

Committee	Dated:
Audit and Risk Management Committee	2 June 2020
Subject: Annual Governance Statement 2019/20	Public
Report of: The Town Clerk and Chief Executive and the Chamberlain	For Decision
Report author: Hayley Hajduczek, Corporate Strategy & Performance Officer	

Summary

This report presents the annual summary and update of the City Corporation's governance and internal control framework in the format agreed by this Committee in March 2020. Appendix 1 sets out the City Corporation's Annual Governance Statement (AGS) as required by the Accounts and Audit (England) Regulations 2015. Appendix 2 contains the AGS with all changes tracked.

The AGS is prepared in accordance with proper practice guidance – “*Delivering Good Governance in Local Government*” – issued jointly by the Society of Local Authority Chief Executives and Senior Managers and the Chartered Institute of Public Finance and Accountancy

Recommendation(s)

Members are asked to:

- approve the AGS set out in Appendix 1 for signing by the Chair of the Policy and Resources Committee and the Town Clerk and Chief Executive;
- note that the AGS will be published alongside the 2019/20 City Fund and Pension Funds Statement of Accounts;
- note the future work programme in paragraph 105 of the AGS to improve the governance framework; and
- delegate authority to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairmen of this Committee, to amend the AGS for any significant events or developments relating to the governance arrangements that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

Main Report

Background

1. This report presents the annual update of the City Corporation's governance and internal control framework. The Accounts and Audit (England) Regulations 2015, which apply to the City of London's City Fund activities, require an audited body to conduct a review, each financial year, of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) each year, alongside the authority's Statement of Accounts. The AGS is set out in Appendix 2 with all additions, deletions and other changes since last year shown as tracked changes.
2. The Chartered Institute of Public Finance and Accountancy (CIPFA), in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE), publishes a *Delivering Good Governance in Local Government: Framework* and an accompanying guidance note, which represents the proper practice guidance in relation to internal control.
3. In 2010, CIPFA issued its *Statement on the Role of the Chief Financial Officer in Local Government*. The governance requirements in this document are that the Chief Financial Officer should be professionally qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members. The Statement requires that, if different arrangements are adopted, the reasons should be explained in the organisation's AGS, together with how these deliver the same impact. The role of the Chamberlain conforms to the requirements of the Statement on the Role of the Chief Financial Officer.

Approval

4. The AGS must be signed by the most senior officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent). Following a resolution of this Committee in March 2012, the Policy and Resources Committee approved a report on the process for producing the AGS, and approved the practice whereby the AGS is approved by this Committee and signed by the Chairman of the Policy and Resources Committee.
5. There is a requirement that any significant events or developments relating to the governance arrangements that occur between the Balance Sheet date (31 March 2020) and the date on which the Statement of Accounts is signed by the Chamberlain are reported within the AGS. Therefore a paragraph has been added to note any changes that arise from the COVID-19 outbreak between March and June 2020 and delegated authority is sought for the Town Clerk, in consultation with the Chairman and Deputy Chairmen of this Committee, to amend the AGS if necessary.

Ownership

6. As a corporate document, the AGS should be owned by all senior officers and members of the authority. The draft AGS was considered and approved at Summit Group on 18 May.

7. The signatories need to ensure that the AGS accurately reflects the governance framework for which they are responsible. To achieve this, reliance may be placed on many sources of assurance, such as:
 - Chief Officers and Senior Managers;
 - the Chief Financial Officer responsible for the accounting control systems and records and the preparation of the statement of accounts;
 - the Monitoring Officer in meeting his/her statutory responsibilities;
 - members (e.g. through audit or scrutiny committees);
 - the Head of Internal Audit;
 - performance and risk management; and
 - external audit and other review agencies.
8. The Audit and Risk Management Committee has a key role within the 'review of effectiveness' of the City's governance framework, including the system of internal control. One of its prime responsibilities is to review the work of the internal auditors, consider the risk management framework, and consider comments made by the external auditors and other review agencies and inspectorates

External Audit

9. The AGS is required to be published with an authority's Statement of Accounts, but is not part of the accounts. This is an important distinction, as the statement is not then covered directly by the Chief Financial Officer's certification. The external auditors review whether the AGS reflects compliance with "*Delivering Good Governance in Local Government*" and report if the AGS does not comply with proper practices or if it is misleading or inconsistent with other information the auditor is aware of from the audit of the Statement of Accounts.

Appendices

- Appendix 1 – Draft Annual Governance Statement 2019/20
- Appendix 2 – Draft Annual Governance Statement 2019/20 with all changes tracked

Background Papers

- Report to Audit and Risk Management Committee, 31 March 2020: *Annual Governance Statement - Methodology*
- CIPFA/SOLACE publications:
 - Delivering good governance in Local Government: Framework (2016)
 - Delivering good governance in Local Government:– Guidance Note for English Authorities (2016)

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