Annual Governance Statement

2020-21

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.

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 2021 and up to the date of the approval of the annual statement of accounts.
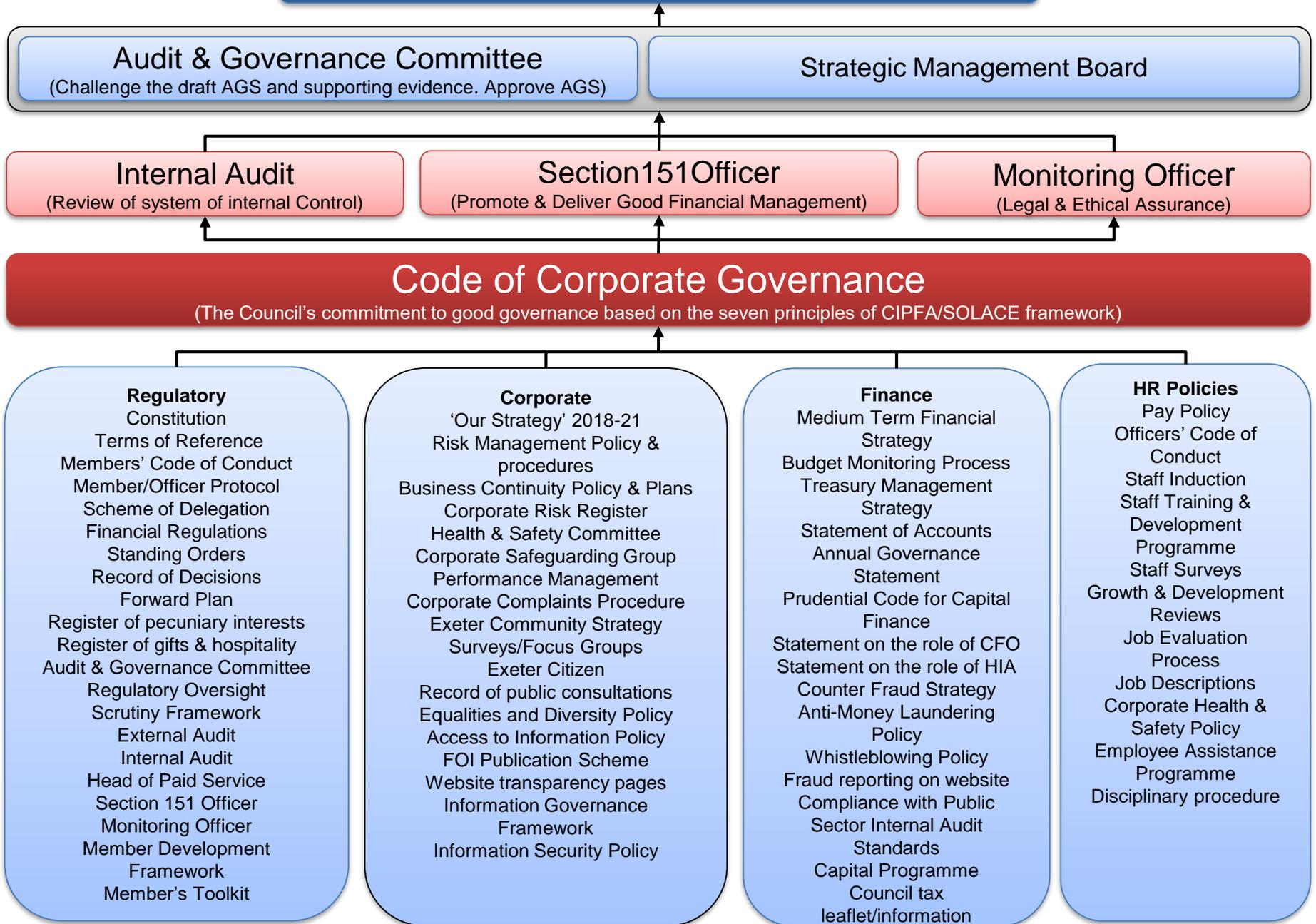
The Governance Framework

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 (updated Autumn 2020) 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 11 March 2020. 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), Director Corporate Services (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	Strategic Management Board
(Challenge the draft AGS and supporting evidence. Approve AGS)	

Internal Audit	Section151Officer	Monitoring Officer
(Review of system of internal Control)	(Promote & Deliver Good Financial Management)	(Legal & Ethical Assurance)

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

Regulatory	Corporate	Finance	HR Policies
Constitution	'Our Strategy' 2018-21	Medium Term Financial Strategy	Pay Policy
Terms of Reference	Risk Management Policy & procedures	Budget Monitoring Process	Officers' Code of Conduct
Members' Code of Conduct	Business Continuity Policy & Plans	Treasury Management Strategy	Staff Induction
Member/Officer Protocol	Corporate Risk Register	Statement of Accounts	Staff Training & Development Programme
Scheme of Delegation	Health & Safety Committee	Annual Governance Statement	Staff Surveys
Financial Regulations	Corporate Safeguarding Group	Prudential Code for Capital Finance	Growth & Development Reviews
Standing Orders	Performance Management	Statement on the role of CFO	Job Evaluation Process
Record of Decisions	Corporate Complaints Procedure	Statement on the role of HIA	Job Descriptions
Forward Plan	Exeter Community Strategy	Counter Fraud Strategy	Corporate Health & Safety Policy
Register of pecuniary interests	Surveys/Focus Groups	Anti-Money Laundering Policy	Employee Assistance Programme
Register of gifts & hospitality	Exeter Citizen	Whistleblowing Policy	Disciplinary procedure
Audit & Governance Committee	Record of public consultations	Fraud reporting on website	
Regulatory Oversight	Equalities and Diversity Policy	Compliance with Public Sector Internal Audit Standards	
Scrutiny Framework	Access to Information Policy	Capital Programme	
External Audit	FOI Publication Scheme	Council tax leaflet/information	
Internal Audit	Website transparency pages		
Head of Paid Service	Information Governance Framework		
Section 151 Officer	Information Security Policy		
Monitoring Officer			
Member Development Framework			
Member's Toolkit			

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 Customer Focus and Strategic Scrutiny Committees 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

Responsibility for Risk Management sits with the Audit and Governance Committee and they review the Corporate Risk Register (CRR) on a quarterly basis. The Council's Strategic Management Board (SMB) are responsible for constantly reviewing the risks being posed to the Council and ensuring that significant risks are recorded on the CRR along with the mitigating actions. Service Leads monitor risks at operational level and feedback any issues to their Director. Any significant risks, at operational level, that could impact the Council corporately are escalated to the CRR. The administration of the CRR is with Internal Audit and one of the Audit Managers meets with the Chief Executive on a regular basis to review the CRR prior to review by SMB. Internal Audit are working with Service Leads to review operational risk registers and offer any advice and guidance as needed. The system seems to be working well to date.

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. It is a requirement of the standards that an independent external review of Internal Audit's compliance with PSIAS is undertaken every five years. This external review was completed in January 2020 when the external assessor concluded that:

"It is our overall opinion that the Exeter City Council Internal Audit Team generally conforms to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards." Generally Conforms is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

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 November 2020, the Council's external auditor (Grant Thornton) issued the following conclusion:

'On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020'.

Corporate Complaints

In 2020/21 the Council responded to 73 (2019/20 – 100) 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 2018-21' was approved by Executive on 9th October 2018 (updated Autumn 2020). To support this strategy, the Council's Operational Management Board were tasked with devising and implementing a performance management framework to show how the Council is progressing towards achieving strategic objectives and to prioritise resources. This framework has been drafted for approval by the Strategic Management Board. However, the global pandemic meant that this work was subsequently put on hold. As recovery from the pandemic continues, performance management will form an integral part of the 'One Exeter' programme.

Key Issues 2020-21

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, five key issues have been identified for 2020-21 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	Financial position - Due to the Covid19 pandemic and the lockdown measures that were put in place in March 2020, the Council is facing increased cost and demand pressures at the same time as seeing a significant drop in income. Support from Central Government has mitigated some of the pressures, but the longer term impact could still be damaging to the Council's financial position.	The Government have provided grants to cover expenditure pressures. The Government have committed to covering most of the losses from sales, fees and charges. The Council has taken an emergency budget to be considered on 21 July 2020, identifying ways to ensure a balanced budget The Council is setting aside funds to mitigate ongoing impacts on income to protect against a further emergency budget being required in 2021-22.
2	Information security in the expanded work environment - The rapid widespread shift to homeworking amid national lockdowns in 2020 brought with it a unique data security challenge. Lacking personal interaction, staff can be more susceptible to social engineering ploys as they cannot immediately sense-check emails with nearby co-workers. Given that the Council is likely to keep a greater degree of remote and flexible working arrangements in place going forward, it is more important than ever that information security culture is promoted throughout every level of the organisation to raise awareness and ensure the integrity of staff behaviour.	Information Security Forum to look at: • how the newly expanded work environment has impacted information security controls in different parts of the organisation and update the Information Security Risk Register accordingly • how best to raise staff awareness of key information security threats and provide guidance on what staff should look out for • whether staff information security training needs to be updated in light of changes to the working environment and IT infrastructure.

Key Issues 2020-21

Issue No.	Issue Identified	Summary of Action to be Taken
3	Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake up of operations and control systems. These factors include the following: • response to the global pandemic • recovery from the global pandemic • external factors e.g. regulatory change and compliance, climate change • internal factors e.g. Organisational Development plan to deliver the digitalisation/transformation of service delivery, bringing Leisure in-house	The Audit Plan 2021/22 approved by Audit & Governance in March 2021 will continue to be flexible with updates/changes to the plan report quarterly to enable the Audit Manager to respond to emerging issues. Audit Manager to provide advice and guidance/support to the Organisational Development Project Group to ensure that an adequate control environment continues to be in place throughout the transformation period. The Audit Plan 2021/22 includes time for a review of the new in-house leisure service. The Deputy Chief Executive has been tasked with leading the transformation Programme and has set up a dedicated team to address the ambitious

Key Issues 2020-21

Issue No.	Issue Identified	Summary of Action to be Taken
4	Increase in commercial activity – Councils have both a legal and a moral duty to manage scarce resources responsibly. With the uncertainty surrounding Brexit and ongoing funding struggles, councils need to take a place based approach to choosing the most prudent commercial options and ensure that appropriate checks and balances are in place to manage the associated risks. High profile public interest reports and recent organisational reviews show some common themes and issues among councils undertaking commercial activities . The potential for issues can generally be linked to organisational governance, leadership, capacity, financial stability, and culture, including: • a lack of understanding of roles and responsibilities • a lack of skills around commercial decision making • an optimism bias that does not reflect the true position • a lack of strategic rationale surrounding the creation of companies • a reluctance to listen to challenges. Whilst the issues detailed above have not specifically been identified by this Council, it is important that the potential risks are fully understood at the outset when entering into any new commercial activity and that the Council's commercialisation policies and procedures both recognise these risks and ensures put effective controls in place to minimise them.	Internal Audit are in the process of conducting a review of the commercialisation process and will be issuing a report, identifying areas for improvement, in the near future. Additional guidance on council-owned companies will be issued by CIPFA in the autumn. The Audit Manager will review this guidance and, where necessary, make recommendations on how the current process may be improved.

Key Issues 2020-21

Issue No.	Issue Identified	Summary of Action to be Taken
5	Bribery, fraud and other financial crime – The global pandemic resulted in a reduction to the planned audit programme during 2020/21 due to the redeployment and furloughing of staff and the prioritisation of the payment of business support grants. This reduction in the compliance resource increases the risk of both internal and external fraud. In addition, historically, grant schemes always attract individuals hoping to exploit the system and with numerous government Business Support grants schemes which were introduced and paid out 'at pace' this risk has also further increased.	Audit Manager worked with Directors and Service Leads to identify and prioritise high risk audits within the plan with the remaining audits deferred to the 20221/22 plan. This prioritisation has enabled the Audit Manager to provide some assurance on the control environment in place throughout this period. The Audit Plan 2021/22 approved by Audit & Governance in March 2021 will continue to be flexible with updates/changes to the plan report quarterly to enable the Audit Manager to respond to emerging issues. Audit Manager has completed a risk assessment on behalf of the Council, to assess the level of risk the Council may be exposed to as a result of administering all of the business support grants, which has been submitted to government. Based on the risk assessment submitted, the government requested the necessary evidence to support the payment of a sample of grants as required by the Post Payment Assurance – Verification process. Internal Audit are in the process of undertaking post award assurance checking, following guidance issued by the government, for each scheme type.

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 Wardle
Chair of Audit & Governance Committee

Signed: …………………………………………………... **Date:** ………………………………….

Dave Hodgson CPFA
Chief Finance Officer & Section 151 Officer

Signed: …………………………………………………... **Date:** ……………………………………

Councillor Bialyk
Leader of the Council

Signed: …………………………………………………... **Date:** ……………………………………

Karime Hassan
Chief Executive & Growth Director