LEICESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT 2012-13

1. Background

Leicester 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.

It 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, Leicester City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Leicester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE[1] framework *Delivering Good Governance in Local Government*. A copy of the code is on our website under 'Council and Democracy' or can be obtained from Customer Services.

This statement is produced in fulfilment of the requirements of regulations 4(2) and 4(3) of the Accounts and Audit (England) Regulations 2011.

2. Introduction

The Council's governance framework comprises the systems and processes, and the 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 City Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

Local Government has been undergoing significant change and the environment in which it works is increasingly complex. In addition to economic and financial challenges, the Localism Act 2011 and other key legislation has brought new roles, opportunities and greater flexibility for local authorities, which are changing the way in which they operate and undertake the provision of services. As well as being provided directly, public services are increasingly delivered through commissioning, partnerships and collaboration, with many shared services and partnership boards now in existence. The introduction of new structures and ways of working provides challenges for managing risk, ensuring transparency and demonstrating accountability.

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[1] Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives

The system of internal control is a significant part of the Council's governance 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.

The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of Leicester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Leicester City Council for the year ended 31st March 2013 and up to the date of approval of the accounts.

3. The Governance Framework

The Council has in place an assurance framework that takes as its starting point the Council's principal strategic and organisational objectives, including the City Mayor's Delivery Plan. Key strategies and plans translate these objectives into deliverable actions. High-level risks that threaten the achievement of objectives are identified in the strategic and operational risk registers. It is management's responsibility to establish and maintain effective systems of governance and internal control to ensure that the Council's service objectives are delivered and risks to those objectives are managed to an acceptable level.

In order that the Council's business is delivered in a way that promotes public trust and confidence, there must be sufficient assurance that sound internal control arrangements are in place and operating effectively. The assurance framework therefore brings together various internal and external sources of assurance; audit is fundamental to this.

The Council is also required to carry out at least once in each year a review of the effectiveness of its system of internal control. This is done by all Directors by means of positive assurance in the form attached at Appendix 1. The intention of the assurance framework is therefore to set out a structured and coordinated process, drawing together the outcomes of the various assurance, governance and control mechanisms so as to ensure that the Annual Governance Statement is comprehensive in its coverage and reliable in its content

4. Review of Effectiveness

The Council is committed to the maintenance of a system of internal control which:

- Demonstrates openness, accountability and integrity

- Monitors and reviews compliance with established policies, procedures, laws and regulations and effectiveness against agreed standards and targets

- Monitors and reviews the effectiveness of the operation of controls that have been put in place

- Identifies, profiles, controls and monitors all significant strategic and operational risks

- Ensures that the risk management and control process is monitored for compliance.

The risks identified are subject to regular review and monitoring and appropriate controls are identified to manage them.

The results of that review together with:

- An independent review of the effectiveness of internal control carried out by the Council's Internal Audit section

- An annual review of the Effectiveness of the System of Internal Audit, as required by the Accounts and Audit Regulations (England) 2011

- The External Auditor's Annual Audit Letter and Annual Governance Report which include findings from the work of other inspection regimes,

provide the core information for the preparation of the Annual Governance Statement.

Leicester 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 executive managers within the Council who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual report and the Summary of Internal Audit Conclusions, and by comments made by the external auditors and other review agencies and statutory inspectorates.

The Council's Local Code of Corporate Governance complies with CIPFA/SOLACE's guidance *Delivering Good Governance in Local Government* and includes a self-assessment of compliance with the six core principles of good governance. The results of that assessment are set out in the Directors' Certification, as set out at Appendix 1.

5. Significant Governance Issues

The Council's control frameworks enable the identification of any areas of the Council's activities where there are significant concerns in the financial controls, governance arrangements or the management of risk. Overall, it can be concluded that controls are operationally sound.

Areas of significant risk or priorities for action have been identified and are listed at Appendix 1 below. This is in two parts:

- Those items identified in the Annual Governance Statement for 2011-12, with the action taken since to address them

- Additional items identified in 2012-13, together with a summary of the action being taken or planned to make the necessary improvements.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part or our next annual review.

Signed:

.... **(City Mayor)**   .... **(Date)**

.... **(Chief Operating Officer)**   .... **(Date)**

.... **(Director of Finance)**   .... **(Date)**