

Leicester
City Council

WARDS AFFECTED
All

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

21 March 2018

Annual review of the Council's Assurance Framework, Local Code of Corporate Governance and the Committee's Terms of Reference

Report of the Director of Finance and the City Barrister & Head of Standards

1. Purpose of Report

- 1.1. To present to the Audit & Risk Committee for approval updates to the assurance and corporate governance processes at the City Council and to note the position with the Committee's own terms of reference.

2. Recommendations

- 2.1. The Committee is recommended to:
 - a) Approve the **Assurance Framework** (Appendix 1)
 - b) Approve the **Local Code of Corporate Governance** (Appendix 2)
 - c) Request a further report on revisions to the Committee's **terms of reference** following the publication of new national guidance.

3. Summary

- 3.1. In the interests of good governance and compliance with law and regulation, the Council has in place an Assurance Framework, a Local Code of Corporate Governance and a formally constituted Audit & Risk Committee. The Committee has prescribed terms of reference that form part of the Council's constitution and are designed to enable the Committee to discharge its functions both as 'those charged with governance' generally and as 'the Board' under the Public Sector Internal Audit Standards.

- 3.2. There are clear linkages between these components in making up the Council's overall system of corporate governance. In order that they remain relevant and fit for purpose, each of these documents is subject to annual review. A detailed review and significant update was undertaken in 2013 in order to codify the Council's corporate governance machinery. This established how the Council frames its governance arrangements (i.e. the standards and thresholds set, and the mechanisms we utilise for ensuring they are sound).
- 3.3. Reporting on actual compliance (i.e. what we have achieved as an organisation in this regard) will be reported in due course through the Annual Governance Statement.
- 3.4. The Assurance Framework has been updated to reflect the earlier closure of the Council's accounts and a requirement to assess the effectiveness of the system of internal control rather than internal audit.

4. Report

4.1. Assurance Framework

- 4.1.1. The overall structure of the Council's system of corporate governance is summarised in the Assurance Framework. This was last reviewed by the Audit & Risk Committee at its meeting on 22 March 2017 and is set out in **Appendix 1** with changes this year to reflect the statutory requirement for an earlier publication of the Council's statement of accounts, annual governance statement and narrative statement.
- 4.1.2. The assurance framework 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 provide assurance that the Council's service objectives are delivered and risks to those objectives are managed to an acceptable level.
- 4.1.3. 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.
- 4.1.4. 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.
- 4.1.5. The outcomes of all these sources of review and assurance are brought together in summary in the statutory Annual Governance Statement which, following approval by the Audit & Risk Committee, is ultimately signed by the City Mayor and published alongside the Council's financial statements.

- 4.1.6. 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.
- 4.1.7. It is good practice to review the assurance framework as part of the preparation of each year's Annual Governance Statement, hence this report. The process was significantly overhauled in 2013 and has worked well since.
- 4.1.8. The framework has been updated to reflect the earlier closure of the Council's accounts and a requirement to assess the effectiveness of the system of internal control rather than internal audit.

4.2. Local Code of Corporate Governance

- 4.2.1. A central component of the Council's system of governance is its Local Code of Corporate Governance. This reflects the main components set out in the CIPFA and SOLACE guidance *Delivering Good Governance in Local Government: Framework* which was revised in 2016. The Local Code is a public statement of the arrangements the Council has in place to ensure it conducts its business in a way that upholds the highest standards. It is intended to demonstrate the Council's adherence to the seven principles of public life, defined by the Committee on Standards in Public Life as selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- 4.2.2. The Local Code of Corporate Governance is therefore an important part of the Council's public accountability. As such, it must remain fit for purpose and each year the Council conducts a review of compliance with the Code. The results of this review feed into the annual review of the effectiveness of the Council's system of internal control, mentioned above at paragraph 4.1, thereby also contributing to the Annual Governance Statement.
- 4.2.3. A new Local Code of Corporate Governance was approved by the Audit & Risk Committee at its meeting on 22 March 2017. No changes are proposed in this report.
- 4.2.4. The Local Code of Corporate Governance is given at **Appendix 2**.

4.3. Audit & Risk Committee Terms of Reference

- 4.3.1. As a formally constituted Committee of the Council, the Audit & Risk Committee is governed by formal terms of reference. These are subject to annual review.
- 4.3.2. The CIPFA revised guidance on Audit Committees had been anticipated before Christmas, however national issues have delayed publication. As this will be a critical document for the revised terms of reference, it is proposed that the current terms should continue for the moment. A further report considering revised terms with clear links to the annual work plan will be brought once the guidance has been received.

5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1. Financial Implications

Adequate and effective systems of corporate governance and assurance and an effective Audit & Risk Committee are all central components in the processes intended to help ensure that the Council operates efficiently, cost effectively and with integrity. Such arrangements will support the processes of audit and internal control that will help the Council as it faces financially challenging times.

Colin Sharpe, Head of Finance, x37 4081

5.2. Legal Implications

Part 2 of the Accounts and Audit (England) Regulations 2015 obliges the Council to ensure that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. The Council must conduct a review at least once in a year of the effectiveness of its system of internal control and following the review, must approve an annual governance statement.

Kamal Adatia, City Barrister & Head of Standards, x37 1401

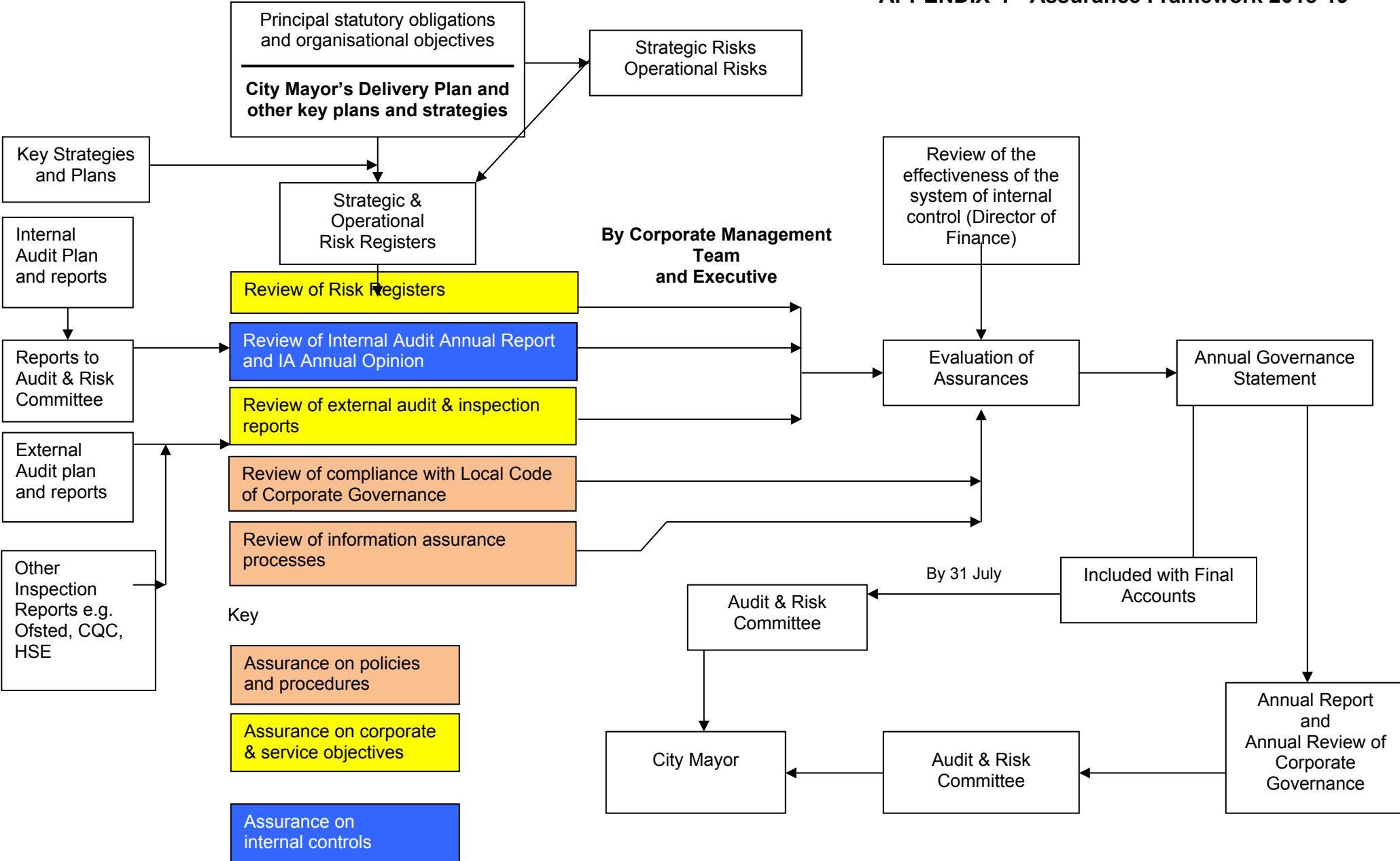
6. Other Implications

Other Implications	Yes/No	Paragraph or references within the report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	Yes	This report is concerned with effective systems of governance and control, which are an important safeguard against the risks of theft, fraud and corruption.
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	

Other Implications	Yes/No	Paragraph or references within the report
Health Inequalities Impact	No	
Risk Management	Yes	The whole report concerns the governance and assurance processes, a main purpose of which is to give assurance to Directors, the Council and this Committee that risks are being managed appropriately by the business.

- 7. Report Author**
Colin Sharpe, Head of Finance, ext. 37 4081

APPENDIX 1 - Assurance Framework 2018-19



APPENDIX 2 - Local Code of Corporate Governance 2018/19

INTRODUCTION

Corporate governance is a term used to describe the way that organisations direct and control what they do. For local authorities, it includes the systems, policies and processes as well as the cultures and values that underpin a Council's arrangements for effective:

- Leadership
- Management
- Performance
- Delivery of positive customer outcomes
- Community engagement
- Stewardship of public money

GOOD CORPORATE GOVERNANCE

Leicester City Council is committed to the principles of good corporate governance identified in the CIPFA/SOLACE guidance "*Delivering Good Governance in Local Government Framework: 2016*" and confirms its on-going intentions through the adoption, monitoring and development of its own Local Code of Corporate Governance. The Council recognises that achieving high standards of corporate governance will encourage stakeholders to have confidence in us and will allow the Council to undertake its role with its community.

This document sets out Leicester City Council's *Local Code of Corporate Governance* and the processes for monitoring its effectiveness. The Code provides the framework for the Council to achieve its aims and objectives.

A lead officer will be given responsibility for:

- Overseeing the implementation and monitoring the operation of the Code;
- Reviewing the operation of the Code in practice on an annual basis;
- Reporting annually to the Executive and full Council on compliance with the Code and any changes that may be needed to ensure its effectiveness in practice;
- Reporting any significant revisions to the Code to stakeholders.

The code for 2018/19 is based on the following seven core principles:

Core Principle A: Behaving with integrity, demonstrating commitment to ethical values and respecting the rule of law

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Core Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

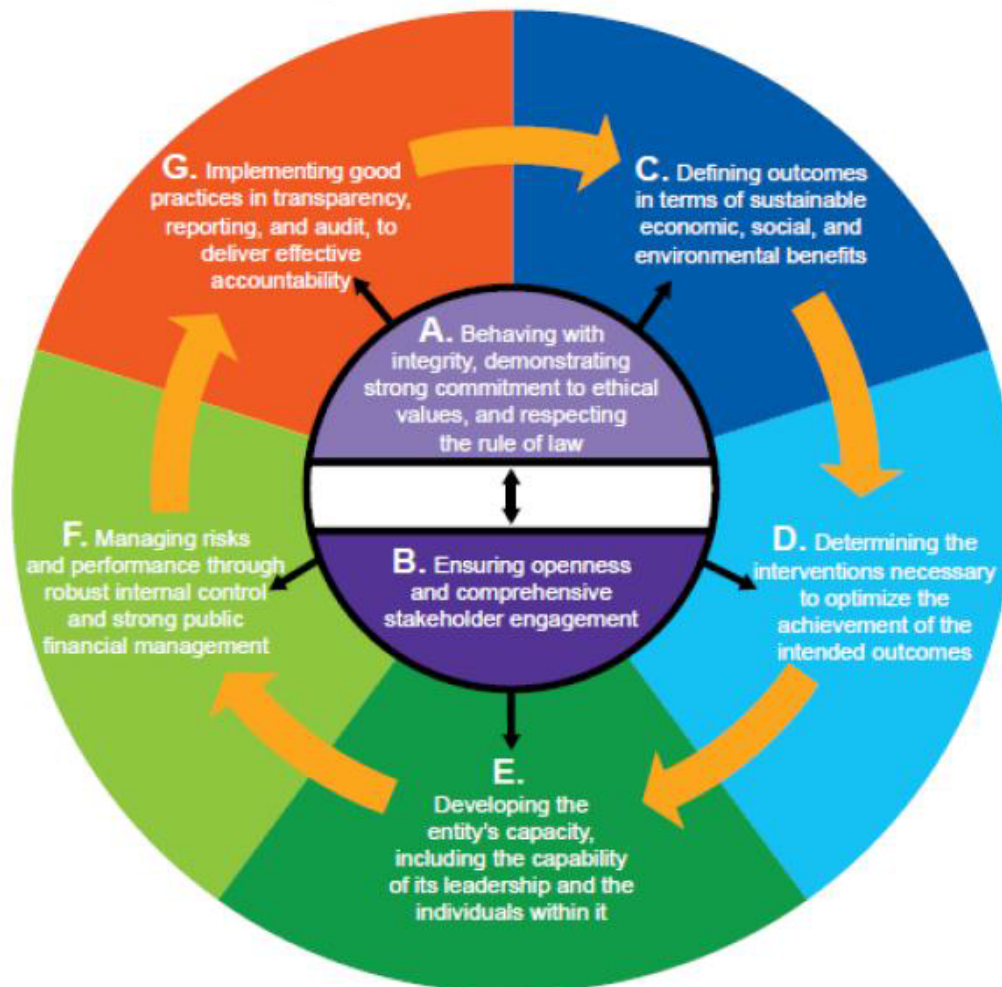
Core Principle D: Determining the interventions necessary to optimise the achievement of outcomes

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

Core Principle G: Implementing good practices in transparency, reporting and audit, to deliver effective accountability

**Achieving the Intended Outcomes
While Acting in the Public Interest at all Times**



The following details how the Council meets these core principles and the systems, policies and procedures it has in place to support this.

<u>Principles</u>	<u>Sub Principles</u>	<u>Demonstrated By</u>
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	Behaving with integrity.	<p>The Council’s leadership sets a tone for the organisation by creating a climate of openness, support and respect.</p> <p>Appropriate policies and processes are developed to embed the principals.</p>
	Demonstrating strong commitment to ethical values.	<p>Shared values, including leadership values are in place for both the Council and its staff. The values reflect public expectations and are communicated to Members, staff, the community and partners.</p>
	Respecting the rule of law.	<p>Defined and published standards which detail the expected conduct of Members and officers across the Council functions. Dealing with breaches of legal and regulatory provisions effectively.</p>
B. Ensuring openness and comprehensive stakeholder engagement.	Openness	<p>An embedded culture of transparency, openness and honesty.</p>
	Engaging comprehensively with institutional stakeholders.	<p>Consideration is given to the institutional stakeholders to whom the Council is accountable to and assessment made on the effectiveness of the relationships and any changes required.</p>
	Engaging with individual citizens and service users effectively.	<p>Ensuring that clear channels of communication are in place with all sections of the</p>

		community and other stakeholders. Effective monitoring arrangements are in place to ensure that they operate effectively.
In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:		
C. Defining outcomes in terms of sustainable economic, social and environmental benefits.	Defining outcomes.	Focusing on the purpose of the Council and on outcomes for the community, consulting on the outcomes and publishing them annually as part of the City Mayor's action plan.
	Sustainable economic, social and environmental benefits.	Regular review of the Council's vision and its implications for the Council's governance arrangements and economic, social and environmental benefits.
D. Determine the interventions necessary to optimize the achievement of the intended outcomes.	Determining interventions	Published annual report which communicates the Council's activities, achievements, financial position and performance. Interventions required are identified through these reports.
	Planning interventions	Performance, audit, risk and finance information is used to identify areas of concern and plan required interventions.
	Optimising achievement of intended outcomes	SMART community outcomes underpinned by business plans and outcome focused business activity.
E. Developing the entity's capacity including the capability of its leadership and the	Developing the entity's capacity	Clear vision, strategy and direction underpinned by capable leadership and focused talent management.

individuals within it.	Developing the capability of the entity's leadership and other individuals.	Recruitment and retention of high performing staff and providers.
F. Managing risks and performance through robust internal control and strong public financial management.	Managing risk.	Embedded risk management processes which are linked to community plan outcomes and corporate priorities.
	Managing performance.	Performance targets set in line with national benchmarks and outturns are regularly monitored and reported to stakeholders.
	Robust internal control.	Preventive controls in place include segregation of duties, approval/authorization processes, security of assets, reconciliations and audits.
	Managing data.	Robust Information Governance standards and training to all staff.
	Strong public financial management.	Monthly budget and savings tracker reports, audited annual statement of accounts, accountable budget owners.
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.	Implementing good practice in transparency.	Transparency, participation, accountability and integrity are interconnected concepts which are demonstrated through the Council's Governance framework.
	Implementing good practices in reporting.	Detailed consultation process for published reports ensuring Members and management own the results reported.
	Assurance and effective accountability.	Ensuring that recommendations for corrective actions made by external and internal audit are acted upon.

