



**Exeter City Council**

# Annual Governance Statement

2018-19

## 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 2019 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 Council' Strategy 2018-21. 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 13 March 2019. 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), Head of Legal and HR (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

## Audit & Governance Committee

(Challenge the draft AGS and supporting evidence. Approve AGS)

## Strategic Management Board

## 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 seven principles of CIPFA/SOLACE framework)

### Regulatory

Constitution  
 Terms of Reference  
 Members' Code of Conduct  
 Member/Officer Protocol  
 Scheme of Delegation  
 Financial Regulations  
 Standing Orders  
 Record of Decisions  
 Forward Plan  
 Register of pecuniary interests  
 Register of gifts & hospitality  
 Audit & Governance Committee  
 Scrutiny Framework  
 External Audit  
 Internal Audit  
 Head of Paid Service  
 Section 151 Officer  
 Monitoring Officer  
 Member Development  
 Framework  
 Member's Toolkit

### Corporate

EX1 Internal Change Programme  
 'Our Strategy' 2018-21  
 Risk Management Policy &  
 procedures  
 Business Continuity Policy & Plans  
 Corporate Risk Register  
 Health & Safety Committee  
 Corporate Safeguarding Group  
 Performance Management  
 Corporate Complaints Procedure  
 Exeter Community Strategy  
 Surveys/Focus Groups  
 Exeter Citizen  
 Record of public consultations  
 Equalities and Diversity Policy  
 Access to Information Policy  
 FOI Publication Scheme  
 Website transparency pages  
 Information Governance  
 Framework  
 Information Security Policy

### Finance

Medium Term Financial  
 Strategy  
 Budget Monitoring Process  
 Treasury Management  
 Strategy  
 Statement of Accounts  
 Annual Governance  
 Statement  
 Prudential Code for Capital  
 Finance  
 Statement on the role of CFO  
 Statement on the role of HIA  
 Counter Fraud Strategy  
 Anti-Money Laundering  
 Policy  
 Whistleblowing Policy  
 Fraud reporting on website  
 Compliance with Public  
 Sector Internal Audit  
 Standards  
 Capital Programme  
 Council tax  
 leaflet/information

### HR Policies

Pay Policy  
 Officers' Code of  
 Conduct  
 Staff Induction  
 Staff Training &  
 Development  
 Programme  
 Staff Surveys  
 Growth & Development  
 Reviews  
 Job Evaluation  
 Process  
 Job Descriptions  
 Corporate Health &  
 Safety Policy  
 Employee Assistance  
 Programme  
 Disciplinary procedure  
 Ombudsmen  
 complaints

## 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 Corporate Services Scrutiny Committee 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 work undertaken concluded that Risk management within Exeter City Council has improved and evolved since the last audit undertaken in 2015 and the results of this review were reported to the Audit and Governance Committee in July 2018.

Since then, Internal Audit have been assisting the Executive Support Unit in reviewing and updating the Council's framework and guidance around risk management. In addition, Internal Audit continue to work with Service leads to develop their operational risk registers with services being prioritised in accordance with the corporate plan.

## 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 March 2019 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 2018/19 and a total of 24 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 July 2018 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 2018/19 the Council responded to **101** (2017/18 – 101) 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's Corporate Plan 'Our Strategy' was approved by Executive on 9<sup>th</sup> October 2018. A strategic dashboard is currently being built by Strata to enable reporting and monitoring across multiple indicators. Monitoring of corporate plan priorities and associated measures will be reported to members in the next round of committees.

## Key Issues 2018-19

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, two key issues have been identified for 2018-19 shown in the table below. Progress will be subject to regular monitoring by the Audit and Governance Committee.

Issue No.	Issue Identified	Summary of Action to be Taken
1	The Council continues to make changes to its organisational structures and ways of working as it transforms the way in which services are delivered within the financial constraints of the current economic climate. This has kept the overall risk to the internal control environment high with changes in staff responsibilities and the reduction of available resources.	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	The Council now has a fully functioning Procurement Team in place which is effectively managing Council procurements. The next phase is to ensure that contract management is an integral part of the procurement cycle to ensure that it is undertaken effectively and consistently across the Council's contracts.	A contract management training plan to be implemented along with contract management guidance to assist contract managers to properly manage contracts by addressing transition management, performance monitoring and by helping to ensure that both parties fulfil their commercial and contractual commitments

## 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:** .....

**Date:** .....

Councillor Tony Wardle  
**Chair of Audit & Governance Committee**

**Signed:** .....

**Date:** .....

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

**Signed:** .....

**Date:** .....

Councillor Philip Bialyk  
**Leader of the Council**

**Signed:** .....

**Date:** .....

Karime Hassan  
**Chief Executive & Growth Director**