

Standards Committee – 3 June 2005

REVIEW OF THE LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL

Report of the Strategic Director (Resources) and the Monitoring Officer

Statutory Powers: Section 111 Local Government Act 1972.

Financial Implications: None: within existing budgets.

Purpose

1. The purpose of this report is to:

- Inform members of the results of the annual testing and monitoring for 2004/05 required by the Council's Local Code of Corporate Governance.

Link to 'Aim and Priorities': CP6: Improve core service performance in a cost-effective way.

Recommendations

That the Committee RESOLVES that the findings of this report be noted and the action plan approved.

Background

Introduction to the Code

Corporate Governance

2. The CIPFA/SOLACE document, *Corporate Governance in Local Government*, defines Corporate Governance as 'the system by which local authorities direct and control their functions and relate to their communities'.
3. The document accepts that to a significant extent, local government already conforms, in whole or in part and in many different ways, to the principles of good governance through a strong regulatory framework of control, and robust arrangements for monitoring and review.
4. It makes the point however that arrangements have been developed in an ad hoc manner over many years, and that local government is the only part of the public services that has not responded formally to the recommendations of the Cadbury Report and the Hampel Report.

The Principles of Corporate Governance

5. The Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) identified three fundamental principles of corporate governance as:
 - Openness
 - Integrity, and
 - Accountability.
6. To define core principles in its publication *Corporate Governance: A Framework for Public Service Bodies (July 1995)*, CIPFA built upon the three principles identified in the Cadbury Report. It redefined them to reflect the public services context.
7. For local authority purposes, the principle of openness has been enhanced to emphasise the need to engage with their communities on an inclusive basis, taking care to include the many distinct communities of place and of interest, including those often referred to as 'hard to reach' parts of the community.

Local Code

8. The CIPFA document *Corporate Governance in Local Government: A Keystone for Community Governance – Framework*, defines how the principles that underpin good governance, openness and inclusivity, accountability and integrity should be reflected in the dimensions of a local authority's business.
9. The principles outlined in the CIPFA/Solace document were reflected in a Local Code of Corporate Governance for South Hams District Council, which was adopted by the Executive on behalf of the Council on 4th December 2003.
10. The Code stresses that systems and processes must be:
 - Monitored for their effectiveness in practice, and
 - Subject to review on a continuing basis to ensure that they are up to date.
11. Direct responsibility for compliance with these requirements is placed with the Section 151 Officer, Monitoring Officer and the Internal Audit Manager as a group of individuals within the Council who have the appropriate knowledge, expertise and levels of seniority to consider the extent to which South Hams complies with the principles and elements of corporate governance.

Testing and Monitoring the Code

12. To discharge the Council's responsibilities under the Local Code, the officers named in paragraph 11 met to carry out the monitoring work, following testing by Internal Audit.
13. A formal assessment and monitoring of each dimension of the Code, with review by members, was also recommended by the Council's external auditor in their 2002/03 Audit Letter of December 2003. Their 2003/04 Joint Audit and Inspection Letter commented upon the progress made.
14. Much of the testing and monitoring and work involved issues of legal and financial propriety and included:
 - Identifying systems, processes and documentation that provide evidence of compliance;
 - Identifying the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
 - Identifying issues that have not been addressed in the authority and consider how they should be addressed; and
 - Identifying the individuals who would be responsible for undertaking the actions that are required.
15. Last year, the Standards Committee during discussion suggested that more in depth testing of the Dimensions would be beneficial. Having regard to the time available and therefore cost, Internal Audit restricted such testing to those areas linked with the audit plan but will aim to cover the full Code of a period over years. Areas covered for 2004/05 were:
 - Performance Indicators;
 - Members Allowances; and
 - Risk Management.
16. As the Code requires, the results of this review are being reported to both Scrutiny and the Standards Committee, and externally within the published statement of accounts in an appropriate format to be decided by the Section 151 Officer at a later date.
17. In carrying out this exercise, the Council is able to provide assurance that:
 - Its corporate governance arrangements are adequate and operating effectively in practice; and
 - Where review of the corporate governance arrangements has revealed gaps, what actions the Council plans to take to ensure effective governance in future.

18. Appendix A to E of this report provides the detailed results of the testing and monitoring and includes the systems, processes and documents that are cited by the Council as evidence of compliance with good practice under each of the five dimensions.

19. The areas noted for improvement are:

- Confirming in the Annual Report that the Council complies with the relevant codes for corporate governance;
- A policy setting out the Council's approach to the Freedom of Information Act is to be drafted and presented to members for approval;
- The drawing of a protocol on councillor/officer relations to supplement the existing Codes of Conduct, once the draft Code of Conduct for Employees is adopted; and
- The risk management process will be improved to bring the Council's procedures up to the requirements of the statutory guidance on risk management.

Risk Assessment

20. As discussed above, CIPFA makes the point that Corporate Governance arrangements have been developed in an ad hoc manner over many years.

21. There is a risk that if the Corporate Governance process is not formalised and monitored, some aspects may fall by the wayside and the Council will not be able to readily demonstrate to stakeholders and inspectors that the principles are being adhered to.

Human Rights Act

22. Corporate Governance arrangements will give due regard to the implications of the Human Rights Act.

Conclusion

23. The CIPFA/SOLACE document, Corporate Governance in Local Government, makes the point that corporate governance arrangements have been developed in local government in an unstructured manner over many years. This comment applied to South Hams District Council, until the adoption of the Local Code of Corporate Governance in December 2003.

24. This report summarises the results of the testing and monitoring process required by the Local Code and is to be presented to both Scrutiny and the Standards Committee.

25. Appendices A to E demonstrate that the Council has discharged its responsibilities under the Code with satisfactory results, subject to the

completion of some tasks for which an action plan has been agreed with the responsible officers.

Allan Goodman
Internal Audit Manager

Standards Committee
3 June 2005

Kevin Williams
Monitoring Officer

Mark Seymour
Strategic Director (Resources)

Report Appendices

Local Code of Corporate Governance -

Appendix A – Dimension 1: Community Focus

Appendix B – Dimension 2: Service Delivery Arrangements

Appendix C – Dimension 3: Structures and Processes

Appendix D – Dimension 4: Risk Management and Internal Control

Appendix E – Dimension 5: Standards of Conduct

Background Documents

Local Code of Corporate Governance for South Hams District Council

Corporate Governance: A Framework for Public Service Bodies: CIPFA (1995)

Accountability : A Framework for Public Services: CIPFA (1998)

Corporate Governance in Local Government: A Keystone for Community Governance: CIPFA (2001)

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Dimension 1: Community Focus

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
<p>(a) publish on a timely basis an annual report presenting an objective, understandable account of the Council's:</p> <ul style="list-style-type: none"> ▪ activities and achievements ▪ financial position and performance <p>The report includes statements:</p> <ul style="list-style-type: none"> ▪ explaining the Council's responsibility for the financial statements ▪ confirming that the Council complies with relevant standards and codes of corporate governance ▪ on the effectiveness of the Council's system for risk management and internal control 	<p>Annual financial statements Annual business plan Formal annual report</p>	<p>The financial statements are approved by the Council by 31 August. They are published annually and explain the Council's financial position and performance, activities and achievements, responsibilities and the effectiveness of the Council's system for risk management and internal control.</p> <p>The statements are approved by full Council and summarised in the Council's Annual Report.</p> <p>The formal Annual Report is published and sent to the community in the Council's news sheet 'South Hams Matters', and appears on the Council's web-site.</p> <p>The latest annual report, 2003/04, informs the community that the full audited statements are available from the Strategic Director (Resources). The statements availability is also advertised in the press and the Council's web-site.</p> <p>No specific reference is made to confirming that the Council complies with codes of corporate governance.</p> <p>Although the Office of the Deputy Prime Minister does not require authorities to prepare an annual report, it recognises that they may wish to do so for public accountability purposes. Any future annual report produced by the Council will need to include the references to corporate governance.</p> <p>The Best Value Performance Plan (BVPP) also includes summary financial reports and plans. See (b) below.</p>
<p>(b) publish on a timely basis a performance plan presenting an objective, balanced and understandable account and assessment of the Council's:</p> <ul style="list-style-type: none"> ▪ current performance in service delivery ▪ plans to maintain and improve service quality 	<p>Extract from Best Value Performance Plan</p>	<p>The BVPP is published annually and on a timely basis. The latest, 2004 and Beyond, is available to the community from a large number of outlets such as parish councils, libraries, surgeries and the Internet. It clearly sets out the Council's vision and priorities and the measures of success against them, and these are linked to service and improvement plans.</p> <p>The BVPP also sets out the Council's current performance in service delivery through the results for a range of national and local performance indicators against targets and service reviews and annual updates.</p>

Dimension 1: Community Focus (Continued)

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
(c) put in place proper arrangements for the independent review of the financial and operational reporting process	Annual audit letter and other audit reports Scrutiny committee function Inspectorate reports Comprehensive Performance Assessment (CPA)	The external auditors work on the financial and operational processes of the Council is summarised in an annual audit letter to members. The latest Joint Audit and Inspection Letter dated December 2004 related to their work in 2003/04. Inspectorate reports are received and acted upon e.g. CPA and its related Improvement Plan. The Constitution (e.g. Article 6) sets out the role of Scrutiny as a review body. Their role includes scrutinising decisions or actions taken in connection with any of the Council's functions.
(d) put in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to and participate in the work of the Council and put in place appropriate monitoring processes to ensure that they continue to work in practice	Strategic partnership framework Stakeholders forums' terms of reference Area forums' roles and responsibilities Residents' panel structure Annual report	The South Hams Community Strategy 2003 – 2006 is produced by the South Hams Strategic Partnership, of which the Council is a member is supported by detailed Project Plans, which set out the details for each project including issues, stakeholders and financing. A Partnership Framework document has been produced by the Council's Community Policy Development Group to provide an effective a consistent approach to the Council's involvement in partnerships. The Community Consultation and Participation policy and strategy 2003 - 2006 sets the mechanisms to consult, its purpose being to increase community participation in the Council' decisions making and in the delivery of Council services through a mixture of quantities and qualitative consultation techniques. A draft Statement of Community Involvement has been produced as part of the Local Development Framework includes Community Involvement 'A Policy for Working with our Communities'. The document is due for submission to the Government Office South West for June 2005, with acceptance by public inquiry programmed. Other arrangements and documents include: <ul style="list-style-type: none"> • Sounding Board – Citizens panel and surveys; • Numerous Business Fora based on industrial sectors; • User groups such as Registered Social Landlords; and • Market Coastal Town Initiative (MCTI) locally based Community Strategy Fora. • Cultural Audit and the resulting ongoing work and consultation.

Dimension 1: Community Focus (Continued)

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
(e) make an explicit commitment to openness in all of their dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so, and by their actions and communications deliver an account against that commitment	Constitution	<p>The Constitution commits the Council to openness in its dealings (e.g. Article 13 – Decision Making), as does the adopted Priorities and Commitments 'CC5' and the Council's Policy on the Human Rights Act 1998.</p> <p>The Council has embraced the requirements of the Freedom of Information Act, introduced from 01 January 2005, and has complied with the 25 requests received to the date of this report. A formal policy setting out the Council's approach will be drafted shortly and member approval sought.</p>
(f) establish clear channels of communication with all sections on their community and other stakeholders, and put in place proper monitoring arrangements to ensure that they operate effectively	Beacon status Partnership framework Investors in People accreditation Communication strategy	<p>Communication is discussed in (a), (b) and (d) above.</p> <p>Two Beacon Status awards were made to the Council in 2004/05 by the Office of the Deputy Prime Minister:</p> <ul style="list-style-type: none"> • Promoting Sustainable Tourism; and • Affordable Housing. <p>The Investors In People (IIP) accreditation was successfully retained in 2002, and is subject to review in 2005.</p> <p>A Corporate Communications Policy and the linked South Hams House Style guide define good communication and set out the principles to achieving it.</p>
(g) ensure that a vision for their local communities and their strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	Community strategy Service plans BVPP	<p>The Community Strategy and BVPP, discussed at (a), (b) and (d) above, ensure that a vision for their local communities and their strategic plans, priorities and targets are developed in consultation with the local community and other key stakeholders.</p> <p>As part of this process, the Council has supported community planning activities including those by:</p> <ul style="list-style-type: none"> • MCTI groups; and • Parish Councils and other community groups. <p>Service Plans with action plans linked to the Council's priorities are completed annually by all sections of the Council including those with frontline community and customer responsibilities. The key action points are reflected in the BVPP.</p>

Dimension 1: Community Focus (Continued)

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL	Action Plan with Responsible Officer & Target Date
<p>Report to Scrutiny and the Standards Committee as appropriate.</p> <p>Review of documents by the Section 151 Officer, Monitoring Officer and Internal Audit Manager;</p>	<p>Satisfactory.</p>
<p>Audit Testing</p> <p>Testing by internal audit included detailed reviews of a sample of the systems that produce performance indicators for inclusion in the Council's BVPP.</p> <p>The external auditor places reliance upon this testing and carries out further audit work, culminating in their audit opinion on the BVPP.</p>	<p>Satisfactory.</p> <p>Time bound action plans have been agreed with the relevant managers to make improvements to their systems for gathering data for performance indicators. These plans aim to ensure that improvements are made as appropriate to the evidence gathering and the calculations of the indicators in line with the ODPM guidance.</p>
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Dimension 2: Service Delivery Arrangements

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
(a) set standards and targets for performance in the delivery of services on a sustainable basis and with reference to equality policies	Best value performance plans Best value reviews Service Plans	<p>The Council's BVPP of June 2004 publishes the Council's service standards and contains a range of performance indicators (PIs) covering the majority of the Council's services. Service Plans also record and report on performance.</p> <p>These indicators and the processes that produce them are subjected to audit by the Council's internal and external auditors with generally satisfactory results. An action plan is agreed to bring about improvements where required.</p> <p>A programme of Best Value reviews (FSRs) has been drawn up and the results reported to Scrutiny in detail, and in summary in the BVPP.</p> <p>There are also a number of equality policies in place in respect of personnel matters, service delivery and race equality. Diversity training has been and is being provided to officers and members.</p>
(b) put in place sound systems for providing management information for performance measurement purposes	Performance management and information system	<p>BVPP – paragraph (a) above and Dimension 1 refers; plus the Balanced Scorecard: a system of regular and relatively frequent reporting of key indicators to the Strategic Management Team (SMT), Executive and Scrutiny.</p> <p>An electronic performance management and information system, Covalent, is in the process of being procured.</p> <p>The system will assist in managing performance indicators, risk associated with all activities, actions to improve performance or mitigate risks, and deployment of resources to improve performance or address risks. Covalent maps these elements into 'perspectives' – a hierarchy of strategies and priorities, action plans, service areas and the operational units.</p>
(c) monitor and report performance against agreed standards and targets and develop comprehensive and understandable performance plans	Best value performance plans Scrutiny and Executive committee reports Service Plans	<p>BVPP, Business Boards and Balanced Scorecard aid the monitoring of performance against agreed targets.</p> <p>Scrutiny and the Executive, as appropriate, receive reports monitoring performance e.g. FSRs and PIs. The Balanced Scorecard of key indicators is produced monthly for senior management review.</p> <p>Performance management system – see Dimension (b) above.</p>

APPENDIX B

Dimension 2: Service Delivery Arrangements (Continued)

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
(d) put in place arrangements to allocate resources according to priorities	Community Strategy Service plans Budget	South Hams Community Strategy 2003 – 2006, supported by detailed Project Plans Service Plans completed annually, including by the Community Services section of the Council. Annual budget setting process involving officers and members enables ambitions to be prioritised through a bids and reductions approach.
(e) foster effective relationships and partnerships with other public sector agencies and the private and voluntary sectors, and consider outsourcing where it is efficient and effective to do so, in delivering services to meet the needs of the local community, and put in place processes to ensure that they operate effectively in practice	Community strategy Adherence to good employment practice Partnership framework Protocol for: <ul style="list-style-type: none"> ▪ joint commissioning ▪ joint funding ▪ joint accountability 	As Dimension 1 (d) above. Investors In People (IIP) accreditation retained 2002, Management Competencies, Managers Charter, Management Standards etc. documents are in place. A Partnership Framework document has been produced by the Council's Community Policy Development Group, and includes joint funding and accountability. Procurement Policy and Strategy makes reference to joint commissioning.
(f) respond positively to the findings and recommendations of external auditors and statutory inspectors and put in place arrangements for the effective implementation of agreed actions	Annual audit letter and other reports Inspectorate reports	The external auditor's Annual Joint Audit and Inspection Letter to members and reports of other Inspectorates are responded to positively and arrangements put in place to ensure effective implementation of agreed actions e.g. progress against CPA Improvement Plans reported to SMT on a regular basis.

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		Action Plan with Responsible Officer & Target Date
Report to Scrutiny and the Standards Committee as appropriate.		
Review of documents by the Section 151 Officer, Monitoring Officer and Internal Audit Manager;	Satisfactory.	No further action required.
Testing Internal Audit.	Satisfactory.	No further action required.

Dimension 3: Structures and Processes

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
Balance of Power and Authority		
(a) put in place clearly documented protocols governing relationships between members and officers	Protocols	National and Local Codes of Conduct are in place for members as is required by statute. Last year we reported that a national code of conduct for employees was promised by Government at the same time as the member code was produced, but it had not materialised at that time. The national code for employees has since been received and a local code of conduct has been drafted and is currently 'out for consultation'. Completion of the local code of conduct for employees will allow a local protocol on member/officer relationships to be drawn up and included in the Council's Constitution.
(b) ensure that the relative roles and responsibilities of executive and other members, members generally and senior officers are clearly defined	Constitution Record of decisions and supporting materials	The Constitution defines the roles and responsibilities of the executive and other member bodies, members generally and senior officers. Meetings of member bodies are scheduled through a calendar of meetings, and recorded through a system of Agendas and Minutes. The Executive forward plan details issues to be considered.
Roles and Responsibilities – Members		
(c) ensure that members meet on a formal basis regularly to set the strategic direction of the Council and to monitor service delivery	Schedule of council meetings Performance management system Financial standards and regulations	See (b) above. Strategic direction set by members at formal meetings. Performance Management and the monitoring system for service delivery are as discussed in Dimension 2 (b). The Constitution contains the Council's Financial Regulations, which are supported by working level documents.
(d) develop and maintain a scheme of delegated or reserved powers, which should include a formal schedule of those matters specifically reserved for the collective decision of the Council	Constitution	The Constitution contains formal schedules of delegated or reserved powers, such as: <ul style="list-style-type: none"> • Article 4 which includes the functions of the full Council and responsibility for functions; • Article 6 – Scrutiny; and • Article 7 - Executive.

APPENDIX C

Dimension 3: Structures and Processes (Continued)

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
Roles and Responsibilities – Members		
(e) put in place clearly documented and understood management processes for policy development, implementation and review and for decision making, monitoring and financial regulations to govern the conduct of the Council's business	Constitution	<p>A Programming Panel made up of the Chairs of the Policy Development Group, Scrutiny and the Leader produce the Council's Policy Development and Review Programme, and oversees and co-ordinates the work of the Policy Development Groups, Scrutiny and Executive's review of policies.</p> <p>The Programme sets out for each policy details of the Member Group to review or develop, approval required etc.</p> <p>The Constitution includes the role of Policy Development Groups and Article 13 covers Decision Making.</p> <p>Financial Regulations - see (c) above.</p>
(f) put in place arrangements to ensure that members are properly trained for their roles and have access to all relevant information, advice and resource as necessary to enable them to carry out their roles effectively	Members' induction scheme Training for committee chairs Regular update sessions Training plan	<p>Members training in place, which includes induction, chairing skills and a variety of other specific training sessions and updates as required.</p> <p>Links are being made to the Devon Improvement Programme such as on enhancing member capacity and part of the pilot for member appraisal which will feed a future training programme.</p>
(g) ensure that the role of the executive member(s) is/are formally defined in writing, to include responsibility for providing effective strategic leadership to the Council and for ensuring that the Council successfully discharges its overall responsibilities for the activities of the organisation as a whole	Constitution	<p>The Constitution, Article 7 - The Executive, and Executive Procedure Rules, define the role of the Executive.</p> <p>Members of the Executive have formal specialisms.</p> <p>Executive members have job descriptions.</p>
(h) ensure that the roles and responsibilities of all members of the Council, together with the terms of their remuneration and its review, are defined clearly in writing	Constitution Members' allowance scheme	<p>The Constitution, Article 2 - Members of the Council, gives members collective responsibilities as 'the ultimate policy makers', and a number of strategic and corporate management functions.</p> <p>A Members Allowances system is defined in writing and included in the Constitution. This has been the subject of a planned internal audit with generally satisfactory results.</p>

Dimension 3: Structures and Processes (Continued)

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
Roles and Responsibilities – Officers		
(i) ensure that a chief executive or equivalent is made responsible to the Council for all aspects of operational management	Conditions of employment Scheme of delegation Statutory provisions Job description/specification Performance management system	The Constitution, Article 12 – Officers, sets out the responsibilities of the chief executive. These responsibilities are reflected in the related job description and specification. The scheme of delegation reflects statutory provisions. Performance Management and monitoring system is as discussed in Dimension 2 (b).
(j) ensure that a senior officer is made responsible to the Council for ensuring that appropriate advice is given to it on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	Section 151 responsibilities Statutory provision Statutory reports Budget documentation Job description/specification	The Constitution, Article 12 – Officers, sets out the functions of the chief finance officer. These responsibilities are reflected in the related job description and specification and include responsibility for maintaining an effective system of internal financial control. The scheme of delegation reflects statutory provisions.
(k) ensure that a senior officer is made responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with	Monitoring officer provisions Statutory provision Job description/specification	The Constitution, Article 12 – Officers, sets out the functions of the monitoring officer. These responsibilities are reflected in the related job description and specification. The scheme of delegation reflects statutory provisions.
(l) ensure that the roles and responsibilities of all senior officers, together with the terms of their remuneration and its review, are defined clearly in writing	Job descriptions/specifications Pay and conditions of service Performance review/appraisal	The Constitution, Article 12 – Officers, sets out the functions of the other senior officers. These responsibilities are reflected in the related job description and specification. In this area the Constitution has become out of date following the management restructuring. There is a manager's charter, management competencies and an appraisal system for managers is in place and operating. The scheme of delegation reflects statutory provisions.

Dimension 3: Structures and Processes (Continued)

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
Roles and Responsibilities – Officers		
(m) adopt clear protocols and codes of conduct to ensure that the implications for supporting community political leadership for the whole council are acknowledged and resolved	Protocols governing member/manager relations	National and Local Codes of Conduct are discussed at paragraph (a) above. Officers' roles and responsibilities are set out in the Constitution.

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		Action Plan with Responsible Officer & Target Date
Report to Scrutiny and the Standards Committee as appropriate.		
Review of documents by the Section 151 Officer, Monitoring Officer and Internal Audit Manager;	Satisfactory.	A 'Protocol on Councillor/Officer Relations' will be drawn up, to supplement the existing member Codes of Conduct, for inclusion in the Constitution once the draft Code of Conduct for employees is formally adopted. Head of Corporate Services 30 September 2005
Testing by Internal Audit. Internal Audit reviewed and tested the controls in the system for the payment of allowances and travelling expenses for 2004/05, to ensure that payments are made in line with the agreed scheme.	Satisfactory. No major issues were identified but some recommendations were made to improve controls. A time bound action plan has been agreed with the relevant manager to make improvements to some of the system controls for the reimbursement to members of travelling expenses.	-

Dimension 4: Risk Management and Internal Control

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
<p>(a) develop and maintain robust systems for identifying and evaluation all significant risks which involve the proactive participation of all those associated</p>	<p>Risk management protocol Control framework Scrutiny committee role Performance management system</p>	<p>Risk management links with the management of performance and the system of internal control and will become, we are advised by our external auditor, more important for any future CPA assessment. A robust system of risk management is being developed based on a 'cycle' of risk identification, assessment, reporting and monitoring. The Council's insurers have reviewed the existing process and made recommendations to strengthen the Council's process. Risk Management was also be the subject of a separate internal audit in 2004/05 as required by the strategy document and annual internal audit plan.</p> <p><i>Progress on Risk Management</i></p> <p>A Risk Management Group has met infrequently in 2004/05, but plans to meet quarterly to assist in the 'embedding' of risk management in the Council.</p> <p>The Group had previously drawn up a draft risk management strategy document and this is to be updated and presented to members for approval in June 2005.</p> <p>The initial identification of strategic risks has been completed and reflected in a risk register, and a system is to be put in place for monitoring and updating of these risks to include identification of new strategic risks.</p> <p>Identification of operational risk is included in Service Plans, and for 2005 these risks and specific work by the Risk Management Group with Heads of Service on risk identification will form the basis of an operational risk register.</p> <p>Tailored risk management training is to be given to members, mangers and staff who all have a role in the process.</p> <p>A monitoring and reporting process is to be developed.</p> <p>Risk Management will also form part of the new performance management system expected in 2005 and this will ultimately become the Council's risk register. Performance management system – see also Dimension 2 (b).</p> <p>A Risk Assessment appears on all reports to member bodies.</p> <p>Scrutiny role – Constitution Article 6</p>

Dimension 4: Risk Management and Internal Control (Continued)

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
<p>(b) put in place effective risk management systems, including systems of internal control and an internal audit function. These arrangements need to ensure compliance with all applicable statutes, regulations and relevant statements of best practice and need to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively, and in accordance with the statutory and other authorities that govern their use.</p>	<p>Scheme of delegation Internal audit protocol Performance appraisal Performance management system Financial standards and regulations</p>	<p>Paragraph (a) above discusses the development of risk management in the Council and its links with corporate governance and the system of internal control.</p> <p>The responsibility for the system of internal control lies with the Council. A nominated member body, likely to be Scrutiny, is required to consider whether certain assurances are available from a variety of sources to enable them to recommend the approval of the Statement of Internal Control by the Council. This Statement is a requirement for the Council's accounts and will be reviewed by the external auditor.</p> <p>The sources of assurance are performance management, risk management, internal audit, external audit, certain policies regularly reviewed, the statutory officers and service managers.</p> <p>For Heads of Service, the system of internal control requires them to formally identify their service objectives, the risks to achieving these objectives and the controls to mitigate the risks. These are set out in the Service Plans annually.</p> <p>An assessment of the controls to mitigate the risks will form the basis of the assurances to be provided.</p> <p>Internal Audit's role is reflected in the Financial Procedure Rules within the Constitution.</p> <p>A scheme of delegation is in place and was updated in May 2003. The Constitution contains the Council's Financial Regulations and Contract Standing Orders, which are supported by working level documents.</p>
<p>(c) ensure that services are delivered by trained and experienced people.</p>	<p>Job description/personal specifications Training plan</p>	<p>The majority of posts are documented in a job description and personal specification. Training plans are drawn up as part of the staff appraisal system (separate system for managers) and input to the relevant section's service plan.</p> <p>A range of in-house and local partnership training courses is made available covering new employees, all staff, health and safety and management development.</p> <p>Management standards, a Manager's Charter and competencies are all in operation.</p>

Dimension 4: Risk Management and Internal Control (Continued)

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
(d) put in place effective arrangements for an objective review of risk management and internal control, including internal audit.	Performance management system	<p>Internal Audit's role is reflected in the Financial Procedure Rules within the Constitution.</p> <p>Internal audit's annual plan includes a review of risk management, and for the 2004/05 published accounts, a Statement on Internal Control will be required.</p> <p>Internal audit will provide an opinion on the overall adequacy of the control environment, and the required assurances will be reviewed by Scrutiny with a recommendation to the Council. A statement will then be signed by the Chief Executive and Leader, and a request for approval by the Council. The system of internal control is discussed in paragraph (b) above.</p>
(e) maintain an objective and professional relationship with their external auditors and statutory inspectors	<p>Inspectorate reports</p> <p>Annual audit letter and other audit reports</p> <p>Audit protocol</p>	<p>The external auditor's Joint Audit and Inspection Letter to Members are responded to positively and arrangements put in place to ensure effective implementation of agreed actions e.g. progress against CPA Improvement Plans reported to SMT on a regular basis and included in the Council's BVPP.</p> <p>The Constitution, Financial Procedure Rules, requires the chief finance officer to work with the external auditor and advise the full Council, Executive and 'chief officers' on their responsibilities in relation to external audit and ensures that there is effective liaison between external and internal audit.</p> <p>The relationship between the Council's internal audit team and the external auditor continues to develop proving beneficial to both parties.</p>
(f) publish on a timely basis, within the annual report, an objective, balanced and understandable statement and assessment of the Council's risk management and internal control mechanisms and their effectiveness in practice	Annual report	<p>The Council's 2003/04 financial statements included the required interim version of the Statement on the System of Internal Financial Control, which was subject to review by the Council's external auditor.</p> <p>It carried an assessment of the Council's risk management and internal control mechanisms and their effectiveness in its own right.</p> <p>From 2004/05, the basis of this statement widens to include a system of internal control to support the statement as discussed in (a) and (b) above.</p>

Dimension 4: Risk Management and Internal Control (Continued)

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		Action Plan including Responsible Officer & Target Date
<p>Report to Scrutiny and the Standards Committee as appropriate.</p> <p>Review of documents by the Section 151 Officer, Monitoring Officer and Internal Audit Manager;</p> <p>Testing by Internal Audit.</p> <p>Internal audit reviewed risk management framework and processes in place in the Council in 2004/05. We concluded that certain tasks were underway, including:</p> <ul style="list-style-type: none"> • Drafting a risk management strategy document; • The forming of an officer Risk Management Group to be responsible for ensuring that the strategy is implemented, providing advice and training to promote risk management; • Drafting of a strategic risk register and identification of operational risks in service plans; and • Seeking the advice of the Council's insurers over the way forward for risk management. <p>The management of risk to the achievement of corporate and linked service obligations and objectives is one of the key elements of the 'System of Internal Control'.</p> <p>This new formal requirement culminates in a 'Statement of Internal Control' being included in the Council's accounts, and will be reviewed and commented upon by the external auditor.</p>	<p>Satisfactory.</p> <p>Internal audit concluded that further action was needed to 'embed' risk management within the Council and made recommendations covering:</p> <ul style="list-style-type: none"> • The formal adoption of the Risk Management Strategy; • A mechanism to identify emerging risks and feed these into the risk management process; • Training on risk management for members and officers; • Improvement to the risk registers; and • Formalising the link between the risk management process and the system of internal control. <p>A time bound action plan was agreed with the relevant managers.</p>	<p>No further action required.</p> <p>The risk management process will be improved to bring the Council's procedures up to the requirements of the latest statutory guidance on risk management.</p> <p>Strategic Director (Resources) 30 September 2005</p>

Dimension 5: Standards of Conduct

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL		
The Council's local code reflects the requirements to:	Source documents/processes/other means that will be used to demonstrate compliance	Review Results
(a) develop and adopt formal codes of conduct defining the standards of personal behaviour to which individual members, officers, and agents of the Council are required to subscribe and put in place appropriate systems and processes to ensure that they are complied with	Members/officers code of conduct Anti fraud and corruption policy Complaints procedures Performance management system Performance appraisal	National and Local Codes of Conduct are in place as discussed at Dimension 3 (a). The Executive adopted an updated version of the Anti fraud and corruption policy in October 2002, and the need to review it has been considered during 2004 during its application. Any necessary updates will be made in early 2005/06 in line with the Policy Development and Review Programme. A complaints procedure is in place, and has been the subject of a review and relaunch in November 2004. Performance management – see Dimension 2 (b) and (c). Performance appraisal – see Dimension 4 (c).
(b) put in arrangements to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	Standing orders Codes of conduct Financial regulations	National and Local Codes of Conduct are in place as discussed at Dimension 3 (a). The Monitoring Officer maintains a register of interests and gifts and hospitality for both members and officers. The Constitution contains the Council's Financial Regulations and Contract Standing Orders, which are supported by working level documents. Training on personal/prejudicial interests was provided to members in February 2005.
(c) put in place arrangements to ensure that their procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice	Codes of conduct	The Constitution, Article 9 - Standards Committee, the stated role of this Committee is to assist members in observing the code of conduct. Periodical ethical audits by the Monitoring Officer are reported to the Standards Committee and Council.
(d) put in place arrangements for whistle blowing to which staff and all those contracting with the council have access.	Whistle blowing policy publicising the Audit Commission hotline established under the Public Interest Disclosure Act 1998	The Council's whistle blowing policy, known as the Confidential Reporting Policy, is available to all staff on the Council's Intranet and is also publicised internally on an occasional basis to maintain its profile. The policy is also presented to new staff at an induction course early in their employment.

Dimension 5: Standards of Conduct (Continued)

LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL	Action Plan with Responsible Officer & Target Date	
<p>Report to Scrutiny and the Standards Committee as appropriate.</p>		
<p>Review of documents by the Section 151 Officer, Monitoring Officer and Internal Audit Manager;</p>	<p>Satisfactory.</p>	<p>No further action required.</p>
<p>Testing of process by internal audit.</p>	<p>Satisfactory.</p>	