Exeter City Council

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 <u>six principles</u> 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)

Audit & Governance Committee
(Challenge the draft AGS and supporting evidence. Approve AGS)

Strategic Management Team

Internal Audit
(Review of system of internal Control)

Section151Officer
(Promote & Deliver Good Financial Management)

Monitoring Officer
(Legal & Ethical Assurance)

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

Constitution	Corporate Plan	Financial Management	HR Policies
Code of Conduct	Policies & Procedures	Framework	Pay Policy
Scheme of Delegation	Business Planning	Budget Monitoring Process	Risk Management
Complaints Process	Performance Results	Compliance with CIPFA	
Equality & Diversity	Partnership Protocol	Guidelines	

Constitution
- Audit & Governance Committee
- Complaints Procedure
- Council Constitution
- Local Government Ombudsman Report

Corporate Plan
- Corporate Plan 2012-14
- Scrutiny Committee
- Monthly Performance Monitoring
- Annual Audit Opinion (Int)
- Transformation Board

Financial Management
- Medium Term Financial Strategy
- Annual Treasury Management Strategy
- Statement of Accounts
- Annual Audit Letters (External)
- Financial & Contract Procedure Rules

HR Policies
- Corporate Risk Register
- Growth & Development Reviews
- Anti-Fraud, Anti-Bribery & Anti-Corruption Policy
- Whistleblowing Policy

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