# ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2010/11

## Introduction

The purpose of the annual governance statement is to provide for Members, stakeholders and other interested parties an accurate representation of the governance (the management and decision making) arrangements in place during the year. It should also evidence how the authority gets its assurance that these arrangements are operating as planned and are robust. The annual review should also highlight those areas where improvement is required and reflect upon improvements that have been implemented since the previous statement.

## Scope of responsibility

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

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

Torbay Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code is on the Council's website at [The Council's Constitution](#) or can be obtained from Democratic Services. This statement explains how Torbay 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.

## The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system

of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Torbay Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Torbay Council throughout the year ended 31st March 2011 and up to the date of approval of the annual report and statement of accounts.

**The Governance framework**

The key elements of Torbay Council's governance framework are summarised below:

**(A)   Arrangements for identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

Both the Council and the Torbay Strategic Partnership have a clear vision of the future for Torbay, driven by the Community Plan for Torbay.  The most recent Community Plan was published in 2007 and this has driven the priorities for the area. A refresh of the Community Plan will be published in the summer of 2011.  More specifically the Council has refreshed, annually, its own Corporate Plan to reflect the Council's contribution to the achievement of the Community Plan.

The Mayor and fellow Council Members have undertaken consultation with the public through the "Torbay Connect" caravan and other mediums on a regular basis.  Members and officers have also undertaken consultation with stakeholders when new strategies and policies have been developed.

As part of its Priorities and Budget setting arrangements the Council co-ordinates a series of public events to gain an understanding of the communities views. The Council's main partners, the Care Trust, Police, Fire and Rescue and the Voluntary Sector also attend these events so that the local community has a comprehensive understanding of its local public and voluntary sectors.

The Council works closely with and supports the work of the Torbay Strategic Partnership.  This developed the Community Plan referred to above and is fully accepted by all.  The partnership has held a number of events with the wider community, to look at aspects of how priorities identified in the Community Plan contribute to all the themes.  The outcomes have been fed into the overall planning for the delivery of the expected outcomes.

The Council has continued with the ideas developed in the "Mayoral Vision", originally launched in October 2007, and which has been fully described in previous years' Annual Governance Statements.  The Council, through its Economic Development Function, has progressed a number of these projects and engaged the community in meaningful and constructive consultation.

The Council and the Care Trust, together with the Police and other partners have worked together to identify the needs of the area, including Health matters, and published a **Joint Strategic Needs Assessment**. With full agreement of the Torbay Strategic Partnership the latest version of the JSNA covered more than just the Health issues within the area and now represents a true needs assessment for many communities within the Bay and is the basis for commissioning services to meet most needs. Once again this followed considerable consultation with stakeholders.

The Corporate Plan and Business Plans are reviewed annually as part of the Council's Annual Planning Cycle.

Further information in respect of planned outcomes is contained within the Council's Local Area Agreement and Annual Report.

The Council's **Communication Strategy,** as approved by full council, is communicated to staff, and all stakeholders via regular internal and external updates using promotional material, the web, the intranet, resident's magazine, staff newsletter and consultation caravan.

The strategy has had a number of recent successes. The Torbay Together Campaign was a national award winner in the 2010 LG Reputation Awards. This year the council's new internal communication strategy 'It's good to talk' is shortlisted for two prestigious national awards. The CIPR Excellence Awards (the only local authority in its category) and the 2011 LG Communication Awards.

The Council has, in recent years, made much more use of the **Community Partnerships** where local ward members and stakeholders can discuss concerns and issues with their constituents. These were used to help assess the impact and proposals included in the following year's budget and are gradually developing into major influencing and responsible bodies within the Community.

**(B)    Arrangements for reviewing the authority's vision and its implications for the authority's governance arrangements**

The short term aims of the Community Plan have been delivered through the Local Area Agreement. The Performance Indicators and stretch targets included in the LAA were monitored on a quarterly basis through the TSP Executive Board, which reports to the full TSP. The success of this approach is verified by Torbay being the second highest achiever in terms of percentage of stretch targets achieved in the South West.

The Council has recognised the growing importance and influence of partnerships in delivering the outcomes for the community. To this end it has completed an audit of existing partnerships and produced a Policy and Guidance for all partnerships, existing and future. This Policy and Guidance includes the governance arrangements for partnerships and identifies clear accountability for ensuring such arrangements are in place.

The authority has also kept under review other key initiatives such as the actions arising from the Joint Strategic Needs Assessment for Health and Well Being, development of an Older Persons Strategy etc. and where appropriate have adapted the priority issues facing the Council. The Council has refreshed its Local Area Agreement with new targets agreed for those indicators most affected by the current economic climate.

Regular consultation events were also used to inform the development and review of the Authority's vision. These have continued to be used to obtain feedback on both service delivery and proposed plans and developments.

The budget setting process includes detailed scrutiny of proposals and their links to the Council's vision, priorities and stakeholder views, including meetings with representatives of the Community Partnerships from within the Torbay area.

Issues identified in the Community Plan are monitored and tracked through the Corporate Plan and Business Plans and performance against targets is recorded on SPAR and reported through the scorecard to the appropriate body, the senior management team on a monthly basis and the Cabinet and Overview and Scrutiny quarterly.

The Council is also very mindful that the staff are also key stakeholders and as such, senior officers and Members have taken part in road shows. Internal communication approaches have been reviewed to ensure all staff are aware of all issues and new policies and practices.

**(C)     Arrangements for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources**

The Council has continued to improve its collection and use of performance information and has made significant improvements in its data collection and verification of Performance Indicators. In addition it has developed a range of Balanced Scorecards from the Strategic level down to Business Unit level, to measure performance across a basket of performance indicators linked to Customer, Pounds, Process and Employees. In essence the scorecard measures the activities, processes and outcomes that are most important in delivering the agreed outcomes.

Surveys of users in service specific groups and Place Survey results are used together with specific Viewpoint and YEP (Youth Panel) surveys to assess quality of service and policy changes to be made in light of user feedback. All these surveys and results are publicly accessible on the Council website. In addition the Council also encourages user involvement in appropriate services areas, examples being SPOT within the learning disabilities and TTIG for consultation groups.

The Council records performance information using performance-reporting

software (SPAR) and action on areas of poor performance is closely scrutinised, monthly by the senior management team and quarterly by Cabinet and Overview and Scrutiny members. The performance reporting system is based on exceptions and where performance is identified as a concern, appropriate corrective action will be considered, scrutinised and monitored.

The Council participates in a range of Benchmarking clubs including those provided by CIPFA, SOCITM, PWC, as well as the Audit Commission comparative data sets. It uses the data to measure performance against comparators and to identify authorities from whom the Council could learn. There is also a range of consultation and feedback mechanisms for obtaining feedback from customers.

**(D)    Arrangements for 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 **Council's Constitution** sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.  Following a referendum, Torbay moved to an Elected Mayor form of governance with the first Elected Mayor taking up office in October 2005. The full Council of 37 elected Members, including the Mayor, is responsible for approving the Mayor's budget and the policy framework. The Mayor is responsible for decisions within this framework and has been supported by a cabinet of up to 7 other Members who oversee and advise on specific areas of Council business.  Prior notice of matters for Mayoral or Officer level decisions, which are classed as key decisions, are published within the Forward Plan. Cabinet meetings are public and notice of all areas for discussion is published in advance. Matters outside of the budget and policy framework are referred to full Council for decision.

The **Council's Constitution** is designed to ensure the Council acts lawfully at all times and to ensure compliance with its policies and procedures. The Constitution includes Standing Orders, Financial Regulations, Contract Procurement rules and the budget and policy framework. These are underpinned by Codes of Conduct for officers and Members, Gifts and Hospitality rules, local protocols and by the Authority's Code of Corporate Governance.

The **Schemes of Delegation** to Officers and Members are contained within the Constitution and are subject to regular review. The Council has a well developed and successful Scrutiny function with the Overview & Scrutiny Board which undertakes a range of reviews into policies and performance. The Board also has the facility to 'call–in' Mayoral decisions or Officer key decisions and makes recommendations to the Cabinet / Council as appropriate. Overview and Scrutiny arrangements were reviewed in 2009, through a peer review, to reflect the new Community and Corporate Plans.

The Council also created a "stand alone" Audit Committee in 2008-09, taking this function out of the Overview and Scrutiny Board remit.  The Committee has taken responsibility for all internal and external audit matters along with some other Governance associated matters.

Some regulatory functions remain the responsibility of the Council rather than the Mayor and most of these are delegated to a small number of regulatory committees appointed annually by the Council.

All meetings are open to the public but a small number of confidential matters are considered in private when the press and public are formally excluded from meetings.  It is the Council's objective to keep these private papers to a minimum with only the confidential elements being kept exempt from the press and public.  This ensures open and transparent decision making is undertaken at all times.  Council officers provide appropriate advice at the points of consideration and decision, and report to Members on progress and outcomes of decisions taken.

The council has further improved its approach to safeguarding by the appointment of an independent chair for child and adult safeguarding. This is in line with best practice and ensures appropriate challenge to the council and partners in exercising their statutory responsibilities. However external assessors have recently highlighted weaknesses in both the Children's and Adult Social care areas of service provision and both the Council and the Care Trust have put in place a plan of action to improve the position.

Since its publication, Torbay Council has complied with the principles enshrined within the original CIPFA/SOLACE code on Corporate Governance and has developed a revised code of Corporate Governance based around the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government".

The Authority has developed a number of **Local Protocols** (including in relation to Member and Officer Relations; Planning Matters and the role of the Monitoring Officer), all in line with good Corporate Governance. These documents are available on the Council's website. In addition, the Council's Standards Committee has a majority of Independent Members (six independent members, four Torbay councillors and 3 Brixham Town councillors) and is chaired by an Independent Member.  This far exceeds the legal requirement for involvement of Independent Members and the Committee has been given responsibility for promoting high ethical standards amongst Members; monitoring the operation of the Members' Code of Conduct (including observing performance at public meetings and training members); and dealing with complaints against Members under the Local Protocols.

The Council has an approved organisational structure with job descriptions for all officers and Members supported by a relevant scheme of delegation.

**(E)   Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

The Council's intranet contains a range of policies, procedures and guidance for all staff including Human Resources (HR) policies, Computer Security Policy, Freedom of Information Policy and Data Protection Policy and the Corporate Plan and Constitution. This is supported by regular updates from HR in respect of new policies and guidance.

Regular HR updates are produced and Newsflash system monitors press releases which reflect external legislative change issues. These are also communicated widely to staff by a number of methods.

Corporate induction courses are run on a regular basis and managers have the responsibility to ensure that all new staff attend these induction events. They are also responsible for more local induction arrangements. All officers who are in politically restricted posts and those responsible for negotiating contracts etc are required to provide HR with a register of their personal interests.

The Council has a Fraud and Corruption Policy which is reviewed regularly and has been communicated to all staff and is available on the Council's Intranet.  That has been discussed and approved by the Council's Standards Committee.

The Standards Committee's remit includes monitoring the conduct of Members and investigating complaints in respect of individual Members and is comprised of a majority of independent co-opted Members. The Standards Committee develops an annual work programme to promote and embed ethical standards and this is reported to the Council.

The Standards Committee's independent members also observe Council, Cabinet and other meetings and provide feedback reports on probity and conduct issues.  This has resulted in improvements to the Constitution, procedures and a coaching programme for individual councillors.

**(F)   Arrangements for reviewing and updating Standing Orders and Financial Regulations, 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 Council's Constitution is continually reviewed throughout the year by the Monitoring Officer, Section 151 Officer and Democratic Services Manager in consultation with the Mayor and Group Leaders to ensure the Council's governance arrangements reflect best practice.   It includes various codes of conduct and local protocols, as well as defining the relative responsibilities of the Council, the Mayor, Scrutiny and senior officers. This also includes the Council's Standing Orders and Financial Regulations, and is based upon recommendations from officers in order that the Council continues to operate in an efficient and effective way.

The Council underwent a major restructuring during 2008-09 to move to a Commissioning organisation.  As a consequence a full review of the Standing Orders was undertaken and Council approved the revised document in June 2009.  Since that time further amendments have been implemented in accordance with agreed procedures.

Commissioners and Executive Heads are responsible for risk management within their departments, with advice and support from the Council's Risk Management officer. Business Plans identify the key risks affecting Business Units and identify control measures where applicable. The Executive Head of Governance has been given responsibility for overseeing the implementation and monitoring of the risk management strategy and policy and provides regular progress reports to the Audit Committee which has responsibility for monitoring the approach to Risk Management.  The overall risk register has been considered by the Audit Committee and Cabinet as part of the process.

The Council completed a detailed review of its Risk Management Policy and Strategy and the Strategic Risk Register in the current year.  Council officers review the risk register on a quarterly basis and the key risks and significant changes are reported up through the organisation.

The Council, when considering any matter, will have a risk assessment within the report in which officers identify both the risks attached to the decision and the consequences of not undertaking the recommendation.

The Council fully recognises the need to continue to control risks in all projects and, as part of standard procedures Prince II and MSP are the adopted approaches that are applied to all such exercises.

**(G)      Ensuring the Authority's financial management arrangements conform with the governance arrangements of the CIPFA statement on the role of the CFO in local government.**

Following the implementation of the commissioning strategy within Torbay Council, the Chief Financial Officer (CFO) has direct access to the Chief Executive on all matters and has direct access to all Members and senior officers of the Council.

The Council follows a number of well established practices to ensure it makes best use of its resources.  The CFO ensures that the Commissioning Officer Group (COG) receive regular monitoring statements on both volatile or key budgets and the overall position which indicate possible trends and reports on management actions necessary to bring any budgets at variance back on track.  These then get reported formally to members on a quarterly basis but the Cabinet member with responsibility for finance has monthly briefings.  This applies to both revenue and capital budgets.  All new monies received by the Council are reported at the earliest opportunity along with recommendation regarding its use.

All reports to Members that are brought forward include a section on the resource implications of the recommendations and these are cleared before publication by the CFO or one of his senior staff. These reports also cover value for money and benchmarking implications where appropriate and available.

The Council takes its financial responsibilities very seriously and to this end, the full Council approves the Treasury Strategy on an annual basis and all Members are briefed on key financial issues.

The CFO also has responsibility for ensuring that the Council operates secure and reliable financial and accounting systems and the Devon Audit Partnership undertake the role of auditing these systems to give the assurance needed. This is described in more detail in section M.

The Council undertakes a long term view about its financial requirements and, to aid this process, publishes a Medium Term Resource Plan (MTRP) on an annual basis. However, as events are taking place all the time that impact on the MTRP, this is a working document that reflects the latest projections and which is used to inform recommendations that appear in reports to Members. A more detailed plan though is developed through the annual budget process and is against which the Council monitors its financial performance and is used to deliver its expected outcomes.

**(H)     Undertaking the core functions of an Audit Committee, as defined in CIPFA's *Audit Committees – Practical Guidance for Local Authorities***

As indicated earlier, a stand alone Audit Committee was established during 2008-09 and meets on a quarterly basis where reports from both Internal and External Audit are considered as well as Risk and associated matters.

**(I)     Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The system of internal financial control is based on a coherent accounting and budgeting framework including Financial Regulations, Contract Standing Orders, Scheme of Delegation and accountability. In particular the system includes: -

- Medium-term resource plans covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements. These also link in with the business development proposals which are fed by the Strategic Plan

- Operation of the Capital Strategy aims to ensure that investment is linked to Strategic Objectives. Bids for capital and other asset management funding require an effective 'business case' linked to Strategic Objectives, and progress in delivering projects is formally monitored by the Capital Asset Management Team, Councillors and Commissioners' Management Teams. Linked in with this is the Asset

Management Plan which ensures that assets are only retained for effective business purposes.

Financial stewardship in respect of both capital and revenue is reported to Overview and Scrutiny and Cabinet quarterly, and is considered regularly by the Commissioning Officer Group. In addition Commissioners' Management Teams also consider their respective budgets on a regular basis. This is supported by an established budget monitoring process by managers and Finance staff.

Commissioners and Executive Heads are required to produce an annual statement of Internal Control for their areas which includes statements about risk and the internal control framework. This is supported by Internal Audit who help embed risk management by cyclical audits and other risk management initiatives including some risk control self assessment workshops.

## (J) Arrangements for Whistle-blowing and for receiving and investigating complaints from the public

The **Fraud & Corruption Policy, Fraud Response Plan and Whistle Blowing Policy** were reviewed and updated in 2008. The Policy is available on the website, intranet and direct from the Information Governance team. The Authority also subscribes to Public Concern at Work which provides a staff helpline.

The Council has an established phone line that any whistle blowing call can be made to and which goes directly to the area which has responsibility for dealing with these issues in the first instance. These are recorded and passed on to the appropriate part of the organisation to investigate and the outcomes are monitored.

The Council has previously introduced new procedures for dealing with customer complaints and this provides the means for customers to feedback concerns or issues. Data is collected from all service areas regarding complaints including the number of complaints they have received, the complaint issue and the resolution. This information is analysed and reported back to Members and Senior Managers along with the actions taken to improve services where there are relevant learning points. An Annual Report is also produced which gives an account of the complaints and compliments received and handled by the Council and Ombudsman complaints during the previous financial year. This report is presented to the Overview & Scrutiny Board. Customer Care standards have been agreed and published. The complaints procedures are regularly reviewed, including incorporating 'lessons learned' from the investigation of complaints.

## (K) Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

A comprehensive induction took place for elected Members following the local elections in May 2007. Dedicated support within the Democratic Services

team has been identified to work on the Council's approach to member development and the Council was awarded the South West Charter for Elected Member Development in March 2008 and Charter Plus in 2010. Annual one to one development sessions with senior officers from the Democratic Services team are offered to all Members and a Members' skills framework is used to identify development needs which in turn inform the annual Members' development programmes. 35 members have personal development plans. Corporate training needs for Members are also identified by the Commissioning Officer Group.

The Member Development Strategy seeks to build on the work already undertaken to ensure a structured approach and that all members, including our co-opted members on Overview and Scrutiny and Independent Members on the Standards Committee, are supported in their role. It also ensures that the Members are effective in supporting the Council's corporate objectives.

Strategic roles and development needs are identified and assessed through Senior Management Forums, annual RADARs and Management Team Meetings. The Council has also undertaken senior officer training on the Commissioning framework with Birmingham University.

The Council has strongly supported staff development, particularly through programmes such as ILM.

Training has been given to officers and at senior management events on protocols on decision making e.g. initiative development.

**(L)     Arrangements for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

There is a series of monthly consultation and feedback events with the Connect caravan where members of the public can feed back on those issues that interest them directly to the Mayor, Councillors and officers. This is supplemented by other specific consultation events using the caravan.

The Council used the Audit Commission stakeholder analysis to improve local relations. Regular consultation events are held with public and voluntary services plus regular business forum meetings. Other consultation and feedback surveys are also undertaken throughout the year including via the refreshed Viewpoint Panel.

Torbay Council operates a Call Centre which is based in Torquay and deals with a wide variety of calls from residents and visitors over an expanding range of issues as more services are included in those dealt with in the first instance by the centre.

All customer contact received via our Call Centre or our Connections offices is documented to ensure the information is actioned by, or forwarded to, the relevant department, as necessary. The Council also uses its libraries and Tourist Information Centres as initial contact points from which enquiries can

also be dealt with.

The Consultation and Engagement framework is available on the website indicating mechanisms and groups and how the Consultation and Engagement Group effectively manages engagement with the public and voluntary sector. There are also a number of Community Partnerships across Torbay and regular newsletters to Viewpoint Panel members and a residents' magazine Torbay View, which is distributed to every household. Councillors have also been encouraged to produce their own means of communication and, for example a number have created their own website.

A number of community groups have been established to support those members of the community who can be regarded as "hard to reach", e.g. BME, LGBT, Faith, Older Persons, Young People and those with Disabilities. The Council's approach is to support the development of these groups and build their capacity to make them largely self-sufficient.

**(M) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements**

The governance of the Torbay Strategic Partnership was considered and reviewed in 2007 to ensure its fitness for purpose in delivering the new Community Plan. The Strategic Partnership is underpinned by a number of delivery partnerships all of which are represented on TSP.

The Council's Code of Corporate Governance is available on its website and Local Strategic Partnership stakeholders are aware of governance arrangements and the link to the council code and processes. There is a robust Constitution established for the Torbay Strategic Partnership and for the local Community Partnerships.

Strategic Commissioning Partnerships have been established, based on the four quadrants of the TSP's Wheel, at a level below the TSP itself to deliver Joint Commissioning Strategies. The 'Wheel' has been adopted to represent, as its hub, the commitment to improve economic prosperity and thereby the overall prosperity of the local community. This will be achieved through four key focus areas, shown as quadrants of the wheel – Pride in the Bay, Learning and Skills for the Future, the New Economy and Stronger Communities.

Joint Commissioning Strategies further refine and define outcomes, measures, targets and spending plans across each quadrant, including all other agency 'must do's', not just those relating to the Community Plan. They ensure effective ''join-up'' of all relevant agencies and partners, and effective engagement with suppliers and users of services. In summary it merges each partner's intentions into one overall statement of strategic commissioning intent, aligning budgets and policies wherever possible, and reflecting the needs of the people of Torbay.

The Council has also established appropriate arrangements in respect of service specific partnerships such as the Torbay Care Trust and the Torbay Coast & Countryside Trust and more recently with the newly formed TOR2 and English Riviera Tourist Company.

As mentioned previously, a Policy and Guidance for all partnerships, existing and future has been agreed and introduced. This Policy and Guidance includes the governance arrangements for partnerships and identifies clear accountability for ensuring such arrangements are in place.

**Review of effectiveness**

Torbay Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of the Devon Audit Partnership's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

Overall responsibility for the governance framework including the system of internal control rests with the Mayor and Chief Executive and they receive regular reports from the Section 151 Officer on financial issues and the Monitoring Officer on legal issues as and when appropriate. This includes regular budget monitoring information and the Medium Term Resource Plan.

This is supported by an annual review of Internal Audit by the Section 151 Officer which reviews compliance with the CIPFA Code of Practice and the effectiveness of the audit service. 2010-11 saw the second year of operation of the Devon Audit Partnership which was the amalgamation of the three Internal Audit functions of Devon County Council, Plymouth City Council and Torbay Council and has continued during this year. As in previous years the service undertook certain assurance work on behalf of the Council and to give assurance to the external auditors as part their audit opinion. The external auditors raised no concerns by the standard of work. No major issues were identified and the service has maintained the level of assurance it is able to provide to management.

The Council's Constitution is continually reviewed throughout the year by a Constitution Working party and defines the relative responsibilities of the Council, the Mayor, Overview and Scrutiny Board and Senior Officers. This also includes the Scheme of Delegation to the Mayor, Cabinet, Committees and Officers, and also the Officer Scheme of Delegation.

**Internal Audit**

The Council's Internal Audit Plan, which is risk based, is agreed annually with Commissioners and the Council's Audit Committee. This provides the basis for the review of internal control and governance within the Council and includes the following: -

- Annual reviews of the Council's key financial systems by Internal Audit against known and evolving risks;

- Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment which considers the strategic and operational risks identified in the Corporate Risk Register and Business Plans and also includes consideration of materiality, sensitivity and previous audit and inspection findings;

- Work in relation to the prevention of fraud and corruption and an allowance for the investigation of any potential irregularities identified either from audit work or through the Council's whistle-blowing policy.

- Advice and support to ensure future safeguards when implementing new systems

- Value for Money work in relation to assessing the efficiency, economy and effectiveness of the Council's operations and recommending improvements as necessary.

Achievement of the Audit Plan is reported to the Audit Committee on a twice yearly basis. This report also includes an opinion and assurance about the system of internal control throughout the Council.

The Council's Constitution is continually reviewed throughout the year by the Monitoring Officer, Section 151 Officer and Democratic Services Manager in consultation with the Mayor and Group Leaders and defines the relative responsibilities of the Council, the Mayor, Overview and Scrutiny and Senior Officers. This also includes the Scheme of Delegation to the Mayor, Cabinet, Committees and Officers, and also the Officer Scheme of Delegation.

Regular meetings were also held between the Section 151 Officer and a representative of the Devon Audit Partnership to discuss specific issues that have arisen.

**External Review**

Following the General Election, in May 2010, the Coalition Government decided that local authorities would no longer have to undertake a Comprehensive Area Assessment (CAA). The Council had produced action plans following the 2009 CAA and Use of Resources Assessments that would have seen the performance as monitored by those forms of inspection improve. Despite the abolition of these measures, Torbay Council continues to seek to provide continuous improvements in all areas of performance and will continue to use the former measures as an indicator of best practice.

**Areas of the Council's work where further action is required**

As a consequence of the above reporting mechanisms, Members and Commissioners have been continually updated and advised on the

implications of reviews of the effectiveness of the system of internal controls. Plans have been devised and put in place to ensure continuous improvement. The Council's annual review of the governance framework including the system of internal controls and associated reviews during the year identified some areas where action is appropriate to enhance the governance and internal control environment and ensure continuous improvement. These are listed below, along with the proposed action to remedy or improve the position.

| *Areas for further work* | *Action Planned* |
|---|---|
| (1) Risk Management | Whilst operational risk management is embedded in a large number of areas within the Council, there are still some concerns over the robustness of Business Continuity Plans and a focus is being put on this area of work to ensure the Council can respond appropriately given the proposed reductions in spending identified by the government on the one hand against both the legal framework and expectations from the public over service provision. |
| (2) Review Corporate Governance arrangements and performance management of the Council and its partnerships | Governance arrangements will be kept under review as the Government's new policies impact on our services. This is particularly relevant in relation to the future of Public Health.<br>The Council has in place a framework for the quarterly monitoring of performance across all its services and its partners including the Torbay Care Trust and TOR2. In addition, through the TSP Executive Board it also monitors the delivery of its LAA targets, including the performance of partners.<br>In moving towards the Commissioning Model the Council recognises that it needs to keep under review its current performance management arrangements to ensure they are effective for monitoring a potential range of service providers. This is achieved through an annual review of the performance management framework.<br>The Council will look to strengthen its 'performance' management of partners to encompass potential resource issues as the CSR impacts on existing commitments. |
| (3) Payroll processing and administration and work force planning | The Council, following previous audit reports, has only recently completed the re-implementation of the payroll system. Whilst the implementation appears to have been successfully achieved the new payroll has not yet been in operation for a full audit cycle and |

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|---|---|
| | therefore there may to be further checks made before officers and auditors are fully satisfied of the total integrity of the system. |
| (4) Management of information and data | The continuing loss of PCs and data nationally has continued to highlight the need to ensure that all Torbay data is properly secured and handled in accordance with agreed protocols. Further work will be undertaken on this both internally and with partners in line with the agreed work programme and national standards. |
| (5) Safeguarding of Children and Adults | During 2010-11 the Council and its partner, the Torbay Care Trust, both received critical reports on the safeguarding procedures in place for Children's Services and Adult Care Services respectively.<br>In both cases the Council and the TCT have put in place action plans to significantly reduce the areas of weakness identified by the respective inspections. These will be continually monitored both by the Council and the respective inspectorates and updates and reviews will be made during 2011-12 to ensure appropriate progress is being made. |
| (6) Contractual compliance with European tendering procedures. | European legislation is changing at a rapid pace and with the Council moving to a Commissioning organization, it is essential that the Council is kept up to date on all changes in this area. The Council has appointed a specialist Procurement Solicitor to provide expert guidance on this crucial area.<br>Part of the role of this member of staff is to ensure that officers are kept up to date with changes whilst at the same time commissioning officers are expected to check with the legal team before committing the council during any negotiating arrangements. |

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                                                          Signed

Elizabeth Raikes                                    Gordon Oliver
Chief Executive                                     Mayor of Torbay

Date:  June 2011                                    Date: June 2011