committee**, which reviews and scrutinises decisions made, or actions taken, in connection with the discharge of any of the council's functions

- a **Planning Committee** to determine planning applications and related matters

- a **Licensing Committee**, which monitors and reviews the effectiveness of the council's licensing policy and procedures

- a **Procedures Committee** was created during the year. This makes recommendations to Council to ensure the Constitution is amended to reflect changing circumstances and legislation. It also deals with Councillors matters such as training and development; and allowances.

The Chief Executive leads a **Senior Management Team** (SMT) comprising Heads of Service. The **Senior Management Team** meets each week to develop policy issues commensurate with the council's aims, objectives and priorities. The Team also considers other internal control issues, including risk management, performance management, compliances, efficiency, value for money, and financial management.

The Chief Executive and Heads of Service meets frequently with the Leader and Executive Members to forward plan council business and pick up new issues and risks.

The council's services are delivered through nine **Services** each managed by a Head of Service or the Assistant Chief Executive.

The officer management structure is shown in the following diagram:

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                      ┌─────────────────────┐
                      │   Chief Executive   │
                      └─────────────────────┘

┌─────────────────────┐          ┌─────────────────────┐
│   Assistant Chief   │          │    Corporate and    │
│     Executive       │          │  Community Services │
└─────────────────────┘          └─────────────────────┘

┌─────────────────────┐          ┌─────────────────────┐
│ Environmental Health│          │                     │
│ and Housing Services│          │  Financial Services │
└─────────────────────┘          └─────────────────────┘

┌─────────────────────┐          ┌─────────────────────┐
│  Waste and Recycling│          │ Property and Technical│
│      Services       │          │      Services       │
└─────────────────────┘          └─────────────────────┘

┌─────────────────────┐          ┌─────────────────────┐
│                     │          │    Planning and     │
│    Legal Services   │          │ Development Services│
└─────────────────────┘          └─────────────────────┘

                      ┌─────────────────────┐
                      │       Human         │
                      │      Resources      │
                      └─────────────────────┘
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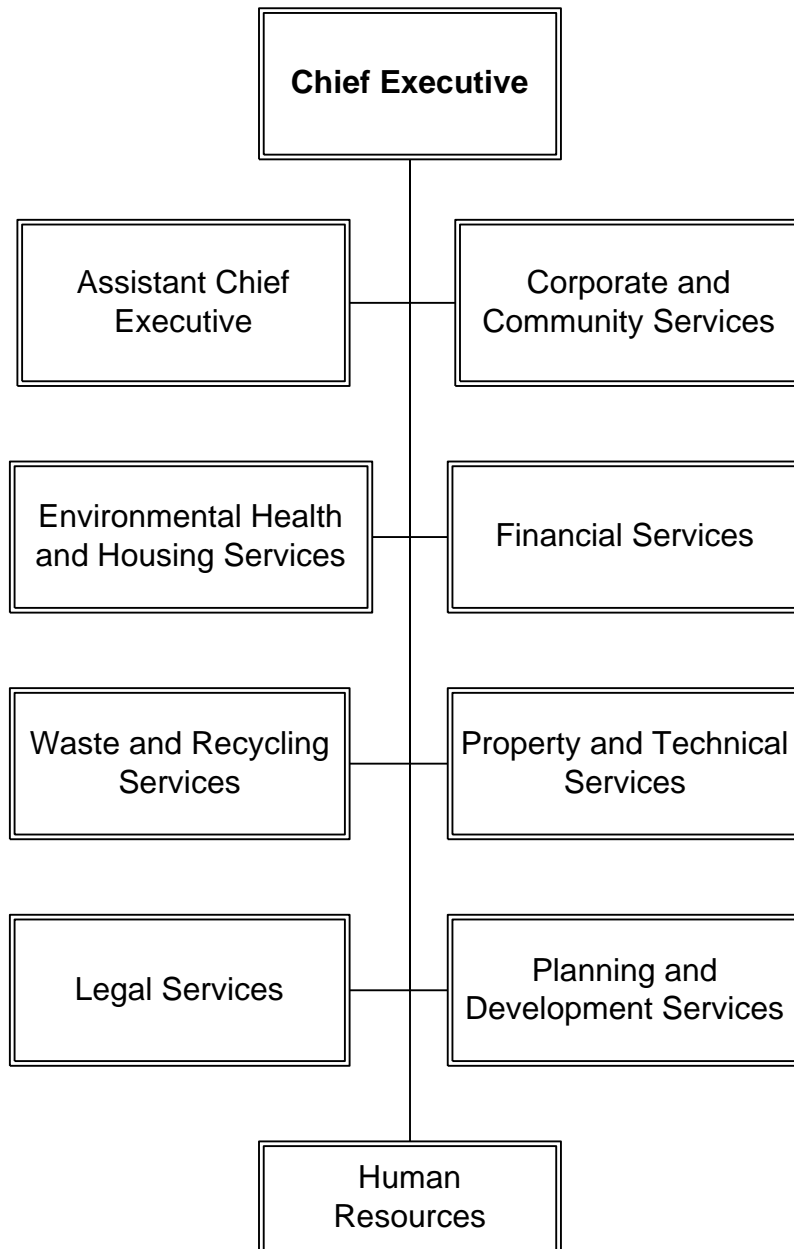
There are clear lines of internal **communication** to ensure direction from and reporting to the Senior Management Team to assist with the monitoring of council business activities and decision making.

3.5 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

The **Constitution** is available to the public on our website.

Three **key documents**, which are included in the Constitution are:

- the Scheme of Delegations
- Standing Orders, and
- Financial Procedure Rules

which are available to all officers, Councillors, and the public via the council's intranet and website.

Other documentation includes corporate policies or guidance on a range of topics such as:

- Complaints
- Email and Internet
- Data Protection
- Freedom of Information
- Information and Communication Technology Security
- Whistleblowing
- Anti-Fraud and Corruption
- Anti-Money Laundering
- Data Quality
- Performance Management
- Project Management
- Partnership appraisal
- Policy development
- File retention and disposal

All the main council **policies** are also available on the website.

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

All policies are subject to internal review to ensure these are adequately maintained. There is regular engagement with staff through the Staff Consultation Panel on policy development, human resources issues, and the Code of Conduct. The council keeps all staff aware of changes in policy and new legislation as necessary, by a variety of means, and where appropriate arranges training for all or key members of staff.

The council's **Standards Committee** oversees standards of conduct for councillors. Independent members form part of the membership of the committee.

The Standards Committee and the Monitoring Officer provide **advice, training and help** to councillors on the ethical framework. Councillors and officers are made aware of their responsibilities, and the behaviours expected of them under the framework.

The management of and adherence to the council's wider **statutory obligations** relies heavily on devolved working arrangements, with Legal Services advising all services on legislation as required.

In the course of the year the council's **Monitoring Officer** has not had to report on any proposal, decision or omission by the council, any committee or officer, that has contravened or is likely to contravene any enactment or rule of law, or on any formal report by the Local Government Ombudsman finding maladministration causing injustice.

The council has adopted a number of **key documents and protocols** that govern both Member and officer activities. These include:

- A Protocol governing relationships between Members and Officers
- Members Code of Conduct
- Officers Code of Conduct

The three above are part of the Constitution.

In addition there are:

- A separate Planning Code of Conduct
- Members' declarations of interest
- Rules on the receipt and registration of any gifts and hospitality

3.7 Undertaking the core functions of an audit committee, as identified in Cipfa's "Audit Committees – Practical Guidance for Local Authorities"

In 2006 the council formed an independent **Audit Committee**, with its own comprehensive Terms of Reference that adhere to Certified Institute of Public Finance and Accountancy (CIPFA) guidance. The council has delegated to the Audit Committee responsibility for ensuring the adequacy of governance arrangements.

The Audit Committee must meet at least four times a year, during 2011/12 it met five times to:

- consider the annual Audit Plan
- agree the risk-based annual strategy for internal audit
- receive all external and internal audit reports
- monitor the implementation of action plans resulting from audit reports
- review the Corporate Risk Register
- receive reports by Heads of Service on arrangements for managing risk within services
- ensure that the Annual Governance Statement properly reflects the risk environment and any actions required to improve it

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

The council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and

procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the council and to the public.

All members of **Senior Management Team** and **Heads of Service** have responsibility for maintaining a system of sound internal controls and management processes within their area of responsibility, and for reviewing their effectiveness. Each has completed an Assurance Statement for their area confirming that a sound system of internal control has been in place throughout the financial year, and identifying any areas that are less robust.

A compulsory **consultation checklist** is completed for every report that is considered by the Executive. This ensures the active involvement of the council's statutory officers in reviewing and advising on the financial, legal, constitutional and staffing implications associated with decisions.

The council was accredited in July 2001 under the **Investors in People** Standard, which is a quality framework to ensure that the council's employees have the right knowledge, skills, and motivation to work effectively. It has been repeatedly re-accredited since then and recently received its ten-year award. An action plan is being implemented.

Internal audit is an independent appraisal function that acts as a control that measures, evaluates and reports upon the effectiveness of internal controls, financial and others, as a contribution to the efficient use of resources within the council. External contractors carry out the function, and during the year new internal auditors were appointed. The **Annual Audit Plan** is used to map out the cyclical coverage of fundamental financial systems and other audits. The plan is based in large part on the council's Corporate Risk Register, then amended following discussions with the Chief Financial Officer, and takes into account concerns identified by the Audit Committee. Work relating to prevention and detection of fraud and corruption is integrated into this audit planning process.

Internal Audit publishes an annual report setting out its opinion on the overall adequacy and effectiveness of the council's **internal control** environment, providing details of any weaknesses that qualify this opinion and bringing to the attention of the council any issues particularly relevant to the preparation of this Statement.

The adequacy of Internal Audit is tested by our **External Auditors**, the Audit Commission.

The Council has delegated to the **Audit Committee** responsibility for ensuring the adequacy of governance arrangements. Both the Senior Management Team and the Audit Committee **review and monitor** all external and internal audit reports.

A member of the Senior Management Team is designated as the council's **lead officer on risk management** and chairs the Corporate Risk Group. The **lead Councillor** for risk management is the Leader of the Council.

The council continues to develop and refine systems for identifying and evaluating all significant risks, via the **Corporate Risk Group**. The council has approved a Risk Management Framework as part of our Performance Management Framework.

The **risk management** process involves identifying, analysing, determining appropriate controls, managing and monitoring risks. The identification of risks is derived from a top down (i.e. corporate) and a bottom up (i.e. service) process of risk assessment and analysis resulting in coverage of the whole council. The process

prioritises the risks, resulting in a focus upon the key areas. The risks are managed through the development of appropriate action plans allocated to individual officers.

3.9 Whistle-blowing and for receiving and investigating complaints from the public

The council's **whistleblowing** policy, the Confidential Reporting Code, was reviewed in 2008 and is available to all officers and Councillors on Insite.

The **complaints system** is managed corporately to facilitate the identification and reporting of trends. It was reviewed in 2008 and is available to all officers and Councillors on Insite.

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

A comprehensive annual **Member training and development** programme was delivered. In 2011/12 this programme has been longer and more intensive than usual in order to meet the needs of the new Councillors elected in May 2012. These include:

- Finance Training,
- Audit Committee
- Risk management

There is a targeted development programme for managers that, in addition to specific qualifications appropriate to their strategic role, has included:

- Silver Control
- awareness of mental health issues, and
- a wide-ranging management development programme for managers
- risk management in the supply chain
- equality and diversity

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

The council has a **Constitution** that details how the council operates, how decisions are made and the procedures to be followed. This ensures that these are efficient, transparent and accountable to local people.

The **Executive** is responsible for most decisions. Major decisions are published in advance in the **Forward Plan**, and will invariably be discussed in a meeting open to the public. All decisions must be in line with the council's overall policies and budget. Any decisions the Executive wishes to take outside the budget or policy framework must be referred to council as a whole to decide.

We have a well-established **Community Consultation Framework** that guides and co-ordinates the large number of other consultation exercises we conducted during the year. The management of the consultations is through our on-line tool "Consultation Finder".

Each year the council reviews the progress it has made and the views of residents that emerge from consultation. This enables the Corporate Plan to be updated as **new issues** emerge, activities are completed, and objectives achieved. This cascades into Service Plans and individual performance appraisals.

The council communicates directly with local people through **North Devon Connect**, a quarterly magazine. It lets people know about our ambitions, seeks their views and provides information on our performance. It contains information from our service partners including Devon County Council, the fire and police services and the NHS. It is sent to all households, is available on our website, and in audio versions. Its style, format and content were developed with community consultation.

Members have a **weekly information sheet and a monthly newsletter** to keep them up to date. Home computers are offered to all Members.

At Full Council meetings a '**Question time'** gives members the opportunity to ask questions of the Leader and Portfolio holders.

3.12 **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 council's overall governance arrangements.**

All partnerships now follow an **approval process**. This ensures that before activity occurs an agreement is entered providing appropriate governance arrangements. This helps ensure that risk is minimised and that the council and its partners understand:

- the expectations of other parties
- the outcomes to be achieved
- the risks, costs, and benefits

There are annual performance reports from key partners to the Executive. These include:

- the North Devon Theatres Trust
- North Devon +
- the North Devon Area of Outstanding Natural Beauty

4   Review of effectiveness

4.1   Background

The council has conducted its annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of council officers who have responsibility for the development and maintenance of governance environment, the annual report of internal audit, and also by comments made by the external auditors and other review agencies and inspectorates.

The review is informed through assurance work completed during the year and up until the point in time at which this Annual Governance Statement is approved.

The main processes that have been relied upon by North Devon Council in reviewing and maintaining the effectiveness of the system of internal control are highlighted below.

4.2   The Council

The Council has overall responsibility for governance and exercises much of this through delegation, including:

- Formal delegation of risk management and audit issues to the Audit Committee
- Formal delegation to operate an effective internal audit service to the Chief Finance Officer
- Appointment of a Standards Committee to support the Member Code of Conduct
- Delegation by the Leader of his powers to Executive collectively

Council receives regular reports from the Chairman of the Overview and Scrutiny Committee and the Chairman of the Audit Committee on the achievement of the Committees' work programmes and on any issues the Chairmen consider should be brought to the attention of Council.

At each Council meeting a "question time" allows any Member of the Council an opportunity to formally ask the Leader or any Member of the Executive questions without notice on any matters falling within their sphere of responsibility.

4.3   The Executive

The Executive has responsibility for preparing the council's Corporate Plan, Medium Term Financial Strategy and budgets for approval by Full Council. It has responsibility for determining service level targets and for monitoring performance against targets. It is also responsible for securing continual improvement.

It exercises its role by:

- annual preparation of the Corporate Plan, Medium Term Financial Strategy, revenue budget and capital programme for approval by Council
- monitoring of financial and non financial performance against targets through the quarterly Performance and Financial Management report

- taking decisions in the year which are in line with the policy and budgetary framework, or recommending changes to the policy and budgetary framework to Full Council
- taking decisions on changes to targets and agreeing service improvement plans

Following public consultation Council decided to adopt the 'strong leader' system of governance. This has resulted in a Leader being appointed for four years rather annually. From 2011 the Leader, rather than Council, selected the members of the Executive, and delegated all the Leader's powers to the Executive collectively.

- In this year the Executive has overseen a number of successes including:
    - delivering services within a significantly reduced budget
    - cross-party support for the agreeing plans for further reduction
    - agreeing recruitment of a joint Head of Service with a neighbouring local authority
    - improving the customer focus of our homeless prevention service
    - creating a multi-agency team (i.e. policy fire service, council) to deal more effectively with anti-social behaviour
    - conferences to agree and shape future collaborative activity in the council's priority areas. So far these have covered housing, the local economy and the environment. Multi-agency task groups have been set up as a result

4.4   Overview and Scrutiny Committee

The Overview and Scrutiny Committee exercises its role in holding the Executive to account by:

- scrutiny of the Corporate Plan
- scrutiny of the Medium Term Financial Strategy
- scrutiny of the budget and capital programme proposed by the Executive and prior to their presentation to Council
- scrutiny of all four quarterly Performance and Financial Management reports
- receiving an annual report from the Leader, and
- delivering its annual work programme

4.5   Standards Committee

The Standards Committee has statutory duties relating to

- promoting and maintaining high standards of conduct by District, Parish and Town councillors and co-opted members
- advising and training councillors and co-opted members on matters relating to their code
- receiving allegations and deciding whether any action needs to be taken

- reporting periodically to the Standards Board for England

The Localism Act 2011 significantly changed the national scheme including abolishing the Standards Board for England. A new regime will be in place for 2012-13.

4.6 The Audit Committee

In this financial year the Audit Committee has:

- reviewed the Corporate Risk Register
- received all internal and external audit reports
- received monitoring reports at every meeting on progress with completion of internal and external audit recommendations and the previous Annual Governance Statement
- invited Heads of Service to attend the Committee to discuss key corporate and service risks, having regard to high-risk areas from the Corporate Risk Register

4.7 Internal Audit

Internal Audit is responsible for objectively reviewing the council's internal systems of control with a view to reporting on and making recommendations to management with regard their effectiveness for managing business risk and achieving the organisation's objectives

Internal Audit reviews are designed to assess the effectiveness of the internal controls on which the council relies for managing risk. There is an annual risk-based internal audit plan approved by the Audit Committee

In their annual report Internal Audit is of the view that overall there are no areas of concern. There are some internal audit reports that are still in draft, should these raise any areas of concern they will be reported to the Audit Committee. There are no recommendations from this report requiring action.

Their effectiveness in carrying out this function is assessed by the Audit Committee.

The service is provided through an external supplier enabling access to a wide variety of skills and specialist practitioners. In order to ensure that the council receives the most economically advantageous service the contract was tendered and new contractors are in place from September 2012.

4.8 External Audit

The Audit Commission is the council's external auditor. An area of risk identified in the 2010-11 Annual Audit Letter (received in October 2011) is shown in section 5.

In August 2010 the Government announced plans to disband the Audit Commission. It appears likely that new arrangements will be place nationally for 2012/13. This has not had an adverse impact on the council's governance arrangements, but the situation will be closely monitored in the coming year and appropriate action taken to ensure adequate external audit.

In March 2012 it was announced that Grant Thornton won four contracts worth £41m a year, including the South West. Their five-year contract will begin in September 2012. Audit Commission staff will transfer to Grant Thornton to join its existing public sector team.

4.9   Other external agencies

The Local Government Ombudsman reports on each council every year. The latest available report is for the year preceding the period covered by this statement. In 2010/11, the Ombudsman completed 23 complaint investigations. This compares with 17 in 2009/10 and 25 in 2008/9.

There were no cases of maladministration found. 4 cases resulted in a local settlement, 15 were closed as no maladministration, 1 as Ombudsman's discretion and 3 as outside jurisdiction.

The council's response to Ombudsman enquiries averaged 29 days in 2010/11, which is one day outside of their target of 28 days. This compares with response times of 23.3 days in 2009/10 and 36.6 days in 2008/9.

4.10   Statutory Officers (i.e. Head of Paid Service, Chief Financial Officer, and Monitoring Officer)

The Chief Executive is the Council's Head of Paid Service.

Shortly before the year started, on 22 February 2011, the Head of Financial Services was designated Chief Financial Officer with statutory responsibility under Section 151 of the Local Government Act 1972. He had previously held the position on an interim basis.

During the year the Monitoring Officer retired. The Head of Legal Services was appointed Monitoring Officer with effect from the date of the retirement, 1 July 2011. This officer has a statutory responsibility to ensure the legality of transactions, activities and arrangements the council enters into.

All reports presented to Committee for decision making require the legal, financial, and staffing implications to be explicitly detailed. The council's Head of Paid Service, Chief Financial Officer, and Monitoring Officer consider these reports, along with their implications.

Each officer also provided on-going advice in connection with both the financial and legal standing of council business, including monthly reviews of the council's expenditure against the budget.

At the end of the year all statutory officers signed a statement assuring that there were no significant governance issues that are not covered in this Annual Governance Statement.

4.11   Senior Management Team

The Senior Management Team meets each week to develop policy issues and also considers internal control issues, including risk management, performance

management, compliances, efficiency and value for money, and financial management.

During the year all external and internal audit reports were considered by the Senior Management Team before agreement of the recommendations. This ensured the action that stemmed from them was properly integrated into the council's activity.

The Senior Management Team reviewed and updated the Corporate Risk Register, supported by the Corporate Risk Management Group.

The council's performance was reviewed quarterly. The Senior Management Team are the first step in the chain of monitoring and action that culminated in Executive decisions on the Performance and Financial Management Report.

4.12 Special Policy Group

This group's governance related work consisted of:

- an annual review of the existing governance arrangements against the Corporate Governance Framework published by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Society of Local Authority Chief Executives (Solace)
- monitoring the effectiveness of NDC's governance arrangements throughout the year
- monitoring the implementation of action plans to address any significant weaknesses reported in the Annual Governance Statement
- monitoring the application and effectiveness of NDC's Local Code of Governance, and recommending changes as appropriate

Its role in maintaining the assurance framework has been to:

- put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances, and provides members with information to support the governance statement (a diagram is appended)
- ensure that this assurance framework is fully embedded in the council's business processes
- evaluate assurances provided by the framework
- keep a central record of all assurances

4.13 Corporate Risk Management Group

This group is chaired by the council's lead officer on risk management. Its function is to support the Audit Committee and the Senior Management Team. Its terms of reference are to:

- review the Corporate Risk Register quarterly to ensure it is up to date, and report to the Senior Management Team on the adequacy of actions taken and any major unmitigated risks
- report on the Corporate Risk Register to the Audit Committee

- undertake or facilitate, with the Senior Management Team, annual horizon scanning exercise to link with the planning process
- support the Annual Governance Statement generation process

4.14 Health and Safety

There are established risk assessment and incident reporting processes. These are supported by framework risk assessments for 'office work', 'office work at home' and for 'site visits', which are available to all officers on the council's intranet. In addition there are a range of information sheets, and incident reporting formed part of the year's management development training.

The Senior Management Team and the council's Health Safety, and Welfare Committee (a joint staff/Member/management committee) met six times in the year and received incidence statistics with notes of trends and actions taken. These fora support the Health and Safety Advisor's introduction of improvements and updates to guidance or practices to mitigate risks/incidence issues.

There are reports to the Chief Executive and the Senior Management Team when issues arise.

4.15 Information Management and Security

The Council holds a great deal of information and personal data to support the delivery of services. The security of that information is of paramount importance. The Information Management Group monitors compliance with the Information Security, Email, Internet, and Data Protection Policies. It has responsibility for ensuring that procedures are in place to reinforce the policies and for ensuring that specific training and guidance is provided at all levels within the Council. It reports to the Senior Management Team as issues arise.

5   Significant governance issues

North Devon Council has considered the outcomes of the governance arrangements referred to in this Statement. Where appropriate action plans have been developed to ensure the continuous improvement of the council's internal control, risk management and corporate governance arrangements.

The following governance issues were identified during 2011/12 as a result of the review of arrangements:

Areas identified by an internal review of governance arrangements

	Issue	Action
1	The continuation of adequate external audit services when the Audit Commission is disbanded	Closely monitor the developing national situation and take appropriate action as the options become clearer

A risks area identified by External Audit

	Issue	Action
2	Governance arrangements will need to develop to ensure there is effective management of shared services.	Develop appropriate governance arrangements.

6 Certification

We have been advised on the implications of the result of the review of the effectiveness of the governance framework to address weaknesses and ensure continuous improvement of the system is in place.

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:

Councillor Brian Greenslade   …………………………………………………

Leader

Mike Mansell   …………………………………………………

Chief Executive

North Devon Council Assurance Framework

Corporate Risk Management Group
- Maintenance of the Council's corporate risk register (CRR).
- Quarterly review of CRR for SMT and Audit Committee.
- Oversight of risk framework.
- Reports to SMT and the Audit Committee.

Executive
- Recommendation of the policy and budgetary framework to council.
- Recommend the strategic direction of the Council.
- Identify the Council's priorities.
- Review of key decisions and policies.
- Quarterly review of performance and annual target setting

Audit Commission
- Audit of accounts and governance arrangements.
- Annual Audit and Inspection Letter.
- Reports the outputs of its work to the Council and the Audit Committee.
- Places assurance on the work of Internal Audit

Senior Management Team
- Quarterly review of strategic and operational risk.
- Monitoring of Corporate Business Plan targets.
- Quarterly review of performance.
- Review of implementation of recommendation by Audit Commission and other agencies.

Overview and Srutiny
- Independently reviews areas of Executive activity, decisions, and other function of the Council.
- Results are reported back to Executive.

Heads of Service
- Quarterly reporting and review of financial and operational performance through the Senior Management Team.
- Preparation and delivery of annual Service Plans.
- Review of service risks.
- Implementation of audit recommendations.
- Maintenance of control statements for key systems.
- Monitor and review performance of service including data quality.
- Annual Assurance Statement on application of the control framework.

Standards Committee
- Promoting and maintaining high standards of conduct by Members.
- Assisting Members to observe the Codes of Conduct, including advice and training.
- Advising the Council on the adoption or revision of the Members' Codes of Conduct.
- Monitoring the operation of the Council's Members' Codes of Conduct.
- Overview of whistleblowing policy and any complaints of fraud or corruption.
- Overview of Protocol on Officer/Councillor Relations.
- Overview of local planning code of conduct.

S151 and Monitoring Officers
- These statutory functions of these two officers provide a source of assurance that the Council's systems of governance and internal control are effective and being complied with.
- Annual Statement completed by Section 151 and Monitoring Officer of any material matters that require reporting in AGS.

Audit Committee
- Receive all internal audit reports including the annual report on the level of assurance it can give to the Council's corporate governance.
- Ensure effective audit follow up arrangements.
- Consider the external audit reports including the annual letter and the report to those charged with governance.
- Monitor the effective development and operation of risk management and corporate governance in the Council.
- Oversee the production of the Council's AGS and to recommend its adoption by Council.
- Consider the Council's compliance with its own and other published standards and controls.
- Review the annual statement of accounts.

Internal audit
- Annual and interim reports on systems of internal control and their effectiveness
- Risk based audit approach.
- Annual audit and strategic audit plan.
- Review of key controls.
- Planned internal audit review of risk management arrangements.
- Review of service risks when audits are undertaken.
- Review of systems including accuracy, completeness, timeliness and relevance of data.
- Reports to SMT and the Audit Committee.

Special Policy Group
- Preparation of the AGS.
- Annual review of governance.
- Improved assurance from the council's partnership activities.
- Liaison with external audit and inspection.

Health and Safety
- Annual report on Health and Safety to SMT and Health Safety and Welfare Committee.

Other external agencies
- Review by external agencies e.g. Ombudsman, BFI, Food Standards Agency, Health and Safety Executive.

Annual Governance Statement