



Exeter City Council

APPENDIX A

# Annual Governance Statement

2014/15

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 2015 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 11 March 2015 and will be reviewed on 9 March 2016. 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)

**Section 151 Officer**  
(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**  
Code of Conduct  
Scheme of Delegation  
Complaints Process  
Equality & Diversity

Audit & Governance Committee

Complaints Procedure

Council Constitution

Local Government Ombudsman Report

**Corporate Plan**  
Policies & Procedures  
Business Planning  
Performance Results

Corporate Plan 2014-15

Scrutiny Committee

Monthly Performance Monitoring

Annual Audit Opinion (Int)

Transformation Board

**Financial Management Framework**  
Budget Monitoring Process  
Compliance with CIPFA Guidelines

Medium Term Financial Strategy

Annual Treasury Management Strategy

Statement of Accounts

Annual Audit Letters (External)

Financial & Contract Procedure Rules

**HR Policies**  
Pay Policy  
Risk Management

Corporate Risk Register

Growth & Development Reviews

Counter Fraud Strategy

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 2014/15.

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 last reviewed Standing Orders during 2013-14. The Constitution is approved by Full Council.

In 2014/15 the Council responded to **xxx** 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

The Audit & Governance Committee have undertaken a self-assessment in accordance with The CIPFA publication '*Audit Committees: Practical Guidance for Local Authorities*' to evaluate its performance against the responsibilities set out in the terms of reference and to demonstrate the Council's commitment to improving its governance. One area for improvement was identified.

Internal Audit undertook a risk management 'health check' against the 'Alarm National Performance Model for Risk Management in Public Services' in order to assess the Council's current risk management maturity level and the results of this have been reported to the Audit and Governance Committee. There has also been a major review of risk in respect of the Council's key project – the leisure complex

All key systems were audited in 2014/15 and a total of 24 audit reports were provided to management and the Audit & Governance Committee.

In September 2014 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

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 the 2013/14 Annual Governance Statement, seven key issues were identified, which are set out along with the action taken.

- The Code of Corporate Governance required updating – completed.
- Internal audit identified some data quality issues – managers have been reminded.
- Separation of duties risk – ongoing review.
- Debtors requires significant improvement – ongoing.
- No service operational risk registers in place – an operational risk register is currently being populated.
- No protocol for partnership working – ongoing.
- Although under review, the Council does not have an agreed Business Continuity process in place - 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, six 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 2015/16 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	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.	Promote the Counter Fraud Strategy and Counter fraud Leaflet via City News. Provide Fraud statistics to staff and follow up all allegations.
2	Housing Benefit Data Quality – due to the reduction in quality control checks on housing benefit assessments there has been an increase in the error rate and this has a potential significant impact on the Housing Benefit subsidy received from Government.	Increased checking resources have been re-introduced into the Service.
3	Business continuity – Although reported last year this area is still under review and 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. Work is continuing in 2015-16.
4	Partnership Working Protocol - the Council currently does not have a protocol for partnership working, as reported in our annual report last year.	It has been agreed that this will be a priority for the Policy Unit. However the work is still continuing and not yet complete.

## Significant Governance Issues

Issue No.	Issue Identified	Summary of Action Proposed
5	Shared ICT Service – due to the lack of clarity regarding responsibility for providing assurance of internal controls for Strata it is difficult provide any form of opinion relating to the Council’s ICT service.	Devon Audit Partnership will be providing an internal audit function to Strata, which is intended to provide the assurance required by our own internal audit function.
6	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.	Managers will continue to review the arrangements for separation of duties as a matter of course. No fundamental weaknesses have yet been identified.



## 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 Natalie Vizard  
**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**