

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 25 June 2014
Time: 5.30 pm
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact Sharon Sissons, Democratic Services Officer (Committees) on 01392 265115 or email sharon.sissons@exeter.gov.uk

Entry to the Civic Centre can be gained through the Customer Services Centre, Paris Street.

Membership -

Councillors Sheldon (Chair), Baldwin (Deputy Chair), Bowkett, Brock, Donovan, D J Henson, Laws, Lyons, Morris, Raybould and Williams

Agenda

Part I: Items suggested for discussion with the press and public present

1 Apologies

To receive apologies for absence from Committee Members.

2 Minutes

To sign the minutes of the meeting held on 12 March 2014.

3 Declarations of Interest

Councillors are reminded of the need to declare any disclosable pecuniary interest that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any discussion of the item. Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

4 Local Government (Access to Information) Act 1985

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for consideration of Appendix B of Item 13 on the grounds that it involves the likely disclosure of exempt information as

defined in Paragraph 3 of Part I, Schedule 12A of the Act.

5 **Annual Scrutiny Report 2013/14**

To consider the report of the Corporate Manager Democratic/Civic Support. (Pages 5 - 30)

6 **Presentation on the Scope of the Audit and Governance Committee**

7 **Audit and Governance Committee /Audit Fee Letter 2014/15**

To consider the report of the Council's Auditors Grant Thornton. (Pages 31 - 50)

8 **Audit Plan 2013/14 Grant Thornton**

To consider the report of the Council's Auditor's Grant Thornton. (Pages 51 - 68)

9 **Code of Corporate Governance and Annual Governance Statement 2014/15**

To consider the report of the Assistant Director Finance. (Pages 69 - 88)

10 **Annual Internal Audit Report 2013/14**

To consider the report of the Audit Managers. (Pages 89 - 108)

11 **Measuring the Effectiveness of the Audit Committee - Self Assessment Checklist**

To consider the report of the Audit Managers. (Pages 109 - 114)

12 **Review of Corporate Governance Risk Register**

To consider the report of the Corporate Manager Policy, Communications and Community Engagement. (Pages 115 - 118)

Presentation on the Scope of the Audit and Governance Committee

13 **Review of Corporate Governance Risk Register (Appendix B)**

To consider the report of the Corporate Manager Policy, Communications and Community Engagement. (Pages 119 - 124)

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 24 September 2014 at 5.30 pm in the Civic Centre.

Find out more about Exeter City Council by looking at our website <http://www.exeter.gov.uk> . This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on 01392 265115 for further information.

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REPORT TO SCRUTINY COMMUNITY, ECONOMY, RESOURCES, AUDIT & GOVERNANCE COMMITTEE, EXECUTIVE

Date of Meeting: Community – 17 June 2014, Executive – 15 July 2014, Audit and Governance Committee - 25 June 2014, Economy - 26 June 2014, Resources - 2 July 2014

Report of: The Scrutiny Programme Officer
Title: Annual Scrutiny Report 2013/2014

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Executive Function

1. What is the report about?

An update on the progress and work of Scrutiny for the period 2013/2014 in direct relation to the appointment of the Scrutiny Programme Officer in July 2013, to include synopsis of Task and Finish Group investigations, review and proposal for Scrutiny system changes and timetabling/plans for 2014/2015.

2. Recommendations:

- (a) That Members of the Committee consider the content of the Annual Scrutiny Report and are invited to comment as to whether they are content with the progress and direction of Scrutiny over the past year together with the proposals on direction for the forthcoming year.**
- (b) That the Annual Scrutiny Report is approved for public circulation on the Council's website.**

3. Reasons for the recommendation:

- (i) To demonstrate to Members, Officers and the general public how the scrutiny process is working at Exeter City Council in order to provide accountability and transparency and further confidence in the democratic process.
- (ii) To enhance the profile of scrutiny at Exeter City Council.

4. What are the resource implications including non financial resources.

None.

5. Section 151 Officer comments:

Not applicable.

6. What are the legal aspects?

Not applicable.
7. **Monitoring Officer's comments:**

Not applicable.

8. **Report details:**

See attached document.

9. **How does the decision contribute to the Council's Corporate Plan?**

- Ensuring a well run Council.
- To invoke public confidence that the Council is addressing economic, social and environmental challenges through effective scrutiny to improve the quality of life for Exeter residents (where possible) whilst working with partners to achieve this aim.
- To demonstrate that all Councillors and members of staff are committed to delivering high quality services and working for the benefit of the City.

10. **What risks are there and how can they be reduced?**

Not applicable.

11. **What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?**

None.

12. **Are there any other options?**

Not applicable.

Anne-Marie Hawley, Scrutiny Programme Officer

John Street, Corporate Manager, Democratic Services and Civic Support

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires: Democratic Services (Committees), Room 2.3, 01392 265275

ANNUAL SCRUTINY REPORT 2013/2014

Foreword

The past year has seen many positive changes in the way in which Scrutiny operates at Exeter City Council with the appointment of a dedicated Scrutiny Programme Officer in July 2013. The post was created following recommendation by a cross party Task and Finish Group who identified a strong need for dedicated scrutiny support. The new officer role would primarily assist Councillors with their Scrutiny work, whilst facilitating the role of the Scrutiny Committees by providing specific support to Task and Finish Groups, undertaking research and analysis of information, writing reports and presenting findings to the appropriate Committee (if required) and to review the overall effectiveness of the current Scrutiny function at Exeter City Council. In addition to this, the Localism Act 2011 (Section 9FB) now provided Districts with the legislative authority to designate a “statutory scrutiny officer”.

The Role of Scrutiny

The Scrutiny Committees at Exeter City Council consist of Councillors who do not sit on the Executive Committee. The purpose of the Scrutiny Committees is not only described in the Terms of Reference for those Committees (contained in full within the Council’s Constitution) but must also encompass the following principles to ensure the continued delivery of good and effective scrutiny at Exeter City Council:-

1. To provide a “critical friend” approach to Executive policy and decisions – a constructive, robust and purposeful, non-adversarial challenge, holding the Executive and Council officers accountable for policy and service decisions.
2. To provide a platform for the voice and concerns of the public to be heard.
3. To review issues in an a-political manner.
4. To drive improvement of the Council overall by promoting community well-being and working towards improving the quality of life of Exeter residents.
5. To provide strategic review of corporate policies, plans, performance and budgets.
6. To assist in the joining up of public and other services.
7. To review the effectiveness of budget and service prioritisation.
8. To make an impact on service delivery.
9. To set the Council’s Annual Scrutiny Work Programme.

A Synopsis of the Terms of Reference for the Scrutiny Committees at Exeter City Council

Scrutiny Committee – Economy

The Economy Committee evaluates and monitors the performance of all tourism, economic development, transportation, parking, estates, planning (except purely development control matters), markets and events, leisure and museums and technical (including flooding) services. It also considers draft budget proposals which fall within its remit and reviews strategies and policies emanating from the work and functions of those services which it holds accountable (in accordance with the work plan agreed in consultation with the Council and Executive). Scrutiny Economy also assists in the process for adoption and approval of

the Exeter Local Development Framework and for the preparation of other elements of the Development Plan by the Regional Assembly, Devon County Council and other local authorities.

Scrutiny Committee – Community

The Community Committee works with other agencies on issues such as social inclusion and community safety. It undertakes reviews of appropriate strategies and policies emanating from the work and functions of the community and environment services. It evaluates and monitors the performance of all housing, contracts, community engagement, environmental health (including cleansing), river and canal, parks and open spaces, CCTV/Home Call services and reviews the budget and financial performance within these areas. This Committee also scrutinises the work of the Exeter Community Safety Partnership and monitors the effectiveness of the Council's partnerships with other agencies. Health issues are also scrutinised by this Committee particularly in line with the requirement for an annual review of the Health and Well Being Board.

Scrutiny Committee – Resources

The Resources Committee evaluates and monitors the performance of Human Resources, IT, Business Transformation, Finance and all central and corporate services. It advises Executive on staffing issues including industrial relations, health and safety, equalities and diversity, and draft budget proposals which fall within its remit. It reviews progress made within the Corporate Plan.

Scrutiny Committee – Audit and Governance

The Audit and Governance Committee monitor performance against the internal audit plan, reviews any revisions to the plan and considers any issues arising from the half yearly audit reports. It comments on the scope and depth of external audit work to ensure value for money and commissions work from internal and external audit. In addition to this, the Committee monitor the Council's regulatory framework including the effective development and operation of risk management and corporate governance; the Council's compliance with its own and other published standards and controls; advises the Council on the adoption of Codes of Conduct as well as the hearing and determining of allegations of misconduct. It also approves the Council's Statement of Accounts. The Audit and Governance Committee could be perceived as providing the Council with an "inward looking" scrutiny function.

What has Scrutiny Achieved for the Year 2013/2014?

Besides the continuation of the work scheduled on the existing Scrutiny Work Programme the following was achieved:-

- Appointment of a dedicated Scrutiny Programme Officer – July 2013.
- Instigation of the Scrutiny Annual Work Programme Meeting involving Chairs and Deputy Chairs of the respective Scrutiny Committees, Party Leaders and Portfolio Holders.

- The Ancillary Work Programme Meeting involving Chairs and Deputy Chairs of each Scrutiny Committee to discuss any outstanding issues following the Annual Scrutiny Work Programme Meeting and to ensure matters are initially progressing in the right direction.
- Regular Scrutiny Review Group meetings with Chairs and Deputy Chairs of Scrutiny Committees to ensure a “rolling review” of the Work Programme, Task and Finish Groups and suggested improvements to the existing Scrutiny system.
- Scrutiny Training for all scrutiny committee members (highlighted as a priority).
- Revision of Members’ handbook in relation to Scrutiny.
- Scrutiny induction training for Members incorporated into the Members’ induction training programme as from 2014.
- Financial Reporting Task and Finish Group (Resources).
- Finance training for Members (highlighted as a specific requirement).
- Cost of Living Forum (to include Housing and Wages sub groups) (Economy).
- Procurement Task & Finish Group (Audit and Governance).
- Housing Allocation (Devon Home Choice) Task and Finish Group (Community)
- Involvement with the South West Scrutiny Network (with future provision to host regional meetings at Exeter City Council) and building links with other Local Authority Scrutiny Departments ranging from local level to across the country. This presents an ongoing opportunity to compare and exchange ideas on the effective running of scrutiny which can only benefit Exeter City Council.
- Provision of an Annual Report on Scrutiny so that Members, officers and the general public are kept informed of the effective progress and the continued evolution of scrutiny at Exeter City Council.
- Structured timetabling for Scrutiny 2014/2015:-
 - 25/04/14 : Officer pre-election work programme meeting.
 - (03/06/14 : Full Council Meeting).
 - 12/06/14 : Scrutiny induction training for Members.
 - (17/26th June and 2nd July – Scrutiny cycle).
 - 14/07/14 : Scrutiny Annual Work Programme Meeting 2014.
 - 29/07/14 : Full Council : Task & Finish Group Member nominations to be secured by this date.
 - 01/08/14 : Commence with new Task and Finish Group workload with an aim to complete at least 8 Groups within the 2014/2015 municipal year.




Scrutiny 2013/2014 has been very much about “setting the scene”, reviewing current systems, identifying Members’ priorities and improving what the Council already has in place; providing dedicated officer support for Members as well as coordinating Task and Finish Groups on particular subjects specifically brought to the forefront of the existing workload by Members.

A more in depth review of the work of Scrutiny during July 2013 to April 2014 (outside the scheduled Work Programme) is detailed below, which demonstrates the benefits of specific and targeted investigation and the importance of re-thinking (and continually monitoring) the scrutiny system and function at Exeter City Council, as a whole, to ensure a high standard of scrutiny is achieved and maintained.

Scrutiny Systems Review 2013/2014

The appointment of the Scrutiny Programme Officer presented an opportunity to review the effectiveness of the current Scrutiny system already in place at Exeter City Council and to consider whether or not the existing system could be enhanced and improved. A series of meetings were held with Chairs and Deputy Chairs of the Scrutiny Committees to develop possible improvements to the Scrutiny function which were put forward to Scrutiny Economy, Resources and Community during the January 2014 cycle of meetings.

These suggestions encompassed the following proposals:-

- That a new format of Agendas should be trialled for the next cycle of Scrutiny Committee Meetings. The new style would include three main sections:-
 -  Items for discussion.
 -  Items for Executive (recommendations).
 -  Items for information only (accompanied by a link on the Agenda).
- That unless requested by Scrutiny Chairs, the Chief Executive or the Deputy Chief Executive, Council Officers would not present their reports at Committee ensuring better time management of meetings.
- If Members had questions regarding Officer Reports, they could notify the relevant Officer and Committee Services Officer of these questions in good time prior to the Committee meeting. Members would then have the opportunity to put these questions directly to the Officer at the Committee meeting.
- The Scrutiny Chairs would take a more pro-active role in the Committee Meeting “pre-meet” specifically to decide what should be included within the Agenda and what should be excluded.
- Portfolio Holders’ Reports could be separated out from the Scrutiny Committee Work Programme/Agendas and extra time given prior to the Full Council Meetings for Members to address the Reports and ask questions of the Portfolio Holders. This would seem to present an ideal opportunity as all 6 Portfolio Holders would already be available to attend the Full Council meeting together with all other Members. This would free capacity on the Scrutiny Work Programme and free further time at Scrutiny Committee Meetings for other issues to be debated.
- That this concept could be trialled at the next Full Council meeting for Members’ approval.
- That the Scrutiny Chairs, Deputy Chief Executive, Corporate Manager of Democratic and Civic Support and the Scrutiny Programme Officer review how effective these new changes are, once trialled, and consider Members’ comments and any further changes or improvements which would enhance and improve the Scrutiny process and system at Exeter City Council; and continue to monitor the contents of the Scrutiny Work Schedule.
- That a list of scheduled Members’ Briefings be circulated to all Members as soon as possible detailing Presentation topics and dates.

Members of Scrutiny Economy, Resources and Community considered that as previous proposed changes to Scrutiny had been considered and recommended through a cross party working group, a similar group should be re-established to consider these latest proposals. This was accepted by the Executive and Full Council. It was also considered that the presentation of the Portfolio Holder reports prior to meetings of Full Council would mean an additional time commitment, particularly for working Councillors which could present a

problem. Whilst Members acknowledged these concerns, they also welcomed the opportunity to meet with all of the Portfolio Holders in a more informal setting and to look at further ways to develop the scrutiny process.

The cross party Task and Finish Group is due to be founded and initiated following the Local Elections in May 2014. The Group will then meet to address the recommendations put forward.

The Annual Work Programme Meeting : 25th July 2013

This newly devised meeting presented an opportunity for Members to review, prioritise and adapt the existing Scrutiny Work Programme Schedule and to identify those areas and subjects which they felt were of particular concern and to highlight topics which they felt were of sufficient importance to merit Task and Finish Group investigation. All Members were given the opportunity to comment and provide their suggestions prior to the meeting and these ideas and requests were put forward by the Chairs and Deputy Chairs of the Scrutiny Committees, Party Leaders and Portfolio Holders (at the meeting) for consideration and prioritisation.

Task and Finish Groups

Through the Annual Scrutiny Work Programme Meeting, Councillors identified and prioritised various issues for Task and Finish Group investigation which were not already included on the Scrutiny Work Programme. The Scrutiny Programme Officer arranged, initiated and coordinated these Groups.

Financial Reporting (Scrutiny Resources)

Councillors identified a need for clarity within the current financial reporting format which would enable them to have a better understanding of the reports presented to them and would allow them to more easily identify the key issues upon which they needed to take important decisions.

Membership:-

Cllr Baldwin (Chair)
Cllr Ruffle
Cllr Pearson
Cllr Owen
Cllr Donovan
Mark Parkinson, Deputy Chief Executive
Dave Hodgson, Assistant Director of Finance

Remit:-

1. To review the current regime of reporting financial matters.
2. To review the current presentation of financial reports – can they be presented in a more meaningful and user friendly way?
3. Is there any flexibility to alter the presentation of financial information presented?
4. Can reports be simplified whilst still adhering to current statutory requirements and current Council policy?
5. To provide examples of alternative presentation of financial reporting.
6. To clarify figures relating to budget and spend so that it would be easier for Members to identify issues from financial reports which may need attention (for example,

review of management in a particular area or an increase in need which may lead to a budget review).

7. To enhance and simplify financial reports.

This piece of work linked with Council aims and priorities of ensuring a “well run” Council whilst enhancing accountability and transparency.

The Group identified four main areas of specific interest:-

- Budget
- Spend
- Variance
- Income – is income being generated?

The Assistant Director of Finance produced a list of financial reports and confirmed that there would be more flexibility to alter the monitoring financial reports rather than the Statutory reports. Various reports were reviewed by the Group, which included:-

Treasury Management Strategy, Treasury Management Half Year Update Report, Treasury Management Outturn Report, Prudential Code Indicators, Council Tax Base and NNDR1 Report, Annual Governance Statement, Statement of Accounts, Budget Monitoring Reports – general overview, Budget Monitoring Report (30th June 2013), Scrutiny Committee (Resources) Outturn Report April 2012 to March 2013, Overview of General Fund Report, Outstanding Sundry Debts, Creditor Payments Performance, Overview Report, Revisions to Capital Programme, Capital Monitoring to September 2012

Councillors generally placed great emphasis on accuracy, relevance, clarity and simplicity together with a need for Members’ finance training with the overall priority being that all Members should be able to easily identify the information of high concern and should not feel alienated by the way in which the information was presented.

The views of all Councillors were sought and the Task and Finish Group considered that the following points were of particular importance:-

- Significant over and under-spends need to be highlighted.
- There should be comparisons with similar reporting periods in the previous financial year which would help Councillors see how the current situation equates with final out-turn.
- There should be a more obvious tracking of borrowing.
- That Members’ grasp and understanding of the financial reports should be paramount.
- That there should be less use of jargon which can lead to confusion.

Subsequently, the format of the monitoring financial reports was altered to highlight the key variances in the budget monitoring reports and the areas of budgetary risk. The reports were also refined (where possible) and a “key issues” section (particularly within the Statutory reports) was included for the benefit of Members, which highlighted those areas requiring key decisions. The changes to the financial reports were trialled during the September 2013 cycle of Scrutiny Committee meetings so that all Members would have the opportunity to comment upon the new style of financial reporting. Feedback was obtained from Members who commented that the changes implemented to financial reporting so far were very helpful and made the documents much clearer to understand.

In addition to this the Executive Committee commented that:-

- The new style of financial reporting was much easier to understand.
- It would be helpful to have an analysis available over a preceding 5 year period so that any trends could be identified. It was felt that this would be useful information to have for informal budget meetings.
- It would be helpful if visual (colour) charts could be used to relay trend information so that Members could easily identify differences and fluctuations.

It was also suggested that a glossary of financial terms (limited to one page) should be attached to every financial report which would provide further clarity.

Subsequently, the Treasury Management update report (due for submission to Scrutiny Resources in November 2013 and then to Executive in December 2013) was altered so that borrowing and investment figures were reported in a clearer way to ensure that the borrowing figures in particular, were highlighted. Two specific aspects which were seen as requiring particular clarity were:-

- (a) The physical cash borrowed.
- (b) Accounting classification of the borrowing, for example, fixed assets –v- finance.

Further comments were obtained from Members in relation to the new financial reporting format following the January 2014 cycle of Committee meetings and the subsequent Full Council meeting. Members' comments were positive and all agreed that the change in the format of financial reporting was of great benefit and provided much needed clarity.

In addition to the changes already implemented, the following suggestions received from the Assistant Director of Finance were also considered by the Group in order to achieve further improvement:-

- That the half yearly Treasury Management Report should be simplified and adopt a more tabular form, also trialling the inclusion of trend data.
- A front sheet summary should be attached to the Budget Book in respect of each area and movement in budget which would also set out the changes so that Members could focus on what really has changed and the trend data.
- Fees and charges information should remain the same and the format of reporting/information should remain unaltered.
- A key issues page should be introduced in the form of a covering report, in relation to the Statutory Reports (which cannot be altered in content). This would highlight areas of importance and whereabouts in the main document Members could find the necessary information.
- A clearer explanation would be provided to the Audit and Governance Scrutiny Committee in 2014 in respect of the Statement of Accounts. The main area of importance highlighted to Members was identified as the Auditors' report. If Members were not happy with a particular aspect then they would have the opportunity to say so.

It was agreed that because of the nature of some reports (eg, the annual reports) the changes to the format and style of financial reporting would be a work in progress. The key reports for Members to focus upon should relate to budget monitoring.

As a direct result of this Task and Finish Group, financial reporting at Exeter City Council has undergone a successful review and reports have been adapted to clarify information so that Members can easily identify the key issues upon which they need to concentrate so that they can make well informed key decisions. As a result of this Task and Finish Group it was also highlighted that all Members would benefit from finance training and subsequently training was arranged by the Scrutiny Programme Officer who also ensured that Finance training for Members was incorporated into the Annual Induction Training Programme available to all Councillors as from 2014.

Cost of Living Forum (Scrutiny Economy)
(incorporating Wages and Housing Sub Groups)

The Cost of Living, in specific relation to Exeter, was flagged as a high priority subject for further investigation and of particular cross party interest. The overriding objective was to work with a wide range of partners to establish exactly how the Council might assist Exeter residents, with specific attention to the subject of wages (and implementation of the living wage), housing and affordability. Reliable statistical information and research findings were identified as being of paramount importance to the Forum and its ability to consider strategies and solutions in order to provide recommendations to its parent committee (Scrutiny Economy). With the approval of Executive in March 2014, Marchmont Observatory (Exeter University) in partnership with the Forum, are now conducting a local research programme to provide accurate (statistical) information as part of the next stage of investigation. The Forum's work is ongoing and will stretch across the parameters of the local elections in May 2014 with a focus on concluding what practical, innovative steps can be taken by the Council to tackle the difficulties faced by Exeter residents in relation to the cost of living.

Membership:-

- Cllr R.Denham (Chair for Forum and Wages Sub Group)
- Cllr P. Bialyk
- Cllr L. Robson
- Cllr R. Crew (Chair of Wages Sub Group)
- Cllr T. Wardle
- Cllr Mrs Henson
- Cllr A.Leadbetter
- Cllr S. Brock
- Ms Sue Parr (Job Centre Plus)
- Mr Peter Lacey (Lay Lead at University of Exeter on Infrastructure and the Capital Programme, External Affairs and Corporate Social Responsibility and Environmental Sustainability).
- Mr Steve Barriball representing Citizens Advice Bureau.
- Post Graduate Student (University of Exeter/Science Dept.)
- Mr Mark McSheehy representing South West TUC.
- Mr Simon Bowkett representing Exeter CVS.
- Mr Richard Ball (Assistant Director – Economy)
- Ms Nicola Forsdyke (Housing Options Manager)
- Ms Laura Fricker (Housing Benefits Manager)
- Ms Jayne Hanson (Mobile Benefits Training Officer)
- Ms Dawn Rivers (Community Involvement and Inclusion Officer – Policy)
- Ms Melinda Pogue-Jackson (Policy Officer)

Remit:-

- To gather evidence to establish a baseline on wages and cost of living in the City of Exeter.
- To gather and analyse evidence on the impact that low wages and high relative cost of living has on residents in the City of Exeter (taking a broad perspective on impacts and to include Health and Wellbeing).
- To gather and analyse evidence on particular problems (for example, the impact of students on private sector rents).
- To explore (in partnership with a broad range of stakeholders) strategies and solutions to problems identified following the gathering of evidence for this Forum.

Since its inception, the Forum established that it was crucial to identify the potential benefits of the work it could do together with a clear indication of the positive outcomes that could be achieved. The goal of the Forum was to conduct research and investigations so that this piece of work could be used to:-

- Better inform (through the gathering of evidence and multi agency/organisation participation) the City Council and other agencies involved of the difficulties faced and possible solutions relating to the Cost of Living in direct relation to regional wages in contemplation of existing Policies and any proposed Policy changes.
- Improve and enhance the collaborative effort on a cross agency and organisational basis, against continual reduced funding for the public sector.
- Provide innovative ways in which to tackle the difficulties faced by Exeter residents in direct relation to the Cost of Living and reduced public sector funding.
- Build relationships with cross agency partners, organisations and stakeholders, to provide an opportunity to discuss the issues and provide practical coping strategies and solutions (for example, to discuss with local businesses the Living Wage and associated issues with a view to encouraging local businesses to adopt the Living Wage)

With that said, the Forum was still conscious that just because this topic was of substantial cross party interest and currently generated specific public and media interest, it remained important to justify undertaking this work in line with the Council's existing aims and priorities. This point was addressed at the first meeting of the Forum on the 24th October 2013 where it was agreed that this project did comply with those aims and objectives, particularly:-

- ❖ To enhance Exeter as the regional capital and to work in partnership to improve the quality of life for all people living, working and visiting the City. (Vision 20:20/Community Plan).
- ❖ "Help me get back to financial independence" (Corporate Plan 2012 – 2014).
- ❖ "Help me find somewhere suitable to live" (Corporate Plan 2012 – 2014) – *Affordable Housing/set fair and affordable Council Rents/improve access to affordable private sector tenancies/provide financial assistance to those most in need to make private sector homes fit for habitation, safe and decent.*
- ❖ The Core Strategy - 3.4 (The Sustainable Community Strategy) which states that:- 'Sustainable communities are places where people choose to live and work. They are safe places, offering opportunities for everyone, where the environment is respected and with the housing, amenities, schools, hospitals, and transport links that people need to live well. To become a sustainable city, Exeter must balance the economic, social and environmental aspects of the Community'.

The Economy Projects Officer provided the Forum with a brief presentation of statistical data currently available relating to wages and housing trends. However, the Group soon established that the data was unreliable with issues as to accuracy and did not embrace the specific locality of Exeter. Therefore it was of very limited use, but was the only data available at the present time.

The Forum Members identified a wide range of areas which they proposed should be investigated such as:-

- ✚ How do people feel?
- ✚ Equalities.
- ✚ Underemployment/zero hours and the links to part time work.
- ✚ Wages/low pay.
- ✚ People moving out of affordable housing.
- ✚ Sectors and types of employment (jobs by skill/sector).
- ✚ Affordability of housing by sector – growth of private rented sector/housing association (welfare reform action group).
- ✚ Energy/utilities.
- ✚ Transport.
- ✚ Debt – helping people with financial problems.
- ✚ Management of money.
- ✚ Static wages – Chamber of Commerce data
- ✚ Is our skills agenda keeping up or are people outside the City coming in?
- ✚ Econometrics study.
- ✚ Customer service centre data.
- ✚ “Who lives where?” relative to job type and the impact on communities.
- ✚ Impacts such as mental health issues.
- ✚ Access to affordable credit.
- ✚ People moving out of the City for affordable housing.

Members of the Forum suggested that the next meeting should provide an opportunity to explore the definition of poverty and deprivation in Exeter, what this means and to what extent Exeter is affected. It was also agreed that a representative from the research department at Exeter University should be invited to participate together with a representative from the Chamber of Commerce.

The second meeting of the Forum took place in November 2013. Since the first meeting information had been sourced from The Joseph Rowntree Foundation concerning the definition of poverty and the importance of distinguishing between “relative” versus “absolute” poverty was highlighted. Available research on the Living Wage had also been provided by South West TUC; representatives had been invited from Devon County Council and Exeter University together with an Exeter City Council employee currently in receipt of a low wage and a representative from the Federation of Small Businesses.

The Forum was particularly interested to hear from the Council’s employee to understand what life was like for him and what difficulties he faced as a direct result of receiving a low wage coupled with the cost of living. They could also explore what it would mean to this individual if he were in receipt of the Living Wage and what impact this would have for him and his family. This employee felt that the Living Wage should be pushed forward and implemented as it would benefit everyone on a low wage. He commented that the cost of

living is always rising but his wage, in comparison, has not. His input to the Forum, which demonstrated the practical difficulties of his situation, proved extremely helpful and provided Members of the Forum with first hand information and the opportunity to ask many questions.

It was becoming increasingly apparent that the Forum should concentrate on where the Council as a whole (and its partners) could make a difference to Exeter residents and this would involve prioritising the main areas to be investigated whilst also considering impact and baseline.

The priority areas were identified as **Housing** and **Wages**.

It was agreed that two working “sub groups” would be created from the existing Forum Members to discuss and identify research areas whereupon they would feed back their findings to the main Forum.

The specific (but not exclusive) remit of each sub group was defined as:-

Housing

- ✚ Cost of private sector rental and issues surrounding that.
- ✚ Mortgages and issues around other housing options such as affordable housing.
- ✚ Fees and charges.

Wages

- ✚ Are jobs not paid enough and need to be paid better? (Low wages).
- ✚ Availability of higher skilled jobs? (Higher skilled jobs usually equate to higher paid jobs).
- ✚ Underemployment – zero hours contract.
- ✚ Pressure on employers – the impacts and pressures affecting decision making.
- ✚ The impact that the living wage could have in Exeter.

The Forum concluded that that there was a specific need to encompass an “Evidence Based Review” and to consider Business Rates and costs which formed part of the equation.

The Housing Sub Group

The Housing Sub Group met in December 2013 and identified the following issues for research and consideration:-

- The cost of private sector rental.
- Whether students are influencing private sector rental and whether they are better able to afford the cost?
- Condition of rental properties.
- Should Exeter University build further student accommodation this would have an effect on the private rental sector within Exeter.
- What is the standard of living for the individual who lives in Exeter?

- What makes people decide to live in or out of Exeter when they work in Exeter? It was considered that there could be reasons such as family base or schools for children

The Group considered that it would be important to view the whole picture rather than concentrate on isolated areas only but that accurate and local research was required on which the Forum could confidently recommend a way forward.

It was ascertained that two questions should be considered by the main Forum:-

- (a) How far should we go with the research on Housing?
- (b) How much should the Council consider spending on obtaining that research?

Exeter University representatives agreed to provide research recommendations and a costing which the main Forum could consider. They would also formulate research questions based on the Forum's aims and objectives and the information from meetings so far, so that the Forum Members could identify the important questions and ascertain where the Council and respective organisations could make a difference.

The Group highlighted that the Housing Report (which was due to be placed before the Executive Committee in February 2014) dealt with research as to housing need in Exeter, taking into account investing in new housing and the way forward over the next 10 years in this respect. This was viewed as presenting an ideal opportunity for the Cost of Living Forum to feed into this piece of work.

Reference was made to the Welfare Reform Action Group Report which Devon County Council had produced (and which had been circulated to Forum members).

In summary, the Group agreed that an assessment was required as to:-

- *What the housing need and demand is in Exeter and how they differ.*
- *How do we measure that and how do we use this measurement?*
- *Are we meeting need?*
- *How is housing functioning in Exeter and how can we improve it?*

Wages Sub Group

The Wages Sub Group met in January 2014 and was initially provided with an overview on business rates and reliefs by the Senior Rates Officer. This was of particular benefit given that business rates have the potential to greatly influence the relationship between business and wages and more particularly whether employers are in a position to pay higher wages to their staff.

The Group highlighted that employee costs and fixed premises costs are the main expense for businesses and considered whether it would be possible to use the Living Wage to balance out business rates.

It became apparent that there was a real need to investigate what was happening at the lower end of the wages bracket (ie, the lowest 10% as their earnings have not risen since 2004 based on the statistical information available). Zero hours contracts were also discussed in the context of people being unable to obtain mortgages or satisfy private sector

rental prices and there was a concern that this current situation would not promote economic growth.

The Group agreed that they needed to concentrate their efforts on reviewing the situation for people with no options who were in receipt of the minimum wage. Another area which the Group felt could be influenced was encouraging an environment where more money is generated within the Exeter economy which would be good for businesses and therefore the people of Exeter.

It was recognised that Islington, York and Brighton Councils respectively had carried out a lot of work in persuading their local businesses to implement the Living Wage and it would be helpful for the Forum to hear from representatives of these Councils so that they could explain how they have achieved that.

It was agreed that the provision of the Living Wage really depended upon what employers could currently afford and it was recognised that the current margins for small businesses are very tight. However, when the economy starts to recover, and businesses start to do better, how could Exeter City Council encourage this benefit to be passed through to wages?

Following discussion of these points the Group was able to decide that further information was required in the following areas:-

- ✚ Wages data was essential but needed to be presented in a more “broken down way”.
- ✚ People in both the business community and working individuals should be asked whether zero hours contracts work for them.
- ✚ A need to establish what the real impact is in respect of low pay.
- ✚ Find out what the cost of low pay is to the City, economy and local services.
- ✚ Find out what the counter benefits are of higher pay.
- ✚ Establish what the pro’s and con’s are of the Living Wage, bearing in mind that one aspect to consider is that some companies will say that they can’t afford to pay the Living Wage.
- ✚ What areas can Exeter City Council influence in respect of pay?
- ✚ Employers need to be provided with evidence as to why it would be of benefit to introduce the Living Wage.
- ✚ A need to look at household income in tandem with the Living Wage.
- ✚ Obtain specific data regarding the wages of people who live in the City of Exeter.
- ✚ Survey a section of Exeter residents to find out if they work in Exeter and how many are paid below the Living Wage.
- ✚ Find out what the negative impacts of low pay are on businesses, individual and the public sector.
- ✚ Survey businesses to find out the cost of doing business and their thoughts around wages – particularly paying higher wages.
- ✚ Identify a Council that has already addressed these issues - could they visit the Forum to talk about their experiences and what they have done to resolve the issues?
- ✚ Produce an annual survey on earnings.

At the third meeting of the Forum, Members were able to hear from a representative of the Exeter branch of a national company regarding the Living Wage (which had recently been implemented by the company in its London outlets). The representative explained that the reason why they implemented the Living Wage (in London) was because they discovered that a lot of their staff were working three jobs at once – most people employed by them worked on part time contracts and implementation of the Living Wage was seen as allowing their employees to focus on one job and so that they could afford to eat properly. Feedback from staff in receipt of the Living Wage currently indicates that they are now able to concentrate on the one job and they can afford to look after themselves better. The company have also seen a reduction in the figures relating to sickness absence for employees and staff turnover. However, they hadn't rolled out payment of the Living Wage on a national level because it would prove too expensive. The main reason related to premises costs which currently ran at 26%. Taking this into consideration together with the expense of paying the Living Wage, the concept would fall "out of balance". The company would then be in a position where, if they paid the Living Wage nationally, they would be paying their staff more but wouldn't be able to afford the cost of the premises so shops would have to shut.

The Sub Groups also had the opportunity to report back to the Forum. A recurring theme indicated was a lack of accurate statistical data and further research was required and an issue which both Groups had identified. It had become clear that there were substantial gaps in the information and data currently available to the Forum and it would be unwise to base recommendations upon inaccurate information. In relation to what the Forum could hope to achieve within a reasonable timescale it was evident that a reliable baseline of statistics and information would be required (on a local level) so that trends could be monitored over a period of time. It was agreed that the Forum was ultimately looking for strategies and solutions in line with the key objectives they had set and if targeted, accurate evidence was available, this would allow Members to collectively establish a way forward. It was recognised that the success of Council policy and decision making is reliant upon sound and accurate information so that a balanced and informed view can be reached enabling sound policies to be invoked and good decisions to be reached.

More detailed, accurate and local research information could be achieved with assistance from Exeter University (Marchmont Observatory) and the Forum duly considered the University's research proposal.

The Forum established that the main question to ask was:-

"How much research do we need and what do we want to achieve?"

The main requirements were:-

- ❖ ***To obtain a clear set of indicators that we are confident in - a "Cost of Living dashboard" which can be used to inform policy making and decisions outside of the Forum.***
- ❖ ***To obtain a baseline of information on indicators.***
- ❖ ***To formulate a methodology which may be repeatedly used to collect information so that future trends can be measured.***

The Forum agreed to submit an interim report to Scrutiny Economy Committee requesting a recommendation to Executive for funding for the University research proposal. This research was seen as imperative to the continuation of this piece of work and further progression and ultimately recommendations could not be made without it.

The interim report was placed before Scrutiny Economy Committee on the 6th March 2014 and it highlighted that the results of the research could positively influence Council policy decisions in respect of Housing and Economy by:-

- Encouraging other employers to adopt the Living Wage.
- Driving up economic spend within the City if businesses are persuaded to adopt the Living Wage.
- Persuading employers to pay the Living Wage which could potentially decrease the burden on the State and the tax payer.
- To ascertain if improvements would be possible in respect of the Council's Housing Policy to increase affordability of housing thereby assisting Exeter residents.
- Providing good, reliable statistical information which would provide a sound basis for Council decisions in relation to investment.
- The results of the proposed research could be available to feed into and influence the 2014/2015 Scrutiny Work Programme.

The report recommendation was approved by Scrutiny Economy and on the 18th March 2014 the report was submitted to the Executive Committee which broadly welcomed this initiative. It was therefore resolved that the Executive would approve the research proposal and funding.

The Cost of Living Forum – where next?

The Cost of Living Forum represents an ongoing piece of work with Exeter University beginning their research in June 2014. Once the research has been completed the Cost of Living Forum will meet again to consider the results of the research and what potential impact it has in so far as implications are concerned together with establishing how the Council and its partners can make a direct difference to Exeter residents in respect of housing, wages, living costs and affordability.

Housing Allocation Scheme Task and Finish Group (Scrutiny Community)

The housing allocation system was identified as a priority area for review by Scrutiny Community. It was felt that the current system should be reviewed with consideration given to whether a streamlined and direct system for housing would be preferable to the current system. Exeter City Council could consider what schemes and systems other Local Authorities operated and compare these in order to see what worked well, what didn't and whether Exeter's existing scheme needed changing. Issues identified as causing problems with the current system included multiple bids and how Exeter allocates points. One of the main aims of the review was to ensure that a firm, but fair and robust system was in place which would naturally counteract these issues whilst ensuring that the public held a realistic expectation as to what Exeter City Council could offer.

Membership:-

Cllr Shiel (Chair)
Cllr Mitchell
Cllr Morris
Cllr Hannaford
Cllr Crow
Ms Bindu Arjoon (Assistant Director, Customer Access)
Mr Rupert Warren (Devon Home Choice Coordinator)
Mr Lawrence Blake (Housing Needs Manager)
Ms Sarah Richards (Housing Options Manager)

Remit:-

- Review how the Council allocates social housing stock available.
- What do we want any applicable Policy to achieve for us?
- What is the best model to deliver this objective? Does our current model deliver sufficiently or does the Council need to consider implementing a different model (with consideration given to available resources).

Review of this area would link in with the Councils aims and objectives by:-

- ❖ Meeting Housing Needs (Corporate Plan 2012 – 2014/Message from Leader).
- ❖ “Help me find somewhere suitable to live” (Corporate Plan 2012 – 2014/Our purposes).
- ❖ Ensuring that no-one spends a second night sleeping on the streets. (Corporate Plan 2012 – 2014/Key Actions).
- ❖ Preparing and consulting on the Affordable Housing Supplementary Planning Document to guide provision of affordable housing and the introduction of an increased requirement of 35%. (Corporate Plan 2012 – 2014/Key Actions).
- ❖ Setting fair and affordable council rents and using increased flexibility to decide how housing is allocated in Exeter. (Corporate Plan 2012 – 2014/Key Actions).
- ❖ Bringing privately owned empty homes back into use. (Corporate Plan 2012 – 2014/Key Actions).
- ❖ Encouraging the Private Sector Leasing and Extralet schemes to improve access to affordable private sector tenancies and drive up standards in private rental properties. (Corporate Plan 2012 – 2014/Key Actions).
- ❖ Improving the Council’s existing housing stock to high energy efficiency and sustainability standards. (Corporate Plan 2012 – 2014/Key Actions).
- ❖ “Providing suitable housing” and “Being a good landlord” in line with Portfolio Holder’s priorities.
- ❖ Ensuring that “The supply of housing should meet the needs of all members of the Community” (Core Strategy: Submission Core Strategy Policy CP5: Meeting Housing Needs : page 35).

The Group first met in December 2013 and it was soon established that it would be helpful to hear from a representative of a similar Authority to talk about their housing allocation scheme and how it worked. Firstly, the Group needed to review how the current housing allocation system worked in Exeter and the Devon Home Choice Coordinator was asked to provide a presentation which would encompass the history of the Devon Home Choice Scheme for the Group.

One aspect to consider was that as part of the Devon Home Choice Scheme, Exeter City Council enjoys a good working relationship with other landlords in Exeter (such as Housing

Associations for instance) and if the Council decided to depart from the Devon Home Choice Scheme that working relationship could be affected and this should be taken into account within the overall context of other issues.

The Group also identified a need for absolute statistics on why people are bidding and why they are turning down properties.

An overview of the Scheme was provided during the second meeting of the Group where it was explained that Devon Home Choice was a choice based scheme where properties were advertised. The Scheme is overseen by a management board consisting of representatives from all 10 Devon Authorities and 6 of the bigger Housing Authorities and if any changes to policy or approach are suggested the Members of the Board are required to take the proposals back to their individual Local Authority/Housing Association for approval.

The Scheme is meant to allow people the freedom to move around Devon but in actual fact it would appear that most people don't want to do that and would prefer to stay within their locality. Applicants can re-apply as many times as they like and bid for up to three properties a week on line. The Scheme is accessible to all which was construed as a potential flaw in itself because anyone could apply and therefore there are thousands currently on the waiting list. Applicants are placed in "Bands" and although Band E reflects those with no housing need, there had previously been a legal requirement to keep this band. However, since the Localism Act was introduced, this legal requirement became obsolete and therefore the Group considered that this was an aspect that could be changed to save Council resources in dealing with people, when in fact they had no discernible housing need nor chance of successfully bidding for a property.

The Group was interested to hear that other local Councils had recently reviewed this situation in respect of their schemes and some had now decided not to register Band E. Other Local Authorities were currently consulting on this issue particularly since the introduction of the Localism Act.

The figures available indicated that Exeter had more "Band B's" than other Authorities because of the way we assess Health and Well Being in connection with other organisations. It was highlighted that Band B contains a lot of people who are looking to move and contains a lot of "under occupiers", whereas Band A individuals were only in Band A for 4 weeks after which time they are actively reviewed to make sure that they are bidding.

Many aspects were discussed by the Group including preference to those who provide a positive community contribution and those people downsizing because of the tax implications.

It became clear that each individual Local Authority that was party to the Devon Home Choice Scheme could set the criteria of what they wanted as long as it was within the parameters of the Scheme. What became increasingly apparent to the Group was that the Devon Home Choice Scheme for Exeter required tailoring to Exeter's needs.

A representative from the Housing Department at Portsmouth Council attended the next meeting and informed the Group that Portsmouth operated a different housing allocation scheme which they devised themselves on the basis that it would primarily take into account the customers' needs which they felt were not being met under the previous scheme.

Portsmouth's current scheme was described as an "informed choice lettings scheme" working on a "triage" system which came into operation from the customer's first point of contact with the Council.

It was extremely beneficial for the Group to hear from the Portsmouth representative as its Members were able to ask a wide range of questions such as:-

- How does Portsmouth deal with the issue of particular people taking advantage of the system – for instance, people who put in multiple bids and refuse consecutive offers for questionable reasons?
- How does Portsmouth deal with the anti social behaviour issues? Are they tougher on these areas?
- Does Portsmouth have a "Band E"?
- Does Portsmouth award extra points for certain people? For instance, Armed Forces personnel or people in employment?
- How does the Portsmouth system work?
- What are Portsmouth's goals?
- How much interconnectivity is there between housing, council tax support and housing options? How far has Portsmouth gone with this aspect?
- Time taken to house people in relation to Portsmouth.
- How did the Welfare Reform affect Portsmouth?
- What measures do managers focus on at Portsmouth with regards to Housing Options?

As a result of the information provided by the Devon Home Choice Coordinator and the representative from Portsmouth Council, the Group was able to ascertain that Exeter City Council needed to:-

- Correct tenants' expectations to ensure a focus on those with higher need.
- Analyse property needs and housing standards and get the right balance which would be key to the success of the system (as the Council is often battling against limited resources and soaring demand).
- Test the implementation of ideas and changes in a "live" environment so that a proven concept is immediately available to ensure that the proposed changes would be sound. In other words, an absolute knowledge of what will happen is required so that the prospects of success are known beforehand, prior to changes being rolled out on a permanent basis.
- Ask the Customer exactly what they need when they come through the door, obtaining as much information as possible at the outset.
- Stem those who take advantage of the system by placing multiple bids and then refuse consecutive offers for questionable reasons.

The Housing Options Manager (working for Exeter City Council but also in connection with Teignbridge District Council) was able to provide the Group with valuable insight into how a local, neighbouring Authority is dealing with the issues which had been identified by the Group in relation to Exeter.

Following the Group's enquiries, the provision of information and Group discussion it was established that the following recommendations be made to the Scrutiny Community Committee for reference to the Executive for approval:-

- ✚ That the current Housing Allocation model (Devon Home Choice Scheme) should be kept and improved rather than replaced.
- ✚ Band E should be removed.
- ✚ A more efficient, fair, firm and cost effective way of managing the offers should be implemented therefore improving and streamlining service delivery and attracting savings – mainly by speaking with individuals face to face or over the 'phone rather than form filling and duplication of work.
- ✚ A culture change is needed within the Council when dealing with applicants. Changes in the way in which individuals are assessed are necessary, ie, the individual should not solely be assessed for their housing band but have their actual needs assessed and should then be directed towards the right Council Department or Organisation that would be in the best position to assist that individual and meet their "real" needs as this may not necessarily equate to a housing need.
- ✚ Drive towards finding the perfect accommodation for that specific individual first time (as per the Portsmouth model). Refusals are time consuming to deal with from a housing management point of view and finding out far more data at the outset along with multiple viewings should reduce the number of refusals.
- ✚ Three refusals should be the maximum allowed for each individual.
- ✚ The proposed changes should be the subject of a 6 week consultation before implementation, and this could be carried out by utilising mainly on line enquiries to stem the cost of the consultation. The consultation would include external partners such as Devon County Council, voluntary sector agencies, individuals who are on the housing register, partner housing associations and members of staff from whom views would be sought as to the proposed changes.
- ✚ There should be a 2 year residency test in order to establish the eligibility to apply for accommodation (in line with the Government's new Statutory guidance in this respect).
- ✚ Change the way in which properties are advertised – this was suggested as a selective measure rather than a blanket proposal and a change in advertising could be used as a tool with which to keep an area "balanced".
- ✚ Extra points should be made available, for instance, to people if they are able to demonstrate a need to stay in a particular part of the city because it is convenient for work, such as they currently walk or cycle to work, therefore moving would incur extra costs to a low income household, or, in an area/housing complex where there is a high number of long term workless households and the Council needs to help encourage a more balanced and sustainable approach.
- ✚ The Council could amend the current Housing Policy to protect against the concern that an individual could be the subject of

redundancy therefore putting that individual in a “non working” situation which is not of their making and which could, if the Council were not astute, place that individual at a disadvantage for the purposes of the Housing Register.

- ✚ Utilising local lettings plans so that a balance of different individuals with different needs is maintained.

The Assistant Director, Customer Access and the Housing Needs Manager are currently preparing their report encompassing these recommendations.

Procurement Task and Finish Group (Audit and Governance)

The Audit and Governance Committee highlighted Procurement as an area which would benefit from specific review as it was apparent that the current process contained flaws which needed addressing. At present procurement is mostly dealt with on a “department by department” basis which demonstrates a real need to “join up” the areas. The Council needs to be sure that the statutory and legal obligations in respect of procurement are certainly understood by all those dealing with this area. The Legal Services Department and the Housing and Contracts Officer have already carried out work, in the interim, by updating the Council’s contract regulations, but this represented only one aspect of that which required addressing.

At the first meeting of this Group, it became apparent that some progress had already been made as an agreed budget was now in place for a dedicated Procurement Officer. However, that Officer had not been appointed yet and a Job Evaluation exercise was in the process of being set prior to advertisement of the post.

The Group was cautious of progressing this Task and Finish Group because any suggested improvements or changes to the procurement system could not be implemented until a Procurement Officer had come into post. However, the Group was keen to discuss the issues and set a scope.

Two key areas which the Group highlighted as key areas for consideration related to “compliance” and “minimising risk” and it agreed that it may be helpful to look at other Local Authorities to see how they dealt with these issues and the procurement process in general.

Members felt that a more efficient procurement process would potentially maximise the value of contracts entered into by the Council and ensure that the Council is getting the best deal, with the potential to save money in the process.

The Group heard from the Corporate Manager, Legal Services who highlighted points for the Group’s consideration, such as:-

- Part of the role of the Procurement Officer would be to see how the Council can procure goods and services at good value.
- Procurement has to be within a legal framework as the potential litigious and economic risks are high if the Council get it wrong.
- There is an opportunity for the Council to save money on existing contracts.
- The current procurement process could be improved.

- There is a need for a robust training programme for Members and Officers, once a dedicated Procurement Officer is in post. Such training could also be offered within the Induction Training for Members.
- Standing Orders relating to Procurement will need to be the subject of revision and this task will be possible once the Procurement Officer is in post.
- Officers need to work out what the value of the contract is and this is where experience and expertise is currently lacking.
- Effective contract management is required as well as a good procurement process.
- Procurement is a massive area taking into account entering into contracts, the management of those contracts and the relationship with people involved in those contracts both internally and externally.

Following discussions, the Group was able to establish issues which required specific consideration and these related to:-

- Compliance and risk – to minimise the chance of litigation against the Council.
- Value – are we getting the best value out of our contracts?
- Impact of our commissioning decisions.
- Training/member briefing on Procurement.
- Consideration of impact areas.
- Guidelines available for any Service Manager who needs to procure.

The Group also felt that there may be a need to look at commissioning models in order to consider alternative models; to look at how many contracts are outsourced and to review service delivery. As procurement is such a wide ranging subject, the Group identified that it must tailor its review to specific areas. The following questions required answers:-

“What’s out there?”

“What’s acceptable?”

“Are we achieving value for money?”

The Group agreed that it would be helpful to schedule the next meeting once the Procurement Officer was in post as it would be crucial for this Officer to have input into this Group because the Officer would be responsible for implementing changes or improvements to the procurement process.

The Scrutiny Work Programme 2014/2015 : Current Aims, Existing Workload and Target

Following the progress made in respect of the Council’s scrutiny function over the past 10 months and since the appointment of a dedicated Scrutiny Programme Officer, it is now possible to more effectively organise the Scrutiny Work Programme for the year ahead, liaising with Members to identify priority areas for investigation, set tasks, set targets and project some of the existing Task and Finish Group work for the 12 month period ahead.

The following points do not take into account the Task and Finish Group suggestions that will be provided by Members at the Annual Work Programme Meeting (in July 2014), but is designed to provide a flavour of the direction of the Scrutiny Work Programme for the year ahead:-

- Members and Officers to re-assess the existing Scrutiny Work Programme for 2014/2015 through the Annual Scrutiny Work Programme Meeting (14/07/14).
- Members to identify areas for possible Task and Finish Group investigation and prioritise these, particularly against other areas identified during the 2013/2014 programme.
- Scrutiny system changes (already identified) to be implemented subject to Executive and Full Council approval.
- To continue the work of the Cost of Living Forum to identify how Exeter City Council and its partners may improve the quality of life and affordability of living for the residents of Exeter.
- Health and Well Being - to instigate the scrutiny of the Public Health Plans (in line with DLGSG recommendations).
- To instigate scrutiny review of the Housing Revenue Account.
- To conduct a spotlight review of the Council's current twinning arrangement and funding.
- To conduct a spotlight review of Community Patrol and the need for Out of Hours Operatives.
- To continue with the work of the existing Procurement Task and Finish Group.
- To reach and exceed a target of 8 Task and Finish Groups to be completed within the period 1st August 2014 to 30th April 2015.

Possible improvements based on the experiences of 2013/2014

- Task and Finish Group member nominations should be received more quickly. Therefore, nominations will be requested following the Annual Scrutiny Work Programme meeting (scheduled on the 14th July 2014) and will be required by 29th July 2014 (Full Council Meeting). This will enable the Task and Finish Group workload to be structured with the initial Groups commencing from August 2014. This will minimise delay whilst maximising the potential volume of Task and Finish Groups for the period running between 1st August 2014 to 30th April 2015.
- To improve the collaborative working relationship between the Scrutiny Committees and the Executive, inviting Members with a leading role in both Scrutiny and Executive Committees to the regular Scrutiny "rolling review" meetings.
- To encourage Members to utilise "spotlight reviews".

Conclusion and Thanks

Scrutiny is an ever evolving process at both local and national level and improvements to the scrutiny function should be viewed as an ongoing process with continued improvement in mind. The Scrutiny process provides Members with the chance to examine the workings of the Council and get directly involved in the development of Council policy. Through effective scrutiny, Members can ensure that the work of the Council is subject to democratic checks and that the provision and delivery of services is continually improved where possible. It

also presents an opportunity for the views and needs of the local community, stakeholders and local organisations to be taken into account.

Members' suggestions covering all aspects of scrutiny, including topics for potential investigation, are always welcomed during formal scrutiny committee meetings or via direct contact with the Scrutiny Programme Officer or Chairs/Deputy Chairs of the relevant Scrutiny Committees.

Successful scrutiny function depends upon maintaining a good, collaborative working relationship between Members and Officers throughout the Council together with external partners, local people and communities which will serve to maximise the potential benefits in many areas not only for the Council, but more importantly, the residents of Exeter. The Scrutiny Programme Officer would like to take this opportunity to thank all those Members, officers and external organisations who have participated in the Task and Finish Groups and consultations to date.

For further details regarding scrutiny at Exeter City Council please contact the Scrutiny Programme Officer:-

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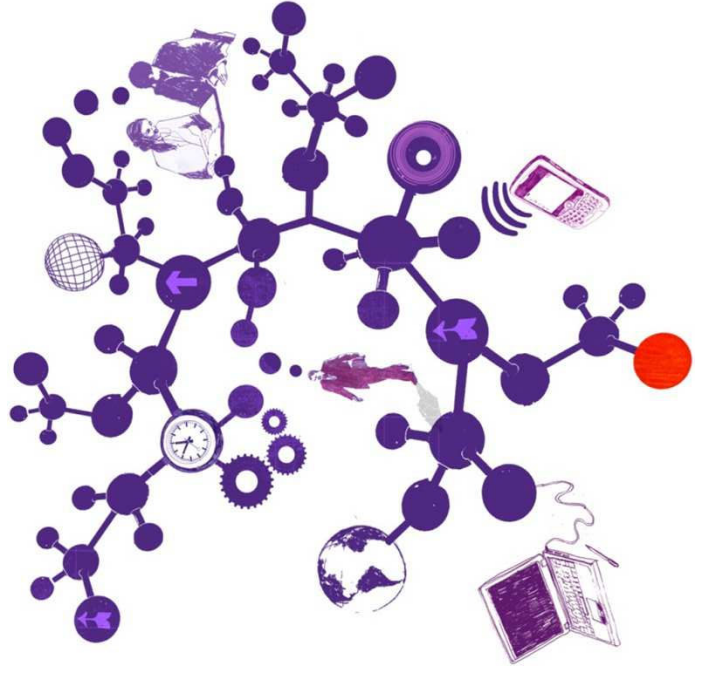
Audit and Governance Committee Update for Exeter City Council

Year ended 31 March 2014

Committee Date: 25 June 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a District Council
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress at 9 June 2014

Work	Due By	Complete	Comments
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • initial risk assessment to support the Value for Money conclusion. 	April 2014	Yes	Our interim audit work was completed in April 2014. We have reported our findings in our 2013/14 Accounts Audit Plan, which is a separate agenda item for the Audit and Governance Committee meeting on 25 June 2014.
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	June 2014	Yes	We will present our 2013/14 Accounts Audit Plan to the Audit and Governance Committee on 25 June 2014.

Progress at 9 June 2014

Work	Due By	Complete	Comments
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • detailed work to support the VFM conclusion • proposed opinion on the Council's accounts • proposed Value for Money conclusion • Whole of Government Accounts (WGA) opinion 	September 2014	Not yet due	<p>We have been working with your finance team regarding the audit of your financial statements for the year ended 31 March 2014 and have met with them to discuss the major issues in 2013/14.</p> <p>Our financial statements audit will be completed before the Audit and Governance Committee scheduled for 24 September 2014.</p> <p>The deadline for the WGA submission is 3 October 2014 and we will ensure that this deadline is met.</p>
<p>2013-14 VFM Conclusion We are required to assess whether Exeter City Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> • securing financial resilience • challenging how it secures economy, efficiency and effectiveness 	September 2014	Not yet due	<p>We have completed an initial risk assessment and have included the results of this in our audit plan for discussion with the Audit and Governance Committee on 25 June 2014.</p>
<p>2013-14 certification work This work is expected to cover:</p> <ul style="list-style-type: none"> • Housing benefits. • Housing capital receipts. 	November 2014	Not yet due	<p>We are not required to certify the Council's non domestic rates return for 2013/14.</p> <p>We will produce a certification plan for discussion at the September 2014 Audit and Governance Committee.</p>

Audit fees remain unchanged

2014/15 Audit fees

The Audit Commission has recently set its proposed work programme and scales of fees for 2014/15.

We wrote to the Council on 2 April setting out the audit fee for 2014/15 and this letter is attached to this update.

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £76,283, which is identical to the audit fee for 2013/14.

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses. We will communicate the outcome of our planning work to the Audit and Governance Committee.

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

The Council's composite indicative grant certification fee has been set by the Audit Commission at £13,380.

Understanding your accounts – member guidance

Accounting and audit issues

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

We have provided copies of the guide to Local Authority accounts to the Council's Assistant Director, Finance for distribution to the Audit and Governance Committee. The other guides are included at the end of this update.

Issue for consideration

Have members referred to this guidance?

Accounts – our top issues

Accounting and audit issues

Key issues for the 2013/14 closedown

Based on the queries we have received from clients and audit teams, here is a list of the key issues to consider for the 2013/14 closedown at Exeter City Council.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations is sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
 - Have you considered provisions for business rates and equal pay?
 - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
 - Is there a robust evidence based methodology to support the estimate?
 - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, Is their robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS 19 pension costs? Have comparatives been restated?

Accounts – our top issues (contd)

Accounting and audit issues

6. In the pension accounts, have the following disclosures required by the Code been included that are in addition to those set out in the CIPFA example pension fund accounts:
- the relationship between net assets available for benefits and the present value of promised retirement benefits
 - an accounting policy for measurement of assets held at amortised cost.

Issue for consideration

Has your Assistant Director, Finance reviewed the closedown issues and assessed the potential impact for your financial statements?

Accounts – CIPFA bulletin

Accounting and audit issues

LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 98](#). The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- public health reform
- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting
- accounting for pension interest costs in relation to current service cost and pension administration costs.

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 .

Issue for consideration

Has your Assistant Director, Finance reviewed the guidance and assessed the potential impact for your financial statements?

Not to be rubbished, £464 million potential savings

Local government guidance

Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said

"in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive"

Issues for consideration

Has the Council used the Audit Commission briefing paper to consider how their:

- overall spending on household waste management has changed over time?
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time?
- spending on different components of waste management compares with authorities that have similar or better performance?

Assessing the costs and benefits of local partnerships

Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said

"this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

Issue for consideration

Has the Council considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

Working in tandem – Local Government Governance Review 2014

Grant Thornton

Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Issues for consideration

- Our report includes a number of case studies summarising good practice in risk leadership, partnerships and alternative delivery models and public communication. Has the Council reviewed these case studies and assessed whether it is meeting good practice in these areas?
- Our report includes key questions for members to ask officers on risk management and alternative delivery models. Are these issues being considered and responded to by officers?

Getting to grips with Local Government Accounts

Grant Thornton

Local Government Audit Committee Summer Workshops

Local Government accounts have become increasingly complex and hard for even finance professionals to understand.

There are also increasing expectations about openness, accountability and transparency in reporting.

The role of an audit committee member to provide assurance to the Council that the accounts are properly put together and audited is not an easy one.

Drawing on Grant Thornton's 2014 publication 'a guide to local authority accounts' referred to on page 7 of this update, we are hosting a series of free workshops across the South West which aim to:

- Unlock the mystique of the accounts by explaining the purpose and main features of all the main statements and notes;
- Assist Audit Committee members to understand and challenge the key issues of importance;
- Explain how auditors engage with Audit Committees throughout the entire audit process;
- Help Audit Committees better understand the structure and principles of an external audit; and
- Enable members to network with members from other councils and share good practice.

There will also be time for discussion and networking.

Invitations have recently been sent out, but please speak to your Engagement Lead or Audit Manager if you have not received an invitation or if you would like any further information on these workshops.



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2 April 2014

Dear Dave

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council's along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £76,283, which is identical to the audit fee for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £13,500.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	19,071
December 2014	19,071
March 2015	19,071
June 2015	19,070
Grant Certification	
December 2015	13,500
Total	£89,783

Outline audit timetable

We will undertake our audit planning and interim audit procedures early 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in August 2015 and work on the whole of government accounts return in September 2015

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January and February 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to September 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.

Phase of work	Timing	Outputs	Comments
VfM conclusion	January to September 2015	Audit Findings (Report to those charged with governance)	As above
Financial resilience	January to September 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2015	Grant certification report	A report summarising the findings of our grant certification work

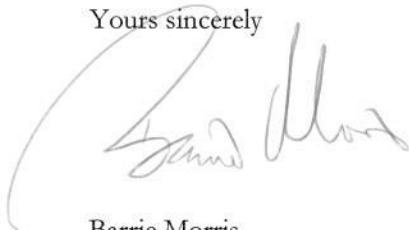
Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed with a detailed project specification and fee being agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact John Golding our Public Sector Assurance regional lead partner (john.golding@uk.gt.com).

Yours sincerely



Barrie Morris
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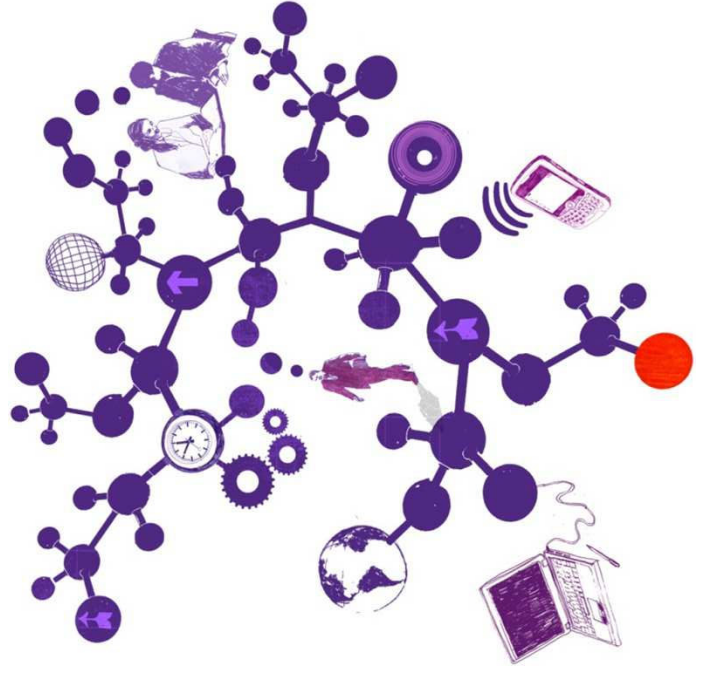
The Audit Plan for Exeter City Council

Year ended 31 March 2014

9 June 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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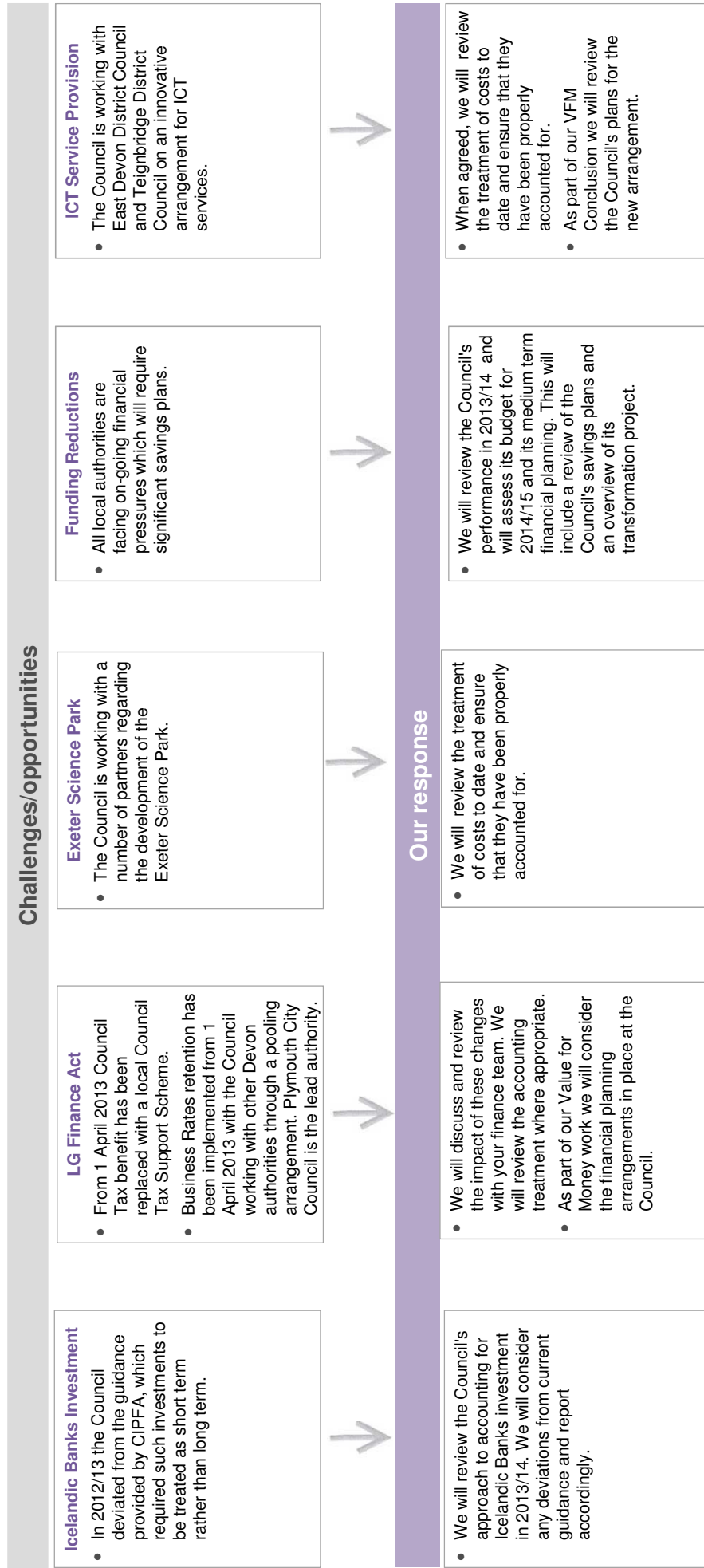
1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Results of interim work
8. Value for Money
9. Logistics and our team
10. Fees and independence
11. Communication of audit matters with those charged with governance

Appendix

Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



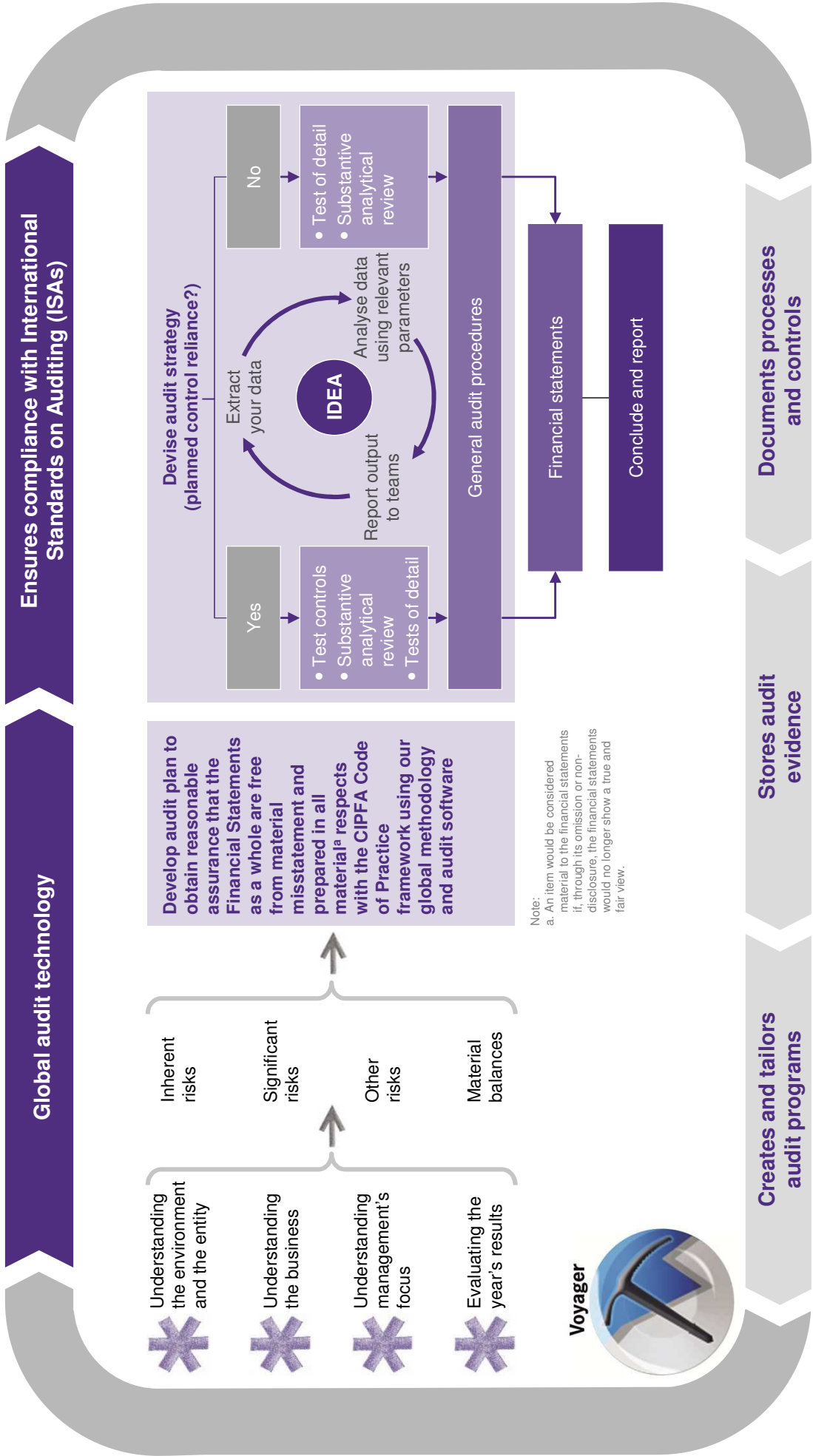
Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements					
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice. • Clarification of Code requirements around PPE valuations. • Changes to NDR accounting and provisions for business rate appeals. 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement. • Welfare reform Act 2012. 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS). • Explanatory foreword. 	<p>4. Pensions</p> <ul style="list-style-type: none"> • The impact of 2013/14 changes to the Local Government Pension Scheme (LGPS) 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource. • Progress against savings plans. 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion. • The Council completes grant claims and returns on which audit certification is required.

Our response		
<ul style="list-style-type: none"> • We will ascertain if the Council has complied with the requirements of the CIPFA Code of Practice, focusing on the treatment of revaluation of PPE and business rate appeals. 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance. 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge
<ul style="list-style-type: none"> • We will review how the Council has dealt with the impact of the 2013/14 changes through our meetings with senior management. 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan. • We will undertake a review of Financial Resilience as part of our VFM conclusion. 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements. • We will certify grant claims and returns in accordance with Audit Commission requirements.

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of revenue recognition policies. • Testing of material revenue streams . <p>Further work planned:</p> <ul style="list-style-type: none"> • Further review and testing of revenue recognition policies. • Testing of material revenue streams.
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management. • Testing of journal entries. • Review of unusual significant transactions. <p>Further work planned:</p> <ul style="list-style-type: none"> • Further review of accounting estimates, judgments and decisions made by management. • Testing of journal entries. • Review of unusual significant transactions.

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period.	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction. Substantively tested a sample of operating expenses. 	<ul style="list-style-type: none"> Substantive testing of material expenditure streams for the remainder of the 2013-14 financial year. Substantive testing of significant creditor balances. Review of creditors / liability balances for unusual amounts. Review of after date payments to ensure all liabilities identified.
Employee remuneration	Employee remuneration expenses not correct.	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction. Substantively tested a sample of remuneration transactions. 	<ul style="list-style-type: none"> Substantive testing of employee remuneration expenditure for the remainder of the 2013-14 financial year. Review of the year end control account reconciliation. Review of year-end liabilities.
Welfare Expenditure	Welfare benefits improperly computed.	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction. 	<ul style="list-style-type: none"> Completion of specific Audit Commission's housing benefits subsidy modules and substantive testing.
Housing Rent Revenue Account	Housing revenue transactions not recorded.	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction. 	<ul style="list-style-type: none"> Analytical review of housing rent revenue Review of control accounts. Review of unusual amounts.
Property, Plant & Equipment	PPE activity not valid.	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction. 	<ul style="list-style-type: none"> Substantive testing of samples of PPE assets re existence, ownership, additions and depreciation.
	Revaluation measurement not correct.	<ul style="list-style-type: none"> To be completed as part of the financial statements audit once the valuation figures are known. 	<ul style="list-style-type: none"> Review of accounting entries in respect of any revaluations to ensure fully and accurately reflected in the accounts.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent service to the Council that contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our IT auditor is currently working on a review of the Council's IT controls. We will report our findings to the Council once this work is complete.</p>	<p>To date, there are no issues we need to report to the Audit and Governance Committee or reflect in our audit strategy.</p>

Results of interim audit work

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>A material weakness has again been noted as there is no authorisation process for journals prior to their posting. This was reported to the Council in 2012/13.</p> <p>We have undertaken detailed testing on journal transactions recorded to the date of interim audit, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>A material weakness has been identified as there is no authorisation process for journals prior to posting.</p> <p>Further testing of journals will be undertaken as part of the final accounts audit. This will include examination of the remaining months of the financial year and year end journal processing.</p>

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

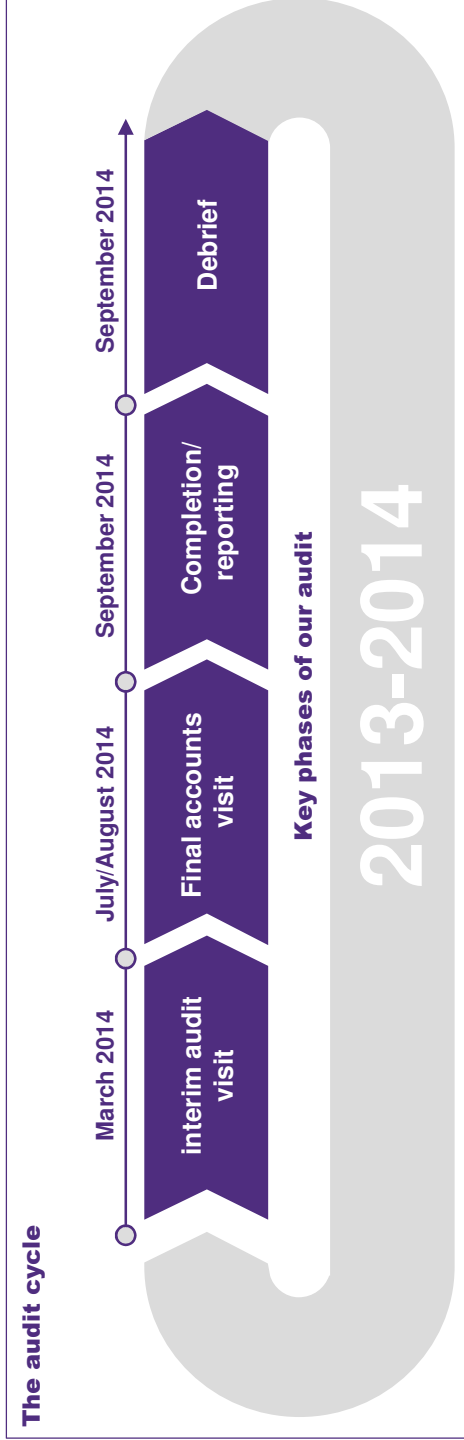
VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Review of the Council's budget for 2014/15 and its medium term financial planning. This will include the savings necessary to provide financial stability and the extent to which the Council's transformation project is delivering against this aim.
- Review of the Council's proposals for a shared ICT service.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

Key dates



Date	Activity
March 2014	Planning.
March 2014	Interim site visit.
June 2014	Presentation of audit plan to Audit Committee.
July and August 2014	Year end fieldwork.
September 2014	Audit findings clearance meeting with Assistant Director, Finance.
September 2014	Report audit findings to those charged with governance (Audit Committee).
September 2014	Sign financial statements opinion.

Fees and independence

Fees

	£
Council audit	76,283
Grant certification	13,380
Total	89,663

Fees for other services

Service	Fees £
None	Nil

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings report
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendix

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should introduce a sample-based approach to journal review and authorisation covering all journals.	Medium		



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REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 25 June 2014

Report of: Assistant Director Finance

**Title: CODE OF CORPORATE GOVERNANCE & ANNUAL GOVERNANCE STATEMENT
– 2013/14**

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 The report sets out the proposed updated Code of Corporate Governance and the Annual Governance Statement that will accompany the Council's Statement of Accounts for 2013/14.

2. Recommendations:

It is recommended that:

2.1 Audit and Governance Committee supports and Council approves the updated Code of Corporate Governance for 2014/15;

2.2 Audit and Governance Committee supports the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2012/13; and

2.3 Council note and approve the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2012/13.

3. Reasons for the recommendations:

3.1 The Council is required to prepare and publish an Annual Governance Statement by Regulation 4 of the Accounts and Audit (England) Regulations 2011. It reports on the Council's performance against the Code of Corporate Governance. As the Code is out of date, it is necessary to update the Code to ensure that the Annual Governance Statement is accurate and meaningful.

4. What are the resource implications including non financial resources.

4.1 There are no resource implications contained within the report.

5. Section 151 Officer comments:

5.1 The production of the Annual Governance Statement is a statutory requirement.

6. What are the legal aspects?

6.1 The Annual Governance Statement complies with Regulation 4 of the Accounts and Audit (England) Regulations 2011

7. Monitoring Officer's comments:

8. Report details:

8.1 The Code of Corporate Governance on the Council's website is out of date. Although the previous section 151 officer used to incorporate the Code of Corporate Governance in the Annual Governance Statement, they should be separate documents. The updated Code is attached at Appendix A.

8.2 The Annual Governance Statement should include the following information:

- An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control);
- An indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide;
- A brief description of the key elements of the governance framework, including reference to group activities where those activities are significant;
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of:
 - the authority;
 - the executive;
 - the audit committee/overview and scrutiny function/risk management committee/standards committee (as appropriate)
 - internal audit
 - other explicit review/assurance mechanisms
- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

8.3 The Annual Governance Statement is attached at Appendix B.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 This is a statutory requirement and does not contribute directly to the Council's Corporate Plan.

10. What risks are there and how can they be reduced?

10.1 There are no direct risks associated with this report

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

11.1 Not applicable

12. Are there any other options?

12.1 Not applicable

Dave Hodgson, Assistant Director Finance

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:

Democratic Services (Committees), Room 2.3, 01392 265275

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EXETER CITY COUNCIL

CODE OF CORPORATE GOVERNANCE 2014/15

1. SCOPE OF RESPONSIBILITY

- 1.1 Exeter City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is 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.
- 1.3 The City 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.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled together with activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its purposes and to consider whether those purposes have led to the delivery of appropriate, cost-effective services.
- 2.2 The Council's 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. There is an ongoing process designed to identify and prioritise risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Exeter City Council for the year ended 31 March 2013 and up to the date of approval of the Annual Statement of Accounts. The Council supports the six core principles set out in *The Good Governance Standard for Public Services (2004)* developed by the Independent Commission on Good Governance in Public Services. The following paragraphs describe the arrangements in place to meet the six core principles of effective governance.

3. PRINCIPLE ONE - FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA

- 3.1 The Council aims to use resources effectively and provide high performing, value for money services that focus on customer needs.
- 3.2 We have a comprehensive performance management framework that supports the effective monitoring and management of performance. The main elements of our performance management arrangements are summarised below:-

- **The Exeter Vision** is the city's community strategy. It was written in consultation with key partners in the city. It sets out the priorities for the city.
- The Council's **Corporate Plan 2012-14** and its **Purposes** support the themes of the Exeter Vision. They are reviewed regularly.
- Each member of staff has an **Annual Growth & Development Review** where they review performance against targets and set objectives for the forthcoming year.
- The availability of quality, timely, accurate and comprehensive performance information is critical for the Council's decision-making process. **Performance measures** are monitored by each Service and are reported to the Strategic Management Team on a Monthly basis. They include financial performance, key issues logs, and areas of risk alongside traditional performance indicators. Any issues are reported to the Transformation Board, consisting of the Council's Portfolio Holders.
- Finally, the website and the Exeter Citizen are used to communicate performance to the public. A summary of our key achievements and overall performance is available on the website and publicised with Council Tax bills.

3.3 A range of financial management measures are in place to ensure the effective use and management of resources including: -

- A medium-term financial plan covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements.
- Budget Monitoring is reported to Councillors quarterly, and is reviewed monthly by the Strategic Management Teams. This is supported by an established budget monitoring process by managers and Finance staff.
- Standing Orders and Financial Regulations contained within the Council's Constitution set out the overall framework that governs the management of the Council's finances.

3.4 The Council operates a complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve.

4. PRINCIPLE TWO - MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES

4.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. This is contained in the Council's Constitution which sets out how the Council operates and how decisions are made. In particular it sets out a clear statement of the roles of committees, the full council, members and senior officers.

4.2 The Constitution also includes a Member/Officer Protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.

4.3 All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. The Audit & Governance Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management and internal control arrangements.

- 4.4 The Council's Chief Executive & Growth Director (Head of Paid Service) leads the Council's officers and chairs the Strategic Management Team.
- 4.5 The Assistant Director Finance, as the s151 Officer, carries overall responsibility for the financial administration of the City Council.
- 4.6 The Monitoring Officer (Corporate Manager Legal Services) carries overall responsibility for regulatory compliance.
- 4.7 When working in partnership the Council will ensure that:-
- Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council;
 - Representatives understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.
- 5. PRINCIPLE THREE - PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR**
- 5.1 To ensure that members and officers exemplify good standards of behaviour the Council has in place appropriate codes of conduct. These clearly set out the standards of conduct and personal behaviour expected of members and officers. In particular, the codes put in place arrangements to ensure that members and officers of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.
- 5.2 The Council takes fraud, corruption and maladministration very seriously and has in place the following which aim to prevent or deal with such occurrences: -
- Anti-fraud, Anti-Bribery and Anti-corruption Strategy;
 - Whistle Blowing Policy;
 - Human Resources Policies and Procedures regarding the disciplining of staff involved in such occurrences;
 - Fraud reporting facility on the website.
- 5.3 The Council's Audit & Governance Committee advises the City Council on the adoption of Codes of Conduct with the aim of promoting and maintaining high standards of conduct by members and officers and the subsequent monitoring and updating of the codes.
- 5.4 The Council has a complaints procedure in place to receive and investigate any complaints that are made.
- 6. PRINCIPLE FOUR - TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK**
- 6.1 The Council's Constitution sets out how the Council operates and the processes for policy and decision making.

- 6.2 The full Council, comprising 40 Members, meets several times each year to decide the Council's overall policies and set the budget. In addition to recommending major strategies to the Council, the Executive is responsible for the most significant and day to day decisions which are not delegated to officers. There are three scrutiny committees which scrutinise the work of the Executive and the Council as a whole. They consider issues and review services within their remit and make recommendations to the Executive and the Council on its policies, budget and service delivery issues. Scrutiny Committees also monitor the decisions of the Executive and can in certain circumstances "call-in" a decision which has been made but not yet implemented. In June 2013, the Council set up the Audit & Governance Committee, which is independent from the Executive and reports directly to Full Council. Its role is to approve and review the work of Internal Audit, monitor risk and governance issues, approve the Council's Statement of Accounts and respond to all External Audit reports.
- 6.3 The Forward Plan, which is published on a monthly basis, identifies key decisions which are likely to be made, either by the Executive or the Council, in the following four month period.
- 6.4 Other decisions are made by officers under delegated powers. The list of decisions made by officers in consultation with portfolio holders is maintained by Member Services, to whom completed delegated powers forms are sent. The decisions are also recorded on the Council's intranet. A record of delegated decisions in relation to staffing matters is maintained by Human Resources.
- 6.5 Policies and procedures governing the Council's operations include:-
- Financial Regulations and Standing Orders;
 - Access to Information (incorporating Data Protection and Freedom of Information);
 - Risk Management;
 - Business Continuity.
- 6.6 Internal Audit is an independent appraisal function that reviews all of the Council's activities, both financial and non-financial. Internal Audit provides a service to the whole Council in order to provide assurance on the arrangements for risk management, internal control and corporate governance, and to provide advice to support achievement of best practice.
- 6.7 Exeter City Council is committed to the effective management of risk at every level within the Council. A Risk Management Policy has been established that states the Council's objectives, approach, procedures and responsibilities. To support the policy, risk management procedures have been produced that explain how the Council's risk management process works. The procedures show the various documents used, and explain how the risk analysis form should be completed. The Council's risk management process is audited on a regular basis by its Internal Auditors using the enhanced systems based auditing approach they devised.
- 6.8 The Council maintains a corporate risk register. Its purpose is for reporting quarterly to the Audit & Governance Committee - the 'High', 'Medium' and 'Low' corporate risks, mitigating actions agreed and taken, etc. so that risk management progress can be monitored.

- 6.9 Financial management processes and procedures are set out in the City Council's Financial Regulations and include the following:-
- Financial Management Responsibilities
 - Financial Planning
 - Control of Expenditure and Income
 - Banking Arrangements
 - Disposal of Assets
 - Insurance
 - Orders and Payment for Goods, Work or Services
- 7. PRINCIPLE FIVE - DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS**
- 7.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new members and officers undertake an induction to familiarise them with the policies, procedures, values and aims of the Council. The Council has also signed up to the South West Charter for elected Member Development.
- 7.2 There is a Councillor Development Framework which broadly outlines the skills and knowledge required by Councillors to perform their different roles and provides an indication of how they might carry them out effectively. It is not intended to be exhaustive or prescriptive but to provide a structure for officers to develop learning & development programmes and act as a prompt for new and existing Councillors to identify areas where they need support. This support could be in the form of information, training, facilitated workshops, coaching and mentoring, or opportunities to learn from observation. The framework is designed to be flexible, so that Councillors can work with officers to identify the most effective methods to meet learning development needs.
- 7.3 The Council has also developed its own Councillors' Information Portal. This gives members access via the intranet to a wide range of information on a range of key topics.
- 7.4 The Council recognises that the quality of the services provided by the Council depends on the quality of its employees. The Growth & Development Review is the way in which employees and their managers can identify their training and development needs and one way in which managers can talk to their staff about their work and the work of the Council.
- 7.5 A full programme of training and development is available to all managers to provide them with the understanding, knowledge and skills to carry out their managerial responsibilities effectively. This is managed centrally to achieve cost savings while enhancing equality of opportunity of accessing resources.
- 8. PRINCIPLE SIX - ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY**
- 8.1 As a community leader the City Council works with numerous partners to contribute to the overall quality of life in the city, but it is also concerned with providing the highest quality public services and the widest access to those services. Individual services are continuously assessing service levels and making improvements in line with legislative requirements and customer feedback.

8.2 The Council has a continuous programme of consultation and engagement with its residents and communities which informs its activity. A range of methods are employed to ensure that it hears the views of all our residents. These include:

- Surveys – used to obtain detailed feedback about services;
- Focus groups – used to obtain detailed feedback about services;
- Exhibitions and roadshows – used to launch new ideas and initiatives.

9. REVIEW OF EFFECTIVENESS

9.1 The City 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 managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and also by comments made by the external auditors and other review agencies and inspectorates.

9.2 The processes for maintaining and reviewing the effectiveness of the governance framework are: -

- Executive is responsible for considering overall financial and performance management and receives comprehensive reports throughout the year;
- Scrutiny Committee Resources monitors the overall financial performance of the Council;
- Audit & Governance Committee monitors the effectiveness of risk management, Internal Audit and the system of internal control. Budget monitoring reports are also presented to both Scrutiny Committee Economy and Scrutiny Committee Community quarterly;
- Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks and cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks are reported on a quarterly basis to the Audit & Governance Committee;
- The Monitoring Officer provides assurance that the Council has complied with its statutory and regulatory obligations;
- Annual reviews of the Council's financial accounts and records by the External Auditors leading to their opinion as published in the year-end statements;
- Ongoing reviews of strategic and operational risks in each service area and the conduct of risk analysis and management in respect of major projects undertaken by the Council;
- Reviews and, where appropriate, updates of the Council's Financial Regulations and Standing Orders.

10. DATE OF NEXT REVIEW

10.1 The Code of Corporate Governance will be reviewed annually by the Section 151 Officer in consultation with the Policy Unit and presented to the meeting of the Audit & Governance Committee in March 2015.



Exeter City Council

APPENDIX B

Annual Governance Statement

2013/14

DRAFT

Scope of Responsibility

Exeter City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The 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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The 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. This statement explains how Exeter City Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, paragraph 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

The Code of Governance sets out the six principles of good governance and describes the arrangements the Council has put in place to meet each of these principles:

1. Creating and implementing a local vision
2. A common purpose for Members and Officers
3. Upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions
5. Developing the capacity and capability to be effective
6. Ensuring robust public accountability

A copy of the Council's code is available on our website at <http://www.exeter.gov.uk/Code>

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. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, but it seeks to provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on going process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

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

The Governance Framework

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Corporate Plan. The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

The local Code of Corporate Governance is reviewed annually through the Audit and Governance Committee. This last happened on 26 June 2013 and will be reviewed on 25 June 2014. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Strategic Management Team (SMT) which comprises the Chief Executive and Growth Director, Deputy Chief Executive, Assistant Directors, Corporate Managers and a Business Manager.

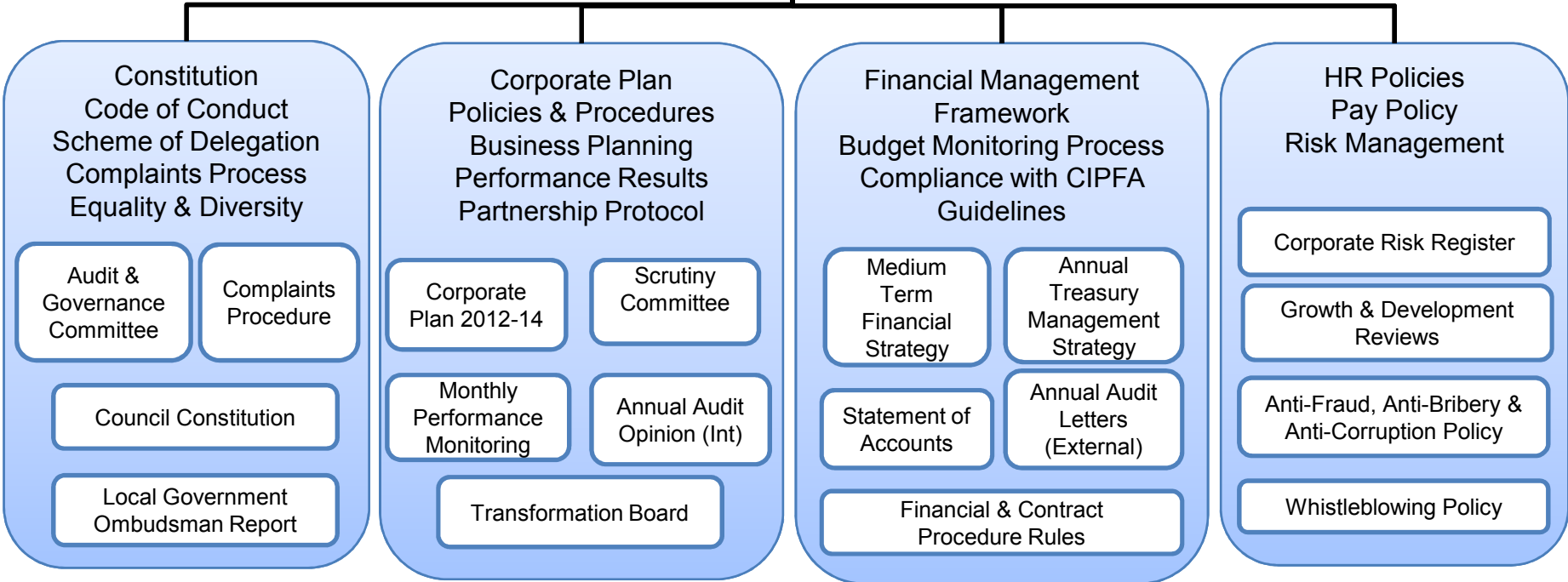
The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives. The Code of Corporate Governance sets out the controls in full.

Governance Framework

Annual Governance Statement (Meets Account & Audit Regulations and is published with Annual Accounts)



Code of Corporate Governance (The Council's commitment to good governance based on the six principles of CIPFA/SOLACE framework)



Review of Effectiveness

Exeter City 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 Strategic Management Team who have responsibility for the development and maintenance of the governance environment;
- ✓ the Audit Manager's annual report;
- ✓ comments made by the external auditors and other review agencies and inspectorates; and
- ✓ the Audit & Governance Committee review the elements of the governance framework that are in place and to ensure that it is effective complies with the 6 principles. They also reviewed the system of internal audit and concluded it was effective and remained a key source of assurance for the Council in 2013/14.

The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. The role is undertaken by the Corporate Manager Legal who attends every Full Council Meeting along with the Section 151 Officer, who is responsible for ensuring that all expenditure approved is legal.

Other key officers have also been consulted for their views on the standards of governance within the Council – specifically the

- ✓ Section 151 Officer,
- ✓ Monitoring Officer and
- ✓ Audit Manager.

The Audit & Governance Committee has monitored standards of conduct of Members and advised the Council on probity issues. Changes to, and entries made in the Register of Members' Interests were reviewed by the Monitoring Officer.

The Performance Management Framework has improved during the year. Monitoring information on key areas of performance has been provided to the Strategic Management Team for review and action, with key issues reported to the Transformation Board. Budget monitoring reports have been presented to all three Scrutiny Committees along with the Executive.

The Constitution is reviewed regularly to ensure it is up to date, and reflects best practice and legal requirements. The Monitoring Officer review Standing Orders during 2013-14. The Constitution is approved by Full Council.

In 2013/14 the Council responded to 522 customer complaints. All complaints were responded to by the relevant Assistant Director or Corporate Manager so that any issues identified could be actioned.

Review of Effectiveness

Internal Audit assessed corporate governance arrangements by measuring the Council against the requirements of the governance framework outlined in the CIPFA / SOLACE publication “Delivering Good Governance in Local Government”, and the results of this have been reported to the Audit and Governance Committee. The review of the effectiveness of the governance framework by the Audit and Governance Committee noted that there was some improvement required.

The Council’s Risk Management arrangements have been monitored throughout the year by the Audit & Governance Committee. Service risk registers are not yet in existence to underpin sound risk management. However there has been a major review of risk in respect of the Council’s key project – the leisure complex. Internal Audit will be completing a review of risk management during 2014-15.

All key systems were audited in 2013/14 and a total of 34 audit reports were provided to management and the Audit & Governance Committee.

The Code of Governance was found by Internal Audit to be out of date. The 2014/15 Code is to be approved by the Audit and Governance Committee in June 2014.

Based on the assurance work undertaken by Internal Audit, the Audit Manager has provided an opinion on the adequacy of the control environment which concluded that the key systems are operating soundly and that there are no fundamental breakdowns of controls resulting in material discrepancy. It should, however, be noted that all risks of failure cannot be eliminated, and the assurance given is therefore reasonable and not absolute. Isolated areas in which controls were below the required standard are reported initially to the relevant Assistant Director who ensures prompt corrective action is taken, and ultimately to the Audit and Governance Committee who monitor progress with improvements via follow up reports from Internal Audit.

In September 2013 the Council’s external auditor (Grant Thornton) provided the Council with an unqualified opinion on the Council’s accounts within their Annual Audit and Inspection letter, and a positive value for money opinion has been received in their Annual Governance Report.

In the 2012/13 Annual Governance Statement, four key issues were identified.

- Establish Audit & Governance Committee – complete
- Address recommendations by External Audit – complete (expect authorisation of journals)
- Update risk register – complete
- Internal Audit recommendations – ongoing.

Significant Governance Issues

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, seven issues have been identified that need to be addressed to ensure continuous improvement in the Governance Framework. The aim is to address these weaknesses during the 2014/15 financial year, by way of an action plan for improving the governance framework and system of internal control. This will be subject to regular monitoring by the Committee.

Issue No.	Issue Identified	Summary of Action Proposed
1	The Code of Corporate Governance is out of date and requires updating.	An updated Code of Corporate Governance will be submitted for approval to Full Council by July 2014.
2	During the year a number of internal audit reports identified some data quality issues, some more significant than others.	Managers are reminded of the importance of accuracy within data input, whenever the issue arises.
3	With considerable changes to the structure of the Council as it transforms the way in which services are delivered; separation of duties continues to be an area of concern.	Managers will continue to review the arrangements for separation of duties as a matter of course. No fundamental weaknesses have yet been identified.
4	The debtors system was found to have a fundamental weakness as reported to this committee on 27 November 2013. A follow up audit has amended the finding to significant improvement required.	The whole area of sundry debtors is to be subject to a review reporting back by the end of the 2014-15 financial year.

Significant Governance Issues

Issue No.	Issue Identified	Summary of Action Proposed
5	There are currently no service operational risk registers in place. This could mean that not all operational risks are being identified and managed.	As the corporate risk register beds in, services will be required to set up their own risk registers during this financial year.
6	The Council currently does not have a protocol for partnership working.	It has been agreed that this will be a priority for the Policy Unit. This will be reviewed by Internal Audit during the second quarter of 2014-15.
7	Although under review, the Council does not have an agreed Business Continuity process in place leaving the Council at risk of service delivery failure in the event of an incident.	The Council, with support from Zurich municipal is developing a detailed Business Continuity Plan during the 2014-15 financial year.

Approval of the Annual Governance Statement

Through the action referred to on the previous page, we propose over the coming year to address the issues that have been identified, with a view to further enhancing our governance arrangements. These steps will identify improvements that are needed and we will monitor their implementation and operation as part of our next annual review.

Signed:

Date:

Councillor Greg Sheldon
Chair of Audit & Governance Committee

Signed:

Date:

Dave Hodgson CPFA
Assistant Director Finance & Section 151 Officer

Signed:

Date:

Councillor Pete Edwards
Leader of the Council

Signed:

Date:

Karime Hassan
Chief Executive & Growth Director

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REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 25TH JUNE 2014

Report of: AUDIT MANAGERS

Title: ANNUAL REPORT OF INTERNAL AUDIT FOR THE YEAR ENDED 31 MARCH 2014

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function? COUNCIL

1. What is the report about?

The annual Internal Audit Report conforming to the Public Sector Internal Audit Standards and timed to inform the Council's Annual Governance Statement, including the quarterly update on the progress of Internal Audit work.

2. Recommendations:

Members are recommended to:

- 2.1 Note the contents of the Annual Internal Audit Report.
- 2.2 Decide whether the audit report recommendations not accepted by management, as detailed in Appendix C, are acceptable risks to the Council.
- 2.3 To approve an external assessment of the Internal Audit Service against the Public Sector Internal Audit Standards.

3. Reasons for the recommendation:

To comply with the Public Sector Internal Audit Standards and Corporate Governance best practice.

4. What are the resource implications including non financial resources.

None.

5. Section 151 Officer comments:

There are no financial implications to this report

6. What are the legal aspects?

7. Monitoring Officer's comments:

8. Report details:

8.1 The Public Sector Internal Audit Standards, which came into effect in April 2013, require that:

- The Audit Manager must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

- The annual report must incorporate:
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme

8.2 OPINION ON THE COUNCIL'S CONTROL ENVIRONMENT

a) Internal Control Statement

In accordance with the Accounts and Audit Regulations 2011 the Council is responsible for maintaining an adequate and effective system of internal audit.

It is the responsibility of senior management to establish an appropriate and sound system of internal control, and to monitor the effectiveness of these systems. It is the responsibility of Internal Audit to provide an annual overall assessment of the robustness of the internal control system.

The main objectives of the internal control systems are to ensure:

- compliance with the Council's policies, procedures and directives in order to achieve the Council's objectives
- high standards of Corporate Governance are achieved and maintained throughout the Council
- that assets are safeguarded
- the relevance, reliability and integrity of information, and the completeness and accuracy of records
- compliance with statutory requirements, recognised standards and best practice.

Systems of control can only ever provide reasonable, but not absolute, assurance that control weaknesses and irregularities do not exist, and that there are no risks of material errors, losses, fraud or breaches of laws or regulations. The Council is therefore continually seeking to improve the effectiveness of its systems of internal control.

Internal Audit is charged with continually reviewing the system of internal control system on behalf of the Council and its management. Internal Audit objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. The work of Internal Audit is based upon a risk assessment of the Council's financial and non-

financial systems, from which an annual audit plan is established that was referred to the Audit and Governance Committee in March 2013 for approval.

b) Basis of Opinion

Our evaluation of the control environment is informed by a number of sources:

- the work undertaken by Internal Audit during the year to 31 March 2014
- the acceptance of significant recommendations by management
- reports issued by the External Auditors
- risks identified in the Council's Corporate risk register
- the review of the adequacy and effectiveness of the Council's system of internal control as it relates to corporate governance, risk management and quality of data arrangements
- other sources of assurance and information

c) Public Sector Internal Audit Standards (PSIAS)

Internal Audit operates in line with the Public Sector Internal Audit Standards. This year a self assessment has been conducted to identify the level of conformance with the standard. The PSIAS has 326 elements of which Exeter's Internal Audit Service is compliant with 266, partially compliant with 20 and non compliant with 3 (the remainder were not applicable to Exeter). A summary of the self assessment findings are included in Appendix A along with the results of the quality assurance and improvement program.

In line with the standards Internal Audit must be independently assessed against the standard at least once every 5 years. It is proposed to appoint an external assessor to conduct a review during 2014. We seek this committee's approval to proceed with this.

d) Work undertaken in year

The Audit Progress Table shows the work completed during this year (see Appendix B).

A summary of the work undertaken by Internal Audit in the previous quarter is presented to this committee throughout the year, therefore only a summary of the work undertaken in the last quarter has been included to avoid duplication (see Appendix C). This also includes details of the recommendations not accepted by management during the last quarter and requires consideration by this committee.

In addition to the planned work, Internal Audit has also worked on a number of reported concerns and investigations. A summary of this work is included in Appendix D.

e) Areas of Concern

As a result of the audit work that has been undertaken throughout the year some issues, that have an impact on the organisation as a whole, have been identified. The main areas of concern that we wish to highlight are:

- i) Separation of Duties – with considerable changes to the structure of the Council as it transforms the way in which services are delivered; separation of duties continues to be an area of concern. There is a risk that inadequate separation of duties could weaken the system of internal control, resulting in an increased risk of irregularities, errors and fraud. Therefore, it is important that the introduction of new processes and changes to existing processes are effectively managed to ensure that essential internal controls are not compromised.
- ii) Data Quality – during the year a number of internal audit reports identified some data quality issues, some more significant than others. The decision making process relies on accurate data and data errors can have a financial impact on the Council, therefore, it is important that managers remind staff of the importance of accurate data input.
- iii) Debtors system – an audit of the debtors system identified this system to have a fundamental weakness as reported to this committee on 27 November 2013. Whilst the weaknesses in this system are unlikely to have caused a material discrepancy, it does mean that the Council has not been collecting its debts as effectively as it should. It should be noted, however, that follow-up audit work during 2013/14 has re-categorised this system to significant improvement required rather than fundamental weakness.
- iv) Service Risk Registers - The Corporate Risk Register was reviewed and updated in June 2013. However, there are currently no service operational risk registers in place. This could mean that not all operational risks are being identified and managed.

Effective management of service risks can help with:

- service delivery – increase in number of targets achieved, improved internal controls, added value across service areas
- financial performance – reduced level of fraud, increased capacity through reduction in decisions that need reviewing or revising, improved income generation
- human resources management – reduced staff turnover, absenteeism and stress
- corporate governance and compliance systems – fewer regulatory visits, reduction in legal challenges, increased public satisfaction

A full review of the Council's risk management process is currently in progress the results of which will be reported to the next meeting.

- v) Partnership Working Protocol - the Council currently does not have a protocol for partnership working.

Partnership working is playing an increasingly important role in the future of policy development and service delivery for the public sector. It is important to understand that partnership working at any level, however small or seemingly insignificant, may carry important legal and financial implications for the Council. Partnership working presents a number of challenges which need to be considered at the outset of any joint working venture.

A Partnership Working Protocol provides:

- clear guidance and allows a Council wide approach to developing partnership working initiatives
 - a framework within which partnership working across the Council can improve and develop practical advice and assists Council Officers, elected Members and external bodies who are actively involved in partnership working or who are considering entering into a partnership initiative
- vi) Business continuity – Although under review, the Council does not have an agreed Business Continuity process in place leaving the Council at risk of service delivery failure in the event of an incident.

Business Continuity (BC) is defined as the capability of the organization to continue delivery of products or services at acceptable predefined levels following a disruptive incident. (*Source: ISO 22301:2012*)

- vii) Risk of Fraud – the risk of fraud is a continual threat to any organisation and all managers and employees need to be proactive in preventing fraud. Employees have received anti-fraud training via an e-learning module but it is important to continue to maintain awareness of fraud risks.
- viii) Shared ICT Service – should this initiative be agreed this could have a significant impact on the Council as the organisation’s services are reliant on ICT, therefore it is important that any changes are carefully planned and managed. Internal Audit is continuing to seek assurances about the project as it progresses. The interim board has appointed Grant Thornton to review the business case and Internal Audit will be placing reliance on their work.

d) Opinion

From the audit work undertaken during the year, and despite the areas of concern that we have identified above, we consider that the key systems are operating soundly and that there are no fundamental breakdowns of controls resulting in material discrepancy.

However, as mentioned above, as no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, this statement is only intended to provide an opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council’s internal control system in the year to 31 March 2014.

9. How does the decision contribute to the Council’s Corporate Plan?

Good governance contributes to the Council’s purpose of a “Well Run Council”.

10. What risks are there and how can they be reduced?

N/A

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

N/A

12. Are there any other options?

N/A

Helen Putt & Helen Kelvey
Audit Managers

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:-
None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

Internal Audit Performance Management and Quality Assurance (including results of PSIAS self assessment)

The Public Sector Internal Audit Standards (PSIAS) state that the Audit Manager must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity and to demonstrate that the internal audit service is:

- (a) meeting its aims and objectives;
- (b) compliant with the PSIAS;
- (c) meeting internal quality standards;
- (d) effective, efficient, continuously improving; and
- (e) adding value and assisting the organisation in achieving its objectives

The results of the programme must be reported at least annually to the Audit and Governance Committee.

Performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the internal audit service as a whole.

This performance management and quality assurance framework must include, but is not limited to:

- A comprehensive set of targets to measure performance. The Audit Manager should measure, monitor and report appropriately on the progress against these targets;
- Seeking user feedback for each individual audit and periodically for the whole service;
- Periodic self assessments to evaluate conformance with the Code of Ethics and the Standards
- An external assessment every 5 years with the scope agreed by an appropriate sponsor; and
- An action plan to implement improvements.

Performance Indicators

There are no national performance indicators in existence for Internal Audit, but we do monitor the following Local Performance Indicators (LPI's):

Local Performance Indicator	Target	Actual
Percentage of Audit plan completed	95%	95.8%
Percentage of fundamental systems reviewed annually	100%	100%
Customer satisfaction - % Good or Excellent as per feedback forms	90%	87.5%
Draft reports produced within 15 days	90%	92.8%

Final reports produced within 15 days	90%	96%
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Overall, performance against the indicators is good.

User Feedback

The customer satisfaction results are derived from the customer satisfaction surveys issued following each individual audit. The surveys were only introduced in December 2013 and of the 12 surveys issued to date, 9 have been returned, giving a return rate of 75%. Of the 9 responses, only one indicated that we had not met the required satisfaction standard, but due to the small number of surveys issued this does equate to 12.5%

A more accurate result will be obtained once the surveys have been in use for a whole year. It is intended to carry out a survey of all stakeholders at the end of 2014/15 to obtain feedback for the whole service as required by the Standards.

Self Assessment

A self assessment has been undertaken by the Audit Manager of Internal Audit's conformance with the Code of Ethics and Standards, the results of which are below.

External Assessment

External Assessments must be conducted at least once every five years by a qualified, independent assessor from outside the organisation. It is intended to carry out the first external assessment in the final quarter of this financial year. The result of this assessment will be reported in the Annual Internal Audit Report 2014/15.

Public Sector Internal Audit Standards (PSIAS) Self Assessment

Summary of Non Conformances and Partial Non Conformances

1	PSIAS Non Conformances
1.1	<p>Standard number 1100 Independence & Objectivity <i>Element number 51</i> The chief executive or equivalent does not undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Audit Executive (CAE), known as the Audit Manager for Exeter City Council.</p>
1.2	<p>Standard number 1100 Independence & Objectivity <i>Element number 52</i> Feedback is not sought from the chair of the audit committee for the Audit Manger's performance appraisal</p>
1.3	<p>Standard 1210 Proficiency <i>Element number 67</i> The Audit Manager is not qualified member of CMIIA or CCAB.,</p>
2	PSIAS Partial Non Conformance

2.1 **Standard 1130 Impairment to Independence or Objectivity**

Element number 59

Assignments for ongoing assurance engagements and other audit responsibilities are not always rotated periodically within the audit team.

Audit Manager's comment

This standard is only partially met due to the limitations of a very small team. Wherever possible, assurance engagements are rotated periodically within the Internal Audit Team whilst also trying to balance continuity and the time it takes to learn how new systems work.

2.2 **Standard 2010 Planning**

Element number 121 & 126

The risk-based plan does not take into account all the organisation's other sources of assurance. It has also not been possible to take into account the organisation's risk management framework and relative risk maturity of the organisation as this had not been updated for some time.

Audit Manager's comment

Sources of assurance are taken into account when preparing the audit plan, however, a full understanding of all of the Council's sources of assurance has not been documented but is currently being established. The Council's risk management framework is currently under review.

2.3 **Standard 2030 Resource Management**

Element number 147

The risk-based plan does not explain how internal audit's resource requirements have been assessed.

The audit resource is based on the resource available from the Internal Audit staff employed. The audit plan is approved annually by the A&G Committee. Should additional specific work be required this would need to be bought in and a report and proposal would need to be presented to the A&G Committee for approval.

Audit Manager's comment

The risk based plan determines the time allocations based on the resources available. The Senior Management Team determine the Audit resource

2.4 **Standard 2050 Coordination**

Element numbers 153, 154 & 155

The risk-based plan includes other sources of assurance, if known, and any additional work that may be required to place reliance upon those sources. The Audit Manager is conducting an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance. However, there is currently no protocol for the Audit Manager to share information and coordinate activities with other internal and external providers of assurance and consulting services.

Audit Manager's comment

Reliance placed on external auditors and regulators. Currently conducting an exercise to identify all other sources of assurance and once established will be used to inform the audit plan in future.

2.5 **Standard 2210 Engagement Objectives**

Element numbers 217, 218 & 219

The Council currently does not have an established performance monitoring mechanism in place therefore, it is not possible for internal auditors to ascertain whether management and / or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished.

Audit Manager's comment

Performance monitoring is currently under development corporately within the organisation

2.6 **Standard 2450 Overall Opinion**

Element number 302

This standard requires that expectations of senior management, the board and other stakeholders are taken into account in the overall audit opinion.

Audit Manager's comment

Whilst the expectations of senior management, the board and other stakeholders would be considered when making the annual audit opinion, the audit opinion would remain the opinion of Internal Audit.

**EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE**

PROGRESS OF 2013/14 AUDIT PLAN AS AT 31/03/14

Audit Area	Budget Days	Actual Days	Report Status	Direction of travel since last audit	Assurance Rating	Number of findings		
						High	Med	Low

Leader

'A stronger city'

People Management	30	41	Completed	↑	Some improvement required	1	4	15
External Funding & Grants	10	3.9	Completed	↔	Good	0	2	0

Enabling Services

'A well run Council'

'Maintain our property assets of the city'

Main Accounting 2013-14 - Budget Setting & VAT - System Management - Year end processes	25	27.6	Completed Draft report issued Start Q1 14/15	↔	Good	0	1	2
Income Management	22	21.7	Completed	No previous report	Some improvement required	2	3	3
Creditors Quarter 1	55	52.7	Completed	↑	Some improvement required	0	5	7
Quarter 2			Completed	↑	Good	1	1	2
Debtors	12	25.2	Draft report issued					
Insurance	5	6.5	Draft report issued					
ICT - Operations Management - System Security	40	31.6	Completed Deferred – assurance taken from Grant Thornton	No previous report	Significant improvement required	1	12	3
Business Continuity	10	1.0	Deferred to 14/15					
Risk Management	10	7.4	In progress					
Contracts and Procurement	30	14.7	Ongoing					
Facilities Management	7	8.7	Completed	No previous	Some	0	8	3

(Guildhall Private Hire)				report	improvement required			
Counter Fraud/Anti-Fraud	20	15.9	Draft report issued					
Corporate governance	15	17	Completed	No previous report	Some improvement required	1	9	0
Information Governance	15	5.4	Ongoing					
External Audit & NFI	5	11.6	Completed	↔	Good	0	1	5

Housing and Customer Access

'Provide suitable housing'

'Be a good landlord'

'Help me with my financial problem'

'Make it easy for me to pay you'

Housing	68	80						
- Right to Buy			Completed	↓	Some improvement required	1	6	7
- Home Contents Insurance			Completed	No previous report	Good	0	3	2
- Voids Process			Completed	No previous report	Significant improvement required	2	15	3
Housing Benefits	60	62.7						
- Welfare Support payments			Completed	No previous report	Some improvement required	0	8	2
- Housing Benefit Subsidy			Draft report issued					
Council Tax	30	38.6						
- Valuation, liability and billing			Completed	↑	Some improvement required	0	9	7
- Collections, refunds and recovery						1	5	4
NDR	11	6.1	Completed	↑	Good	1	2	5

Environment, Health & Wellbeing

'Keep place looking good'

'Keep me/my environment safe'

Health & Safety	12	2.6	Withdrawn					
Allotments	7	10.3	Completed	No previous report	Some improvement required	0	8	5
Bereavement Services	8	9.4	Completed	↔	Good	0	3	4
Licensing	7	0.2	Deferred to 14/15					
Fleet Management	7	9.6	Completed	No previous report	Good	0	3	1

Sustainability	8	1.0	Deferred to 14/15					
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Economy and Culture

'Provide great things for me to see and do'

'Help me run a successful business'

Museums Service	14	2.7	In progress					
Markets and Halls	7	6.5	Completed	No previous report	Good	0	2	4
Leisure Contract	7	11.6	Completed	No previous report	Good	0	6	3
Car Parks	8	0.6	Deferred to 14/15					

City Development

'Deliver good development'

Planning/Building Control	18	5.2	Completed	No previous report	System under review so no assurance rating given	0	2	1
Land Charges	6	5.5	Completed	↔	Good	0	1	2

Contingency (special/frauds) including unplanned work	50	49.4	
Total	639	593.9	

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**EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE**

**Internal Audit Summary of Work Completed & Audit Recommendations Not Accepted by Management
January to March 2013/14**

1.0 Internal Audit Summary of Work Completed

Audit Area	Summary
<p>Income Management</p> <p>Assurance rating: Some improvement required ★★★</p>	<p>The objective of the Income Management audit was to check that monies received from customers are dealt with in a safe, secure and prompt manner and that controls are in place to ensure that the relevant records are up dated with the payments. Many services in the council receive payments in some form, for example, Council Tax, National Domestic Rates, Car Parking, Housing and Commercial Rents, bulky waste collection service (Cleaving), selling items of local interest (Exeter Visitor Information and Tickets), running food hygiene courses (Environmental Health), entertainment (Corn Exchange) etc.</p> <p>Recommendations were made in respect of 2 high risks, 3 medium risks and 3 low risks identified as a result of the audit, all of which were accepted by management. The high risk findings were in respect of ICT not being compliant with the payment card industry data security standard (PCI DSS) and some document retention not always being in accordance with HMRC requirements. The medium risk findings were in respect of the refund process, checking of the bank reconciliation and some system errors in the till reports from RAMM.</p>
<p>Corporate Governance</p> <p>Assurance rating: Some improvement required ★★★</p>	<p>The objective of the audit was to ensure that the requirements of good governance are reflected in the Council's local Code of Corporate Governance; consider the extent to which the authority complies with the principles and elements of good governance set out in the framework; identify systems, processes and documentation that provide evidence of compliance; identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified; identify issues that have not been addressed.</p> <p>Recommendations were made in respect of 1 high risk and 9 medium risks identified as a result of the audit. All recommendations were accepted by management with the exception of one, please see below for details. The high risk recommendation relates to the lack of a partnership protocol and this has been highlighted in the Annual Audit Report.</p>
<p>Housing - Voids</p> <p>Assurance rating: Significant improvement required ★★</p>	<p>The Council currently has 5042 properties that are managed and maintained by the Housing service. When a property is vacated by an existing tenant, it is necessary to inspect the property to identify any work that needs to be undertaken in order to bring the property up to the new home property standard operated by the Council. The work required is then undertaken by the Council's third party contractor, Mears Ltd, as part of the repairs contract. The contract commenced in October 2010 for a period of 5 years, with an option to extend the contract by up to a further 5 years on a year by year basis. The contract is due to expire on 30 September 2015.</p> <p>The objectives of the audit were to ensure that controls are in place and operating effectively within the Housing voids process</p>

	<p>and are in accordance with council policy and procedures.</p> <p>Recommendations were made in respect of 2 high risks, 15 medium risks and 3 low risks identified as a result of the audit, all of which have been accepted by management. The high risk findings relate to; asbestos removal at one property in the sample not being carried out as promptly as it should have been; and significant expenditure (e.g. 5% of the annual general maintenance budget) being allocated to Miscellaneous items rather than being coded to a specific item code. The medium risk findings relate to; tenants liable for housing repairs costs are not always being recharged; notable variations (50% of sample) between the pre void conditions survey and the post void list of repairs required; financial impact of higher voids standard on the voids repairs budget; lack of recovery action in respect of repairs recharges; property descriptions not always accurate leading to potential tenants rejecting properties offered to them; property repairs where significant works required are being charged at schedule of rates (designed for reactive repair work) rather than getting a quote for the whole job leading to inflated repair costs; weaknesses in the variation to works procedures; and voids works not being completed within target times.</p>
<p>Council Tax</p> <p>Assurance rating: Some improvement required ★ ★ ★</p>	<p>The objectives of the audit were to test that adequate controls are in place and working effectively within the council tax system. This audit covered valuation, liability, billing, collection, refunds and recovery and was completed in two parts but findings were collated into one report. There was 1 high risk finding, 14 medium risk findings and 11 low risk findings. All recommendations were accepted with the exception of 2, please see below for details. The high risk finding related to reconciliation between Council Tax and EFINS, the Councils financial system, having not been carried out for 4 months. The medium risk findings relate to; determination of liability; amendments to liability; discounts and exemptions; errors in determination of council tax support; bill suppressions not always being promptly reviewed; separation of duties for refunds not always being adhered to; arrangements to pay not always appropriate; and write-off reasons not always being recorded correctly.</p>

2.0 Recommendations not accepted by management:

2.1 Corporate Governance – report issued 26th February 2014 – Medium Risk

The audit found that the Council does not currently maintain Service Development plans or undertake Annual Service Reviews. The creation of service plans are part of a robust performance management and improvement framework and identifies the objectives of the service, how the service will be measured and how it will contribute to the achievement of the purposes and key actions in the corporate plan, ensuring that users receive a high quality of service.

Therefore, a recommendation was made that the objectives of each service should be identified and linked to the Council's purposes and key actions.

The Deputy Chief Executive did not agree with this recommendation. He advised that:

Service objectives are already identified as part of the Corporate Plan and the Initiatives/Project document that is currently in place.

2.2 Council Tax – Valuation, Liability and Billing - report issued 28th February 2014 - Medium Risk

From a sample of 20 exemption/void cases, five cases were found where there was inadequate evidence to support the granting of student exemption. The exemption had been allowed to roll-on from the previous period. Therefore, recommendations were made that:

1. Staff should be reminded that end dates (relating to the end of the students course) should be input on the allowance screen.
2. At the end of the allowance period the owner/occupier of the property should be promptly asked for details of the new student occupiers. These names should be verified against the current university list.
3. The three specific cases identified should be investigated, the names of the student occupiers obtained and verified against the current university list.

The Revenues Collections Manger, did not agree with this recommendation and advised that:

"Approximately 99% of the owner occupied student cases remain totally occupied by students. He does not feel that the risk of a non-student residing in the property is high enough to warrant inputting end dates and diary codes etc."

2.3 Council Tax – Valuation, Liability and Billing - report issued 28th February 2014 - Medium Risk

From a sample of 20 council tax support cases one case was identified where there was insufficient evidence to support the amount of self employed income declared. There was no evidence of a completed self employed declaration form or accounts etc. Therefore, recommendations were made that:

1. Staff should be reminded that adequate evidence of self employed income (e.g. copy of self employed declaration form or accounts) should be maintained on file.
2. The taxpayer for the case above should be requested to provide further evidence of their self employed income (e.g. copy of self employed declaration form).

The Revenues Collections Manger, did not agree with the second recommendation and advised that:

"The Customer Access Training & Support Team Manager, is happy that a valid assessment decision was made and does not feel that additional evidence is required."

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Summary of investigations 2013/14

Internal Audit received 28 reports during 2013/14, of which,

- 20 were received via the “Report It” facility on the website (17 were reported anonymously)
- 7 were concerns raised direct with Internal Audit where investigations were carried out by Internal Audit (3 were reported anonymously, 1 was reported via Whistleblowing Policy)
- 1 concern raised regarding a member of staff but was referred to management for investigation (this was reported anonymously)

Of the 20 website ‘Report It’ instances:

- 6 were in relation to possible fraudulent claims of housing benefit (one was referred to West Devon District Council)
- 6 were in relation to possible fraudulent claiming of single occupier discount. One case was proven with a value of £19.66
- 1 case was in relation to student discount this was proven with discount of £7382.82 being reclaimed with effect from 1.09.07
- 2 cases were in respect of Trading Standards matters so were referred on to them.
- 3 were in respect of possible tenancy fraud however none were proven.

Internal Audit Investigations

- 5 were not proven
- 2 were proven

Management Investigations

- 1 case proven – verbal warning issued

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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 25th June 2014

Report of: AUDIT MANAGERS

Title: MEASURING THE EFFECTIVENESS OF THE AUDIT COMMITTEE

Is this a Key Decision? No

Is this an Executive or Council Function? Council

1. What is the report about?

The Audit & Governance Committee should periodically evaluate its performance against the responsibilities set out in the terms of reference to demonstrate the Council's commitment to improving its governance.

2. Recommendations:

It is recommended that the CIPFA Self Assessment Checklist – '*Measuring the Effectiveness of the Audit Committee*' attached at Appendix A be completed by members of this committee and returned to the Audit Manager for collation of the results. The results should be reported to full Council, as well as being used by this committee for improvement.

3. Reasons for the recommendation:

To provide assurance that the Audit and Governance Committee is operating effectively.

4. What are the resource implications including non financial resources.

Member time in undertaking the self assessment and Audit Manager collating results/reporting results to next meeting.

5. Section 151 Officer comments:

There are no financial implications to the report.

6. What are the legal aspects?

7. Monitoring Officer's comments:

8. Report details:

An effective audit committee gives all stakeholders additional confidence in the Council's risk management, internal controls and compliance systems, internal audit functions and financial reports. It:

- raises greater awareness of the need for internal control and the implementation of audit recommendations
- increases public confidence in the objectivity and fairness of financial and other reporting
- reinforces the importance and independence of internal and external audit provides additional assurance through a process of independent and objective review

The first meeting of the Audit and Governance Committee took place on 26th June 2013. As this committee has now been in existence for 12 months, it would seem appropriate that time is taken to reflect on the effectiveness of the committee and to potentially identify areas for improvement.

In addition, The Audit & Governance Committee should periodically evaluate its performance against the responsibilities set out in the terms of reference to demonstrate the Council's commitment to improving its governance. This assessment can take place on an individual basis and/or collectively. The results of the evaluation should be reported to full Council as well as being used by the committee for improvement. (This issue was reported at section 2.9 of the Corporate Governance audit report dated 26th February 2014 and circulated to all members of the Audit and Governance Committee).

The terms of reference of this committee are in accordance with CIPFA's publication '*Audit Committees: Practical guidance for Local Authorities*' and this guidance also provides a self assessment checklist, '*Measuring the Effectiveness of the Audit Committee*' provided for this purpose. Please see Appendix A.

9. How does the decision contribute to the Council's Corporate Plan?

Adopting best practice in corporate governance contributes to the Council's purpose 'A Well Run Council'

10. What risks are there and how can they be reduced?

Non-compliance with Code of Corporate Governance requirements. Completion of the self assessment will reduce this risk.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

None.

12. Are there any other options?

None.

**Helen Kelvey/Helen Putt
Audit Managers**

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:

Democratic Services (Committees)

Room 2.3

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Measuring the Effectiveness of the Audit Committee – Self-assessment Checklist

Issue	Yes	No	N/A	Comment
Terms of Reference				
Does the audit committee have written terms of reference?				
Have the terms of reference been approved by full council?				
Do the terms of reference follow the CIPFA model?				
Does the audit committee periodically assess its own effectiveness?				
Membership				
Has the membership of the committee been formally agreed and a quorum set?				
Is the Chair free of executive or scrutiny functions?				
Are members sufficiently independent of the other key committees of the council?				
Have all members' skills and experiences been assessed and training given for identified gaps?				
Is induction training provided to members?				
Is more advanced training available as required?				
Can the committee access other committees as necessary?				
Meetings				
Does the committee meet regularly?				
Are meetings free and open without political influences being displayed?				
Are decisions reached promptly?				
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?				
Does the authority's s151 officer or deputy attend all meetings?				
Are the key officers available to support the committee?				
Are separate, private meetings held with the external auditor and internal Audit Manager?				
Internal Audit Process				
Does the audit committee approve the annual audit plan ensuring that risk assessments have been carried out when formulating the plan?				
Does the audit committee regularly monitor performance against the plan and approve any revisions to the plan?				

Does the audit committee review quarterly reports from the Audit Manager and ensure that officers are acting on and monitoring action taken to implement internal audit recommendations?				
Does the audit committee receive a report from the Audit Manager on agreed recommendations not implemented within a reasonable timescale?				
Is the annual report, from the Audit Manager presented to the committee?				
External Audit Process				
Are reports on the work of external audit and other inspection agencies presented to the committee?				
Does the committee input into the external audit programme?				
Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?				
Does the committee take a role in overseeing: <ul style="list-style-type: none"> • risk management strategies? • annual governance statements? • anti-fraud arrangements? • whistleblowing strategies? • members and employee codes of conduct? • member/officer relationships protocols? • the Council's constitution? 				

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 25 June 2014

Report of: Corporate Manager (Policy, Communications and Community Engagement)

Title: Corporate Risk Register

Is this a Key Decision?

No

Is this an Executive or Council Function?

Risk Management is a Council function and is an important element of the Council's Code of Corporate Governance. Regular monitoring of the Council's corporate risks helps to ensure that the Council's business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

1. What is the report about?

The report advises the Committee of the Council's risk management progress and presents the updated Corporate Risk Register (Appendix A).

2. Recommendations:

That the Committee reviews the updated Corporate Risk Register.

3. Reasons for the recommendation:

To comply with the Council's Risk Management Policy which states that this Committee is responsible for monitoring the effectiveness of risk management throughout the Council and regularly reviewing the Corporate Risk Register.

4. What are the resource implications including non financial resources.

Assistant Directors, Corporate Managers and other officers, as appropriate, are asked to update the Corporate Risk Register on a quarterly basis. This process is facilitated by the Policy, Communications and Community Engagement team.

5. Section 151 Officer comments:

Amongst the risks set out are a number of areas relating to finance. I am comfortable at the moment that the mitigations in place and proposed, will reduce the risk to the Council.

6. What are the legal aspects?

None

7. Monitoring Officer's comments:

No issues.

8. Report details:

The Corporate Risk Register provides details of those risks which could have a major impact on the city or the Council and need to be monitored and managed at a senior management/political level. Risks which could have an impact on a service, but which would not necessarily impact on a council-wide or city basis, are contained in the operational risk register and managed by Assistant Directors and Managers.

Assistant Directors, Corporate Managers, the Deputy Chief Executive and the Chief Executive and Growth Director have reviewed the Council's risks. The Corporate Risk Register has been updated to reflect this. No significant changes have occurred since the last reporting period.

Update on Risks 13/001 (Culverted Watercourses) and 13/002 (Contaminated Land)

At the last Audit and Governance Committee, Members requested more detailed information on how the Council is managing the above risks. The Corporate Risk Register has been updated to show what further work the Council is undertaking to manage these risks to an acceptable level.

9. How does the decision contribute to the Council's Corporate Plan?

This decision helps to ensure the delivery of the Council's purpose 'Well Run Council'.

10. What risks are there and how can they be reduced?

Any risks should be captured in either this document or the operational risk register. However, the existing risk management process and procedure is to be audited over the coming months and this may highlight weaknesses or risks within the existing process and procedure. A further report will be presented to this Committee upon the completion of the audit.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

The decision to regularly review the Corporate Risk Register will ensure that any risks or issues identified under the above headings will be identified and managed at a senior level. Most of the risks contained within the Corporate Risk Register would have an impact on one or more of the headings identified above.

12. Are there any other options?

Options on how the risk management process and procedure can be improved may be identified as part of the forthcoming audit.

Corporate Manager (Policy, Communications and Community Engagement)

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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