



**Exeter City Council**

# Annual Governance Statement

2017-18

## 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 Delivering Good Governance in Local Government (CIPFA/Solace 2016). This statement explains how Exeter City Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, paragraph 4(3), which required all relevant bodies to prepare an Annual Governance Statement.

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

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining interventions necessary to optimise the achievement of the intended outcomes
5. Developing the Council's capacity. Including the capability of its leadership and individuals within it
6. Managing risk and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability

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

## The Purpose of the Governance Framework

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.

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.

The governance framework has been in place at Exeter City Council for the year ended 31 March 2018 and up to the date of the approval of the annual statement of accounts.

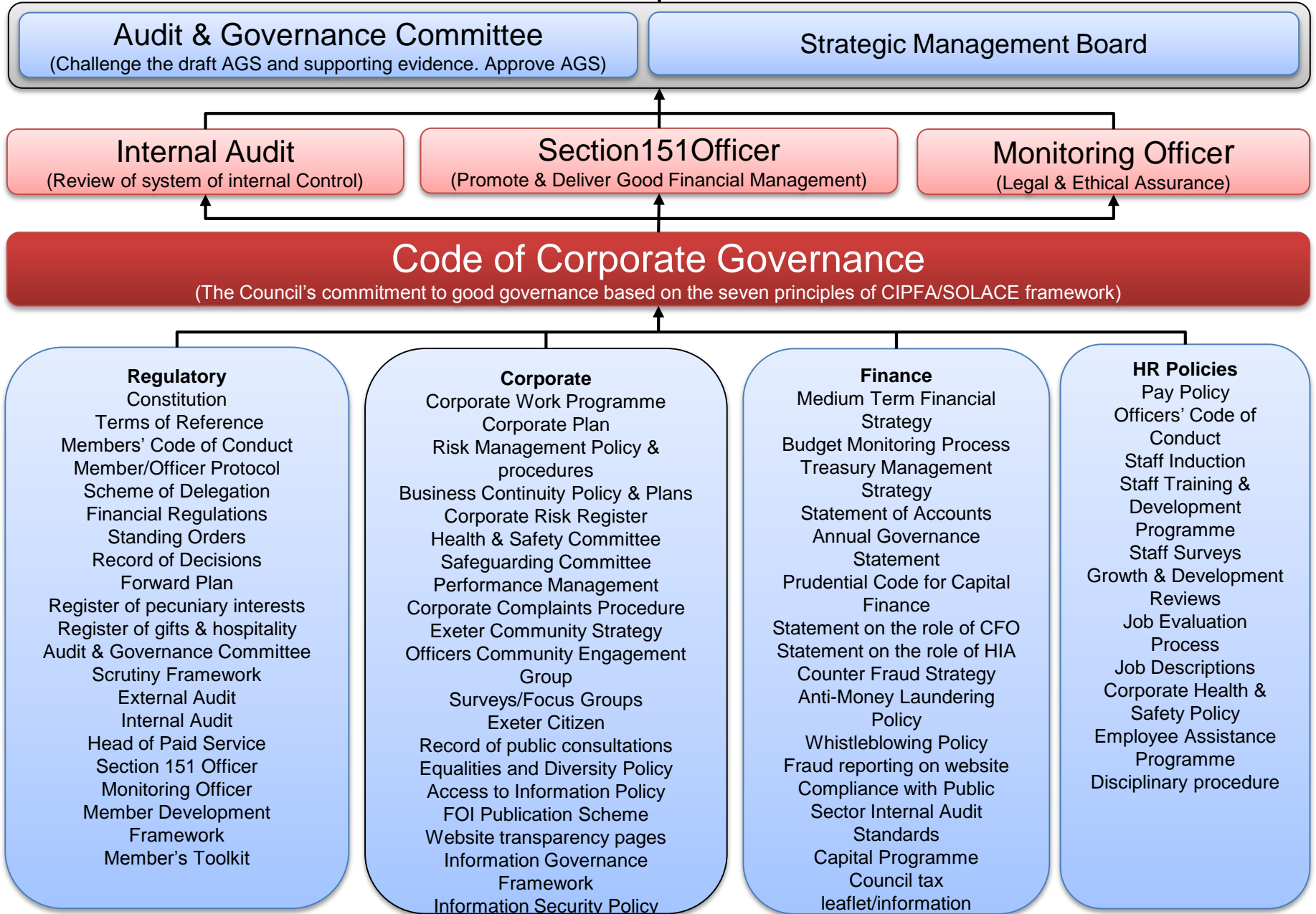
## The Governance Framework

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 and was last reviewed and recommended for approval by Council on 14 March 2018. 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 Board (SMB) which comprises the Chief Executive and Growth Director, Directors, Chief Finance officer (Section 151) and Monitoring Officer.

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.

# Annual Governance Statement



## Review of effectiveness

The 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 Board who have responsibility for the development and maintenance of the governance environment
- ✓ The work of Executive who are responsible for considering overall financial and performance management and receive comprehensive reports throughout the year;
- ✓ The work of Scrutiny Committee Corporate who monitor the overall financial performance of the Council;
- ✓ The work of the Audit & Governance Committee who monitor the standards of conduct of Members, effectiveness of risk management, the work of Internal Audit and the system of internal control;
- ✓ The Section 151 Officer who is responsible for delivering and overseeing the financial management of the Council
- ✓ The Monitoring Officer who provides assurance that the Council has complied with its statutory and regulatory obligations;
- ✓ Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks which are reported on a quarterly basis to the Audit & Governance Committee;
- ✓ 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 Constitution including Financial Regulations and Standing Orders
- ✓ Comments made by other review agencies and inspectorates

## Risk Management Review

In March 2018, Internal Audit undertook a review of the Council's Risk Management Framework. The basis of the review was taken from risk management best practice including the Committee of Sponsoring Organizations of the Treadway Commission (COSO) which is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The review checked that:

- Organisational objectives support and align with the organisation's mission
- Significant risks are identified and assessed
- Appropriate risk responses are selected that align with the organisation's risk appetite
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and Councillors to carry out their responsibilities.

The results of this review will be reported to the Audit and Governance Committee in July 2018.

## Financial Management Arrangements

The council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The Section 151 Officer is a member of the Council's Strategic Management Board.

## Internal Audit

The Internal Audit Service has been managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2013. As required by regulations, an annual review on the effectiveness of Internal Audit was undertaken in April 2017 in the form of a self-assessment against both the PSIAS and the Application Note using CIPFA's checklist. The results of the review confirm that the Internal Audit Service conforms with the PSIAS and that there are no issues of 'non-conformance' that need to be included in this statement. All key systems were audited in 2017/18 and a total of 28 audit reports have been provided to management and the Audit and Governance Committee.

Based on the assurance work undertaken by Internal Audit, the Audit Manager has provided an opinion on the adequacy of the control environment as part of the Annual Internal Audit Report which concluded that the key systems are operating soundly and that there are no fundamental breakdowns of controls resulting in material discrepancy.

## External Audit

In September 2017 the Council's external auditor (KPMG) issued an unqualified audit opinion on the Authority's financial statements and a part qualified audit opinion in respect of Value for Money in that they concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned sustainable outcomes for taxpayers and local people **except for** its arrangements for procuring supplies and services effectively with partners and third parties.

## Corporate Complaints

In 2017/18 the Council responded to 101 (2016/17 – 116) corporate customer complaints. All complaints were responded to by the relevant Director or Corporate Manager so that any issues identified could be actioned.

## Performance Management

The Council is currently in the process of developing and implementing a new performance management framework. Executive members and SMB met on 29 January 2018 to consider a new city vision and priorities for the council. These will be captured in a new corporate plan and comprehensive performance framework, which will be submitted to members in July 2018.

## Update on significant issues & action plan for improvements to governance arrangements reported 2016-17

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, no significant issues have been identified for 2017-18. However we continue to make enhancements and improvements to our governance arrangements and these are listed in the table below. Progress will be subject to regular monitoring by the Audit and Governance Committee.

Issue No.	Issue Identified	Summary of Action Taken
1	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 (c/fwd 2015-16 AGS)	This will continue to be monitored as part of the internal audit plan and any issues arising will be reported to Audit and Governance Committee quarterly.
2	Reduction in resources – general reductions in staffing numbers increase the impact of staff absences and other service interruptions. Absences may also increase owing to greater pressure of work and loss of motivation. Internal Audit are aware of instances where long term sickness is impacting on service delivery (c/fwd 2015-16 AGS)	This will continue to be monitored as part of the internal audit plan and any issues arising will be reported to Audit and Governance Committee quarterly.
3	Contract Regulations – current contract regulations conflict with the legislative requirements of the Public Contract Regulations 2015, therefore the Council is at risk of breaching legislation (c/fwd 2015-16 AGS)	Draft Contract Regulations are being presented to the Strategic Management Board in June 2018 with the intention of incorporation into the Constitution at the July 2018 Council meeting.
4	Procurement – the Council currently does not have a procurement function in place that is fit for purpose. A recent audit of procurement identified a number of shortcuts in the procurement process e.g. extending contracts rather than retendering, a lack of effective contract management. The Interim Procurement Officer left the authority at the end of March and has not been replaced. However, the Council has engaged a consultant to review the current procurement process to help meet the requirements of the Public Contract Regulations 2015 but this review has yet to be finalised (c/fwd 2015-16 AGS)	The Council has an authorised structure and has engaged Hays to manage recruitment into the posts. The Council currently has an Interim Corporate Manager – Procurement and an interim dedicated to HRA contracts.

## Update on significant issues & action plan for improvements to governance arrangements reported 2016-17

Issue No.	Issue Identified	Summary of Action Taken
5	Implementation of a new performance management framework.	Executive members and SMB met on 29 January 2018 to consider a new city vision and priorities for the council. These will be captured in a new corporate plan and comprehensive performance framework, which will be submitted to members in July 2018.
6	Medium term financial plan is not clearly linked to the Council's corporate priorities and work program.	A timetable is being drawn up to address the issues and savings required for 2019-20 onwards. It will be necessary to demonstrate links to the Council's corporate priorities
7	Services are currently struggling to deliver the capital programme predominantly due to either a lack of resources in some service areas or a skills gap in respect of procurement processes and procedures in other areas.	This is still a challenging area, the bidding process for the 2018-19 capital programme included a likely timescale, progress against this will be reported in Capital monitoring updates to Committee.
8	The Council needs to continue its work to implement processes and procedures to ensure proper governance and management of its information assets.	The Information Governance Framework and all related policies are being reviewed and collated into one document, which will be completed by mid March 2018. All services submitted entries to a new Information Asset Register in January 2018. This is being reviewed as part of the GDPR action plan, which includes a range of measures to ensure compliance by 25 May 2018.



## Approval of the Annual Governance Statement

Through the action referred to on the previous page, we propose over the coming year to focus on the key areas, with a view to further enhancing our governance arrangements and we will monitor their implementation and operation as part of our next annual review.

**Signed:** .....

Councillor Natalie Vizard  
**Chair of Audit & Governance Committee**

**Date:** .....

**Signed:** .....

Dave Hodgson CPFA  
**Chief Finance Officer & Section 151 Officer**

**Date:** .....

**Signed:** .....

Councillor Pete Edwards  
**Leader of the Council**

**Date:** .....

**Signed:** .....

Karime Hassan  
**Chief Executive & Growth Director**

**Date:** .....