ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

SSDC is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;

- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

SSDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, SSDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

SSDC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government"*. A copy of the authority's code can be obtained on request. This statement explains how SSDC has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

SSDC's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process that is designed to:

- identify and prioritise the risks to the achievement of SSDC's policies, aims and objectives;

- evaluate the likelihood and potential impact of those risks being realised;

- managing the risks efficiently, effectively and economically.

The governance framework has been in place at SSDC for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

The governance environment

The key elements of SSDC's governance arrangements are outlined in the Local Code of Corporate Governance. The main areas and the key areas of evidence of delivery are as follows:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

o   The Council Plan sets out the priority areas for South Somerset District Council.

o   Annual accounts are published on a timely basis to communicate the council's activities and achievements, its financial position and performance.

o   Guidance has been produced to facilitate partnership working and a Partnership Register published and updated annually.

o   All reports to be considered for approval must show a clear outline of purpose so the community can understand each committee report. All reports must have a clear outline of financial implications before consideration by members.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

o   The three statutory officers (Head of Paid Service, Monitoring Officer and s151 Officer) regularly meet as a Corporate Governance Group. The Monitoring Officer and s151 Officer report directly to the Head of Paid Service and are members of the senior Management Board.

o   Regular weekly meetings between the Leader and Chief Executive in order to maintain a shared understanding of roles and objectives.

o   An arrangement with East Devon District Council is in place for sharing a Chief Executive through a Section 113 agreement outlining the detail of function and role.

o   Protocols developed and enforced to ensure effective communication between members and officers in their respective roles.

o   Regular meetings between the Executive members and senior management.

o   There is a clear scheme of delegation for officers and members within the Constitution.

o   The s151 Officer leads the promotion and delivery of good financial management through Management Board, Corporate Performance Team, attendance at committees, is the lead office for the Audit Committee, and specialist workshops and training. The s151 Officer has line management responsibility for finance staff.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

o The financial management of the Council is conducted in accordance with the rules set out in Part 4 of the Constitution.

o The Council maintains an Internal Audit Service through the South West Audit Partnership (SWAP) that operates to standards specified by the Chartered Institute of Internal Auditors (CIIA) and the CIPFA statement of the Role of the Head of Internal Audit (2010) but with some delegation within SWAP.

o There is a countywide code of conduct and this will be regularly reviewed by the Standards Committee.

o There is a voluntary Standards Committee in place with an agreed constitution containing its terms of reference.

o Regular communication is made through Staff Awareness Sessions, Insite, and Team Brief.

o A Management Charter has been introduced and signed by all Managers and compliance will be reviewed through Staff Appraisal and Development Reviews.

o A Staff Charter will be introduced in 2013/14.

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

o The Council has adopted a Constitution that sets out how it operates, how decisions are taken and the procedures to follow.

o The District Executive facilitates decision-making and its Sub Committees, four Area Committees and meetings are open to the public except where personal or confidential matters are disclosed.

o Portfolio Holders can make decisions under delegated authority and these are fully publicised. Senior officers can also take decisions under delegated authority.

o Regulation Committee determines planning applications that are referred from Area Committees.

o The Council publishes a Forward Plan that provides details of key decisions to be made by the Council and its committees.

o Area Committees also hold regular workshops where local issues are identified and discussed.

o The Council has an approved a Risk Management Policy that identifies how risks are managed.

o Responsible officers are required to maintain their part of the Strategic Risk Register. The Strategic Risk Register is available to all Managers and elected Members.

o   All Assistant Directors have the following included within their job descriptions, "Lead the service(s) in a full and comprehensive understanding of risk, risk assessment and risk management as it relates to the operational areas relevant to the service(s)."

o   Any Internal Audit actions showing the highest risk score of 5 will be outlined annually and monitored within the Annual Governance Statement.

Developing the capacity and capability of members and officers to be effective

o   The Council looks to develop skills on a continuing basis to improve performance of officers through the Staff Development and Appraisal Review process including the use of training and development plans.

o   Succession planning encourages participation and development for members and officers.

o   Through a comprehensive member training and development programme.

o   An induction programme is in place for all new staff.

o   Clear job descriptions and personal specifications are in place for all roles.

o   The s151 Officer and five of the finance team are qualified accountants with several years' experience. The finance function has sufficient resources to perform its role effectively.

Engaging the local people and other stakeholders to ensure robust public accountability

o   Area Committees ensure further local accountability and local access.

o   Budget consultation has been carried out for specific savings plans and equalities assessments carried out on each proposal.

o   A summarised Statement of Accounts is published each year explaining the key financial areas to the public.

Review of effectiveness

SSDC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Group, Management Board and the Corporate Performance Team, who have responsibility for the development and maintenance of the governance environment, the annual report from the Head of Internal Audit (SWAP), and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied to maintaining and reviewing the effectiveness of the governance framework includes:

o   The monitoring officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are adequate. The Council reviews the constitution annually through its Standards Committee.

- The Council has a Scrutiny Committee that can call in any decision made by an Executive Committee before implementation. This enables them to consider whether or not the decision is appropriate. Pre-decision scrutiny has evolved to aid in the decision making process.

- The Audit Committee reviews the Annual Statement of Accounts, the Review of the Effectiveness of Internal Audit, and the Annual Governance Statement. It monitors the performance of internal audit quarterly and agrees the Internal and External Audit Plans. It reviews specific parts of the Constitution and makes recommendations on any amendments to full Council.

- The Audit Committee has a call in role for any service that receives a "partial" or "no assurance" audit opinion and monitors the action plans are completed through regular reports from the Service Manager and Assistant Director.

- Internal Audit through SWAP is responsible for monitoring the quality and effectiveness of systems of internal control. The Audit Service has a Charter approved by the Audit Committee and there are no restrictions on the scope of their work. A risk model is used to formulate the plan and approved by the Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the Service Manager with copies to the relevant Assistant Director, Assistant Director – Finance and Corporate Services, Assistant Director - Legal and Corporate Services, and Chief Executive. All audit reports include an 'opinion' that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports include recommendations for improvement that are detailed in an action plan that is agreed with the service manager.

- Internal Audit (SWAP) is subject to the Public Sector Internal Audit Standards (PSAIS). This includes an external assessment at least every five years. It requires an action plan to implement improvements and assess the efficiency and effectiveness of internal audit. This will be regularly reviewed by the Audit Committee.

- For performance management, a 'traffic light' monitoring and reporting system is in place reporting quarterly to the Executive Committee.

- The Council's Financial Procedure Rules are kept under review and revised periodically – the last review was approved in April 2011.

- Each Manager and Assistant Director is required to review their adherence to the governance framework and demonstrate compliance through reviewing and signing a Statement of Internal Operational Control. Each return is assessed by S151 Officer for compliance and any apparent organisational improvements are included in the Governance Action Plan.

- Audit Committee has been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We have been advised on the implications of the results of the **review of the effectiveness of the governance framework** by the Audit Committee and that the arrangements **continue to be regarded as fit for purpose in accordance with the**

governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below:

Already Addressed from 2012/13:-

- A refresh of the **Procurement Procedure Rules** to clarify Equalities responsibilities and include Internal Audit recommendations.

- Complete the **Fraud and Data Strategy** to link all anti-fraud work.

- Retender the **cash collection contract** by September 2013.

- Review **General Account reconciliations** as part of implementation of the **Cash Receipting System**.

Actions for 2013/14

Brought forward from 2012/13 - a refresh of the **Risk Management Strategy** and reporting risk management regularly to **Management Board** and **Audit Committee (November 2014);**

Provide refresher training on **Data Protection** and **data encryption (October 2014).**

Significant governance issues

There are no significant governance issues to report for 2013/14.

However, we propose over the coming year to take steps to address the actions outlined in our review to strengthen and enhance our governance arrangements. These actions will be monitored by the Audit Committee during 2014/15.

Signed on behalf of SSDC:
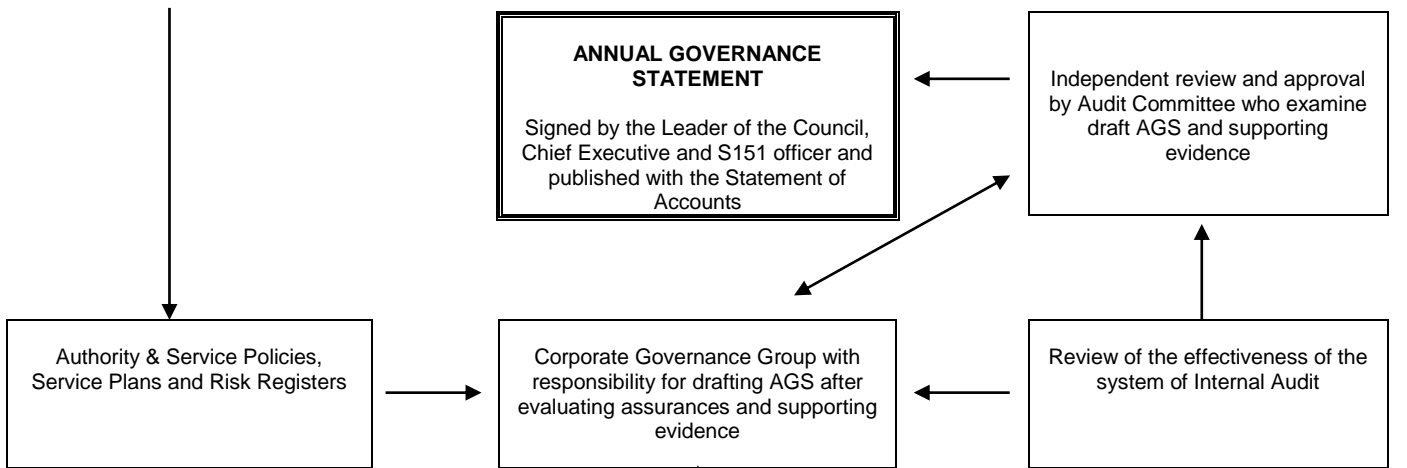
Mark Williams
Chief Executive

Cllr Ric Pallister
Leader

SSDC'S ANNUAL GOVERNANCE STATEMENT FRAMEWORK

Governance Framework – Key Documents/Functions

- Constitution
- Council PlanService Planning Framework
- Business Transformation Projects
- Access Strategy
- Communication Strategy
- Performance Management Framework
- Schedule of Council Meetings
- Local Code of Corporate Governance
- Record of Decisions
- Fraud and Data Strategy

- Partnership Register
- Code of Conduct for Members
- Members Induction & Training Programme
- Code of Conduct for Employees
- Officer and Member Protocols
- Confidential Reporting Policy
- Risk Management Strategy
- Anti-Fraud & Corruption Policy
- Whistleblowing Policy
- Anti Money Laundering Policy
- Anti Bribery Policy
- Project Management Methodology

- Capital Strategy
- Procurement Strategy
- Medium Term Financial Plan/Strategy
- Treasury Management Strategy Statement, MRP Strategy, and Annual Investment Strategy
- Annual Statement of Accounts
- Financial Procedure Rules
- Procurement Procedure Rules
- Scheme of Delegation
- Complaints Procedure
- Equalities Plan

ANNUAL GOVERNANCE STATEMENT

Signed by the Leader of the Council, Chief Executive and S151 officer and published with the Statement of Accounts

Independent review and approval by Audit Committee who examine draft AGS and supporting evidence

Authority & Service Policies, Service Plans and Risk Registers

Corporate Governance Group with responsibility for drafting AGS after evaluating assurances and supporting evidence

Review of the effectiveness of the system of Internal Audit

Performance Management	Risk Management	Information Governance	Legal and Regulatory Assurance	Members' Assurance
- Embedded system - Operates throughout the organisation - Internal and external reviews - Action orientated - Local PI's - Periodic progress reports	- Risk management strategy - Embedded in planning processes and project/partnership methodologies - Effectiveness evaluated - Outcomes reported to committee - Training programme	- Training programme - Outcomes reported to committee	- Monitoring Officer's reports - Sections of committee reports - Legal advice	- Standards committee - Audit committee - Scrutiny function

Assurances by Directors/ Heads of Service	Other Sources of Assurance (including third party)	Financial Management	Internal Audit	External Audit
- Periodic reports - Statement of operational service internal control	- Reports by inspectors - Service review reports - Fraud reports and investigations - Ombudsman reports - Post implementation reviews of projects	- Medium Term Financial Plan - Revenue Budget and Capital Programme - Revenue and Capital Management reports - Treasury management - Statement of accounts - Compliance with codes of accounting practice - Statutory returns - Grant claims	- Operates under approved terms of reference - Approved risk-based plans - Periodic and annual reports to Audit Committee, Group Auditor Opinion - PSIAS code compliance assessment - Has an active Quality Assurance and Improvement Programme in place - Operates under an Internal Audit Charter	- Annual Plan - Annual Governance Report - Audit Letter - Audit Opinion and VFM conclusion

Ongoing assurance on adequacy and effectives of control over key risks