

PROTECTED



INTERNAL AUDIT REPORT

Corporate Governance – Final report

1. Introduction

The Framework Delivering Good Governance in Local Government sets out the standard for local authority governance in the UK. It was first published by CIPFA, in association with Solace, in 2007. The revised edition was published in 2016.

The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance. The overall aim is to ensure that;

- Resources are directed in accordance with agreed policy and according to priorities
- That there is sound and inclusive decision making and
- There is clear accountability for the use of those resources to achieve the desired outcomes for service users and communities.

Local government continues to undergo significant change. An effective, embedded governance framework is essential if the Council is to meet these challenges while retaining the support of our stakeholders. Good governance is essential to both council leaders and the public. It supports leaders in making the right decisions, reduces the likelihood of things going wrong and protects them when problems do occur. It inspires confidence in the public that decisions are being taken for the right reasons, that the quality of service is protected, and that public money is being wisely spent.

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 has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including internal control.

2. Corporate Governance Audit Report Executive Summary

Audit Objectives

To ensure that the requirements of good governance are reflected in the council's local Code of Corporate Governance
Identify the systems, processes and documentations that provide evidence of compliance
Identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation

Assurance Opinion

Limited Assurance

Weaknesses in the system of internal controls are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.

Some aspects of Corporate Governance are working well, however, there are several aspects that have not been addressed for some time meaning that only limited assurance can be gained that Corporate Governance is operating as expected.

Number of actions

Priority	Number
High	0
Medium	10
Low/Advisory	7
Total	17

Audit Approach and Scope

The scope of this audit is detailed in the 'key controls tested' section below. A detailed list of the specific areas of review will be provided upon request.

Evidence was obtained from various sources for example policies and procedures published both on the Internet and intranet, committee minutes available on the council's website, and discussions with council officers.

Key controls tested

Actions Raised

Code of Corporate Governance		The Code of Governance (CoG) has not been published since 2019/20
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law		
Ensuring openness and comprehensive stakeholder engagement		Public Consultation process is not working efficiently/effectively
Defining outcomes in terms of sustainable economic, social, and environmental benefits		Achievements/changes to the Corporate Plan are not publicised
Determining the interventions necessary to optimise the achievement of the intended outcomes		
Developing the organisations capacity, including the capability of its leadership and the individuals within it		Investment in the current and future workforce requires attention
Managing risks and performance through robust internal control and strong public financial management		Risk Management Policy has not been approved
Implementing good practices in transparency, reporting and audit to deliver effective accountability		The Assurance database is not accurate

Summary and next steps

Whilst the audit opinion shows Limited Assurance, it must be noted that all the tests undertaken in the two sections below are satisfactory;

- Behaving with integrity (Codes of Conduct, Whistleblowing, Counter Fraud, Anti-Money laundering, Complaints)
- Interventions necessary to achieve the intended outcomes (processes followed/controls in place when submitting reports to Members for approval)

Furthermore, in all the other sections, a number of those tests were also satisfactory.

SMB have taken ownership of the audit recommendations and plan to review progress against the agreed actions on a regular basis.

3. Audit Findings and Action Plan

No	Observations and weaknesses identified	Risk rating	Associated risk	Remedial action agreed with management	Manager responsible & Target date
Code of Corporate Governance					
3.1	<p>Code of Corporate Governance It is the Council's responsibility to conduct a review, at least annually, of the effectiveness of its governance framework, which is then reported in the Code of Corporate Governance (CoCG) document.</p> <p>Whilst I understand the 2023/24 version has been produced*, the latest version of the CoCG published on the Internet is for 2019/20.</p> <p>*This report was due to be presented to the A&G Committee in March 2024, but did not happen.</p>	Medium	By not publishing the annual CoCG report, the public are not aware of the effectiveness of the council's governance framework.	<p>This was an oversight. The Code of Corporate Governance 2023/24 has now been presented to and supported by the A&G Committee on 24th July 2024.</p> <p>It will be published on the Internet.</p>	<p>Section 151 Officer</p> <p>30th November 2024</p>
Core Principle B – Ensuring openness and comprehensive stakeholder engagement					
3.2	<p>Public Consultations All consultations should be published on the council's website. I reviewed the Internet and found the following;</p> <p>Proposed consultation; <i>'Delivering a Balanced Budget' for 23/24 year (no consultation ever took place)</i> The Digital Support Officer (DB) advised that management proposed this consultation but due to timing issues, it did not take place. He has not received any notification to remove it.</p> <p>Open Consultation; <i>Tenant Satisfaction</i> There is an on-going tenant satisfaction survey posted to the webpage and does not fall within the realms of the Consultation Charter.</p> <p><i>Housing Anti-Social Behaviour Strategy & Policy</i> This is a short survey, open for approx. 6 weeks. Whilst it complies with most of the requirements stated within the Consultation Charter, it did not provide a point of contact.</p> <p><i>Liveable Exeter Placemaking</i> consultation period of 15.1.24 to 25.2.24 (consultation period passed)</p>	Medium	<p>Unnecessary information remains published on the council's website.</p> <p>Surveys are difficult to locate if they are published within the consultation section of the council's website.</p> <p>Non-compliance with the Consultation Charter as the Housing consulting documents posted to the website do not include all the required information.</p> <p>The council could be criticised for not publishing the outcomes of the consultations.</p>	<p>SMB have already agreed that there is the need for a fresh approach as to how the council consults with the public. This is a priority for the Strategic Director – People and Communities.</p>	<p>Strategic Director – People and Communities.</p> <p>New approach agreed and in place for 25/26</p>

	<p>The Digital Support Officer advised that he had not received any notification from Planning to move this consultation to the 'closed' section but will now do so.</p> <p>Closed consultations There are 24 closed consultations on the website.</p> <p>a) Five of these state that they are currently under review and summary reports will be issued accordingly.</p> <p>Of the five consultations, I selected the Council Tax Support Scheme 2024-25 to check the outcome has been published. I note the responses have been reviewed and presented to Members (Executive Meeting on 6 February), but the consultation page on the website has not been updated to provide the link to the committee report to show the outcome.</p> <p>b) Of the remaining 19, I selected the following three to check that the outcomes have been published. My findings are as follows;</p> <p>Digital Customer Service (ended Sep '23) – presented to Executive 7.11.23. Council House Strategy (ended Oct '23) – presented to Executive 9.1.24.</p> <p>Neither of the above reports have a link from the respective Consultations to the Committee minutes to show the outcome.</p> <p>Green Circle Survey (ended Dec '23) This is yet to be presented to the Executive committee.</p>				
	Core Principle C – defining outcomes in terms of sustainable economic, social, and environmental benefits				
3.3	<p>The Corporate Plan 2022-26 is published on the Internet. It does not detail what was achieved from the previous Corporate Plan (2018-21)</p> <p>The Plan states that an annual progress report will be issued, I have been unable to locate that a progress report of the Corporate Plan 2022-26 has been published on the Internet.</p> <p>Side note: the Plan does not appear to be reviewed and updated on a regular basis as it still makes mention to the property development company owned by the council (Exeter City Living) which in effect is no longer trading.</p>	Medium	<p>Stakeholders will be unable to hold the Council to account if they are not aware of what has not been achieved against previous plans.</p> <p>Out of date information is published on the council's website.</p>	<p>The Corporate Plan is currently being refreshed and will focus on the councils' intended outcomes and performance measures.</p> <p>It is a 4-year plan which will be updated on an annual basis – it is due for publication shortly.</p>	<p>Strategic Director – People and Communities working with SMB.</p> <p>Public consultation on new Corporate Plan being launched October 2024. Final Plan to be published March 2025</p>

Core Principle E – developing the organisations capacity, including the capability of its leadership and the individuals within it					
3.4	The council does not use techniques such as benchmarking to improve resource use.	Medium	<p>Loss of staff to organisations that provide greater benefits.</p> <p>Increased cost to the council in terms of recruitment and training</p>	<p>Work is currently being carried out on a performance framework which is being built around the updated Corporate Plan which is shortly due for publication.</p> <p>Further work is to commence to develop a wider performance framework for the whole council.</p>	<p>Strategic Director – People and Communities working with SMB.</p> <p>Work is in progress to create the new Performance Framework aligning to the new Corporate Plan. Corporate Performance Framework due for completion March 2025</p>
3.5	The council does not have a workforce plan or organisational development plan in place.	Medium	<p>Inefficient resource allocation</p> <p>Increased cost to the council if external resource is used.</p>	<p>This has been recognised. There has been a HR review, and an improvement plan is now in place which includes the development of a workforce strategy.</p>	<p>Strategic Director – People and Communities</p> <p>30th June 2025</p>
3.6	There are a number of training sessions that Members are mandated to attend. I note that 'Local Government Finance' is not one of those sessions.	Medium	<p>Without having received a basic oversight of local government finance Cllrs may not be able to make informed decisions</p>	<p>The 'Local Government Finance' training session will be made a mandatory session.</p> <p>The Monitoring Officer will review all Member development sessions to ensure Members are able to fulfil their responsibilities effectively.</p>	<p>Monitoring Officer</p> <p>From April 2025</p>
3.7	<p>The annual performance development review is one of the tools used to identify future training needs. The current financial restraints have restricted the opportunity for officers to update their knowledge on a regular basis and/or to aid the progression of their career within the council.</p> <p>The only career structure in place is for apprentices and this must be funded by the service areas themselves.</p>	Medium	<p>Inability to attract and retain employees.</p> <p>Poor staff morale</p> <p>Reduced productivity</p> <p>Increased costs to the council if agency and/or contractors are being engaged to cover the resource shortfall</p>	<p>The workforce strategy will address the retention of staff and identify new skills needed particularly in relation to digital and data . The PDR process will be aligned with the new Corporate Plan priorities in 2025.</p>	<p>Strategic Director – People and Communities</p> <p>30th June 2025</p>

3.8	<p>As mentioned in 3.7 above, annual performance development reviews (PDR) should be undertaken. All completed PDRs should be scanned to the individuals personal file by HR Admin.</p> <p>The new PDR process was introduced in November 2023, and I have been advised by HR Admin that since then, only 24 forms have been saved to personal files.</p> <p>HR Admin, have, however, advised that they are under the impression that the new process was still awaiting confirmation and that some line managers are still awaiting PDR guidance/training.</p> <p>Note: the lack of PDR's (then Growth & Development forms) was reported in the previous Corporate Governance audit report)</p>	Medium	<p>Poor staff morale</p> <p>New goals are not being set.</p> <p>Grievances are not resolved.</p> <p>Team cohesion is poor.</p> <p>Training needs not assessed.</p> <p>Inconsistent treatment of staff between the various service areas</p>	<p>Whilst there may be a confusion which forms should be completed, there is an expectation that annual reviews are undertaken.</p> <p>As part of the HR Improvement Plan action will be taken to digitise the forms so monitoring data can be extrapolated including being able to:</p> <ul style="list-style-type: none"> • verify that they are being undertaken annually • ensure that a consistent approach for regular i.e. monthly meetings are held with staff. 	<p>Strategic Director – People and Communities</p> <p>30th September 2025</p>
Core Principle F – managing risks and performance through robust internal control and strong public financial management					
3.9	<p>The Risk Management policy, which was created in July 2022 is still only in its draft format.</p>	Medium	<p>Lack of procedures to help service leads identify, assess, and manage the risks within their service area.</p>	<p>The draft Risk Management policy was submitted to Zurich for their review and comments.</p> <p>These have now been received and the updated draft policy presented to SMB. The Risk Management Policy has now been agreed by Executive Committee.</p>	<p>Completed</p>
Core Principle G – implementing good practices					
3.10	<p>Internal Audit maintain an Assurance Register to aid the audit planning process. Each year Internal Audit issue an email to OMB asking that service leads inform them of any audit, compliance, or other external assessment work that their service is undertaking.</p> <p>I reviewed a sample of three entries on the 2023 ECC Assurance Register for evidence of such assurance.</p> <p>For two of the samples, evidence in the form of an annual review and also approved licences have been provided. (Exeter University Green House Gas Emission review RICS membership and RICS Valuers Registration Scheme)</p> <p>However, for the remaining entry I have been advised that Legal Services no longer has the Law Society Lexcel accreditation, it ceased in December 2016 (last check was in December 2013 and the accreditation lasts for 3 years)</p>	Medium	<p>Out of date information is held.</p> <p>Lack of evidence that the risk and control environments within service areas are being managed – this will affect what can be stated within the annual Governance Statement</p>	<p>The Section 151 Officer will send a reminder to OMB</p>	<p>Section 151 Officer/SMB</p> <p>30th November 2024</p>

4. Advisory

No	Observations		Manager comments
Core Principle G – implementing good practices			
4.1	<p>The Annual Governance Statement includes a 'Financial Management Arrangements' section stating that they conform with the governance requirements of the CIPFA 'statement on the Role of the Chief Finance Officer in Local Government' (2010)</p> <p>There is no reference however, that the AGS has been compiled in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations</p>	Low	The Section 151 Officer has advised that reference to this will be included in the next Annual Governance Statement
C2 Core Principle A – behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law			
4.2	<p>The Officer Employment Rules do not require for appointments to be made giving consideration to the Council's agreed core values.</p> <p>Whilst the Values and Behaviours framework cover;</p> <ul style="list-style-type: none"> • Our Values (what is important to us) and • Our Behaviours (putting it into practice), <p>these considerations are part of the new Performance and Development review process and thus has no impact upon the actual appointment of an employee.</p> <p>Unless the agreed core values are considered for every officer appointment, appointments may be made that cannot demonstrate these core values (Nolan principles of Public Life) selflessness, integrity, objectivity, openness, honesty, leadership.</p>	Advisory	Strategic Director – People and Communities will consider this as part of the HR Improvement Plan
Core Principle B – Ensuring openness and comprehensive stakeholder engagement			
4.3	<p>I note that the Consultation page on the website requires written petitions to be submitted to the Corporate Manager, Democratic & Civic Support. I understand this post no longer exists.</p> <p>Consideration should be given to altering this to another council officer.</p>	Advisory	Following the Senior Leadership Review and the implementation of the new structure, the Internet will be reviewed and updated to reflect these changes, this will include updating responsibilities.
4.4	There is no 'Value for Money Strategy,' instead it is included in the Corporate Plan 2022-26 as one of the six pillars of a well-run council, which states;	Advisory	Both the Medium Term Financial and Productivity Plans address this. The merits of introduction this further document will be considered.

	<ul style="list-style-type: none"> • Our organisational structure and roles optimise delivery of our strategic priorities and services. We deliver and procure value-for-money, customer-facing support services, where value for money means: • Spending less (minimising the cost of services) • Spending wisely (prioritising what we spend money on) • Spending well (making the best use of available resources through continuously improved processes) • Organisational structure - We will review our organisation and set out proposals for a fit-for- purpose organisational structure. • Procurement - We will procure goods and services as efficiently and effectively as possible. <p>Value-for-money services, as part of our organisational change programme 'One Exeter,' will review services to ensure they are meeting our value-for-money objectives.</p> <p>Whilst the Corporate Plan 2022-26 includes mention to VFM, consideration should be given to creating a strategy - the plan makes commitments to do this, but it does not provide a strategy for how this will be done.</p>		
	Core Principle D – determining the interventions necessary to optimise the achievements of the intended outcomes		
4.5	<p>The Democratic Service Manager has advised that it is a legal requirement under LGA 1972 that agendas are published five clear working days in advance of the meeting – if not, the meeting will not take place.</p> <p>He also advised that notifications of meetings are issued in a number of ways, examples of this being;</p> <ul style="list-style-type: none"> • published on the council's website at least a year in advance • calendar appointments issued to SMB and OMB in advance • Members are sent the appointments following the elections for the municipal year • Agenda Management timetables are available to all officers on the intranet • At least two weeks before the draft report deadline, reminders are emailed out <p>One service lead advised that the Forward Plan no longer includes the report date deadlines, only the date of the meeting. The report deadline date was considered to be useful as it is sometimes difficult to meet the deadline if Committee Admin have not notified officers of the report deadline.</p> <p>Consideration should be given by Democratic Services to re-instate the report date deadlines on the forward plan as it is sometimes difficult to meet the deadline if committee admin has not notified officers of the report deadline.</p>	Advisory	It was agreed that as the report date deadlines are of use to service leads, then they should be re-instated.

	Core Principle E – developing the organisations capacity, including the capability of its leadership and the individuals within it		
4.6	<p>A peer review of the effectiveness of the leadership has not been undertaken.</p> <p>It is noted that this was requested as part of the scope of this audit, however, it was felt that this should be conducted by an appropriately skilled provider.</p> <p>Consideration should be given by Senior Management to appoint a suitably qualified provider to undertake this piece of work.</p>	Advisory	<p>The Chief Executive, the Leader of the Council and the LGA have scheduled a Peer Review for March 2025.</p>
	Core Principle F – managing risks and performance through robust internal control and strong public financial management		
4.7	<p>I examined the Scrutiny functions Terms of Reference to check that it is effective, it encourages constructive challenge, it enhances the authority's performance and that, as a result of scrutiny, there is evidence of improvements to the proposals.</p> <p>I note that the Governance Review Board met in August, November, and December 2022 to review the arrangements. A report had been prepared for Executive in April 2023 but in the pre-Executive briefing meeting, it was observed that the scope of their work had expanded beyond the original remit and some of the functions duplicated the role of the A&G Committee, leading to confusion round governance.</p> <p>It was agreed that the work of the Governance Review Board had therefore concluded. The role of the A&G Committee would continue to monitor the Council's constitution having regard to any report of the Monitoring Officer.</p> <p>There were, however, a number of recommendations in the Governance Review Board report of April 2023. It was recommended that these be picked up through the appropriate channels and/or referred to an existing committee. It was agreed in the Executive meeting of 9th January 2024 that these would be taken forward.</p>	Advisory	<p>The actions identified are being progressed – some have already been implemented and some are in the process of being actioned. The details are as follows;</p> <ul style="list-style-type: none"> • The formation of a Strategic Scrutiny subcommittee, to review and monitor the work related to the climate emergency and ecological crisis. A proposal for a Climate Change Sub Committee was agreed in Principle at the meeting of the Strategic Scrutiny Committee in September 2023, subject to a meeting with relevant Members and Officer to discuss the way forward. This meeting has now taken place, and an agreed way forward has been reached. • Any amendments to the constitution suggested will be considered by the Monitoring Officer as the responsible Officer. • Tabling of questions as requested by the group is now in operation. • A review of the outside bodies on the work they have undertaken, number of meetings and relevance for retaining Councillor Membership was agreed at Council in July 2023. Letters were sent to all outside bodies requesting details of their work to ensure they remain appropriate for maintaining Councillor Membership and a report will follow. • A Members Briefing by the Director Corporate Services has also been suggested by the Chief Executive on the role and responsibilities of a Councillor who has been appointed to an outside body. • The Lord Mayor's handbook would be reviewed by the Mayoralty team in regard to inviting representatives from other religious faith groups to Council meetings, as well as undertaking the Chaplaincy role to the Lord Mayor, whilst being respectful to the Lord Mayor's faith. A process has also been put in place for terminology used for requesting Members who are able to, to stand when requested to do so. Prayers will be taken prior to the formal commencement of the meeting. Other equalities issues relating to the Guildhall will be addressed by the Mayoralty team accordingly.

			<ul style="list-style-type: none"> • A review of meeting commencement times with other authorities would be looked at, if relevant as part of any future review of the constitution if considered necessary. • All Members would be sent an Annual Survey relating to their experience of being a Councillor, which would be considered by the Strategic Management Board (SMB).
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5. Management Action and Follow-up

- 5.1 This engagement has been conducted to conform to the Public Sector Internal Audit Standard.
- 5.2 Responsibility for the maintenance of adequate and effective controls rests with management.
- 5.3 It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.
- 5.4 Achievement of this action plan is monitored through Internal Audit's follow-up arrangements.

Sandra Please
4th November 2024