

Committee	Dated:
Audit and Risk Management Committee	24 February 2015
Subject: Annual Governance Statement - Methodology	Public
Report of: The Town Clerk and the Chamberlain	For Decision

Summary

The City of London Corporation is required to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) alongside the annual Statement of Accounts.

This report proposes that the production of the AGS for 2014/15 broadly follows the process established in previous years. The AGS will be drafted jointly by officers from the Town Clerk's and Chamberlain's Departments to reflect the need for corporate ownership. As part of this process, officers will consider the progress made in implementing the future developments identified in last year's AGS.

The draft AGS will be presented to this Committee in June, accompanied by a schedule of supporting evidence. Following approval by this Committee, the AGS will be signed by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.

Recommendation(s)

Members are asked to:

- Consider and approve the proposals in this report for the production and presentation of the Annual Governance Statement for 2014/15, including consideration of whether two versions of the draft statement are required, and
- Consider whether any additional areas should be added to the Annual Governance Statement for 2014/15.

Main Report

Background

1. The City of London Corporation is required by the Accounts and Audit (England) Regulations 2011 to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) alongside the annual Statement of Accounts

2. The AGS is prepared in accordance with proper practice guidance and has to be approved each year by an appropriate committee and signed by the most senior Member and the most senior officer. In 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 then signed by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.
3. The AGS is published on the City of London website, and reviewed by the external auditor. The external auditor is required to report if the AGS does not comply with proper practices, or if it is misleading or inconsistent with other information the external auditor is aware of from the audit of the Statement of Accounts. To date, the external auditor has been content with the City Corporation's AGS.

Current Position

4. The AGS for 2013/14 was approved by your Committee in May 2014. This is attached at Appendix 1. A supporting schedule of assurances was also presented to your Committee with the draft AGS. This report outlines the proposed methodology for the production of the AGS for the financial year 2014/15.

Proposals

Format:

5. It is proposed that the AGS for 2014/15 will follow a similar format as in previous years. This includes standard paragraphs in the first two sections: Scope of Responsibility and The Purpose of the Governance Framework.
6. In previous years, the AGS has been presented to your Committee in two versions: one showing "track changes" from the previous year's AGS; and the other showing the final version if all of the changes are accepted. **Members are requested to consider whether both versions are required.**

Content:

7. The AGS is concerned with corporate controls and governance, rather than being confined to financial issues. To emphasise the need for corporate ownership, the AGS will be produced jointly by officers from the Town Clerk's and Chamberlain's Departments, as in previous years.
8. In producing the statement, officers will review the balance between the standing information on the internal control framework, and changes implemented during 2014/15, taking into consideration the overall length of the statement. The outcomes in respect of the Future Developments identified in the 2013/14 AGS (paragraph 64 in Appendix 1) will be incorporated into the relevant sections.

9. As noted at the last meeting, CIPFA has released a new code of practice on “Managing the Risk of Fraud and Corruption”. A report is being prepared for this Committee on the impact of the Code, which will provide evidence to support the AGS. The Code also provides standard wording for use where an organisation is making a statement in an annual governance report about their adherence to the Code. Although the wording of the Code indicates that including a statement is not compulsory, it is intended to include a statement as a matter of best practice. Currently, comments on the fraud investigation function are included within the section on the role of Internal Audit (see paragraph 51 in Appendix 1).
10. In previous years, Members have made suggestions as to additional items that should be included in the AGS. **Members are therefore requested to consider whether any additional areas should be added to the AGS for 2014/15.**
11. During 2015, CIPFA will be reviewing the CIPFA / SOLACE Framework for Good Governance, which underpins the AGS. Any implications for the City Corporation will be reported to Members.

Timetable:

12. In recognition of the importance of the AGS as a corporate document, CIPFA states that it is essential that there is buy in at the top level of the authority. It is therefore proposed to present the draft AGS as follows:
 - May 18th: Performance and Strategy Summit Group of Chief Officers.
 - June 2nd: Audit and Risk Management Committee

Supporting Evidence

13. It is proposed that an updated supporting schedule of assurances is presented to Members with the draft AGS, in the same format as that used in 2013/14. This demonstrates the wide range of on-going assurance provided to Members generally during the period covered by the AGS. In particular, this will provide assurance to Members of the Audit and Risk Management Committee regarding governance issues that fall within the remit of other Boards or Committees.

Appendices

- Appendix 1 – Annual Governance Statement for 2013/14

Background Papers

- CIPFA/SOLACE publications:
 - Delivering good governance in Local Government: Framework (reissued 2012)
 - Delivering good governance in Local Government: Framework – Addendum (December 2012)
 - Delivering good governance in Local Government:– Guidance Note for English Authorities (2012 Edition)

Neil Davies

Head of Corporate Performance and Development

T: 020 7332 3327

E: neil.davies@cityoflondon.gov.uk