

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	06 March 2018
<b>Subject:</b> Annual Governance Statement – Methodology	<b>Public</b>
<b>Report of:</b> The Town Clerk and the Chamberlain	<b>For Decision</b>
<b>Report author:</b> Tom Conniffe, Corporate Performance Manager	

### **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 2017/18 follows the process established in previous years and 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 for approval to this Committee in May 2018, accompanied by a schedule of supporting evidence. If approved, it 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 methodology set out in this report for the production and presentation of the Annual Governance Statement for 2017/18, and
- Consider whether any additional areas should be added to the Annual Governance Statement for 2017/18.

### **Main Report**

#### **Background**

1. The AGS is required by the Accounts and Audit Regulations 2015 and prepared in accordance with proper practice guidance. It has to be approved each year by an appropriate committee of the authority and signed by the most senior member and the most senior officer. In 2012, the Policy and Resources Committee considered a report on the process for producing the AGS, and approved the practice whereby the AGS is approved by the Audit and Risk

Committee and then signed by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.

2. The AGS is published on the City of London website, and reviewed by an 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**

3. The AGS for 2016/17 was approved by Audit and Risk Committee in July 2017, ahead of the publication of the Statement of Accounts in September 2017. A supporting schedule of assurances was also presented to your Committee. This report outlines the proposed methodology for the production of the AGS for the financial year 2017/18.

### **Proposals**

#### Format:

4. It is proposed that the AGS for 2017/18 will follow a similar format to that used in previous years. This includes standard paragraphs in the first two sections: Scope of Responsibility and The Purpose of the Governance Framework. The other sections generally follow a standard structure with a description of the key controls/processes followed by a summary of key developments during the year. The AGS also includes a section on the work of the Audit and Risk Management Committee. An outline of the draft 2017/18 AGS, following this format, is attached at Appendix 1.
5. It is proposed that the draft AGS be presented to this Committee in the same format as last year, i.e. showing all of the additions, amendments and deletions as "track changes" from the approved and published 2016/17 statement.

**Members are requested to approve these proposals for the production and presentation of the Annual Governance Statement for 2017/18.**

#### Content:

6. 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.
7. In producing the statement, officers will review the balance between the standing information on the internal control framework, and changes implemented during 2017/18, taking into consideration the overall length of the statement. The outcomes in respect of the Future Developments identified in the 2016/17 AGS (listed in Appendix 1) will be incorporated into the relevant sections.

8. In previous years, Members have made suggestions as to additional items that should be included in the AGS.

**Members are requested to consider whether any additional areas should be added to the AGS for 2017/18.**

Timetable:

9. 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:
  - April 30: Summit Group.
  - May 29: Audit and Risk Management Committee

Supporting Evidence:

10. 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 2016/17. 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.

**Delivering Good Governance in Local Government**

11. Following consultation in 2015, CIPFA and Solace introduced a new governance framework for local government in 2016. The framework requires councils to produce an AGS, published with the annual accounts, to report publicly on how they have complied with their governance code and describe any governance issues, including how they will be addressed.

12. The framework states that an AGS should include:

- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
- reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate;
- an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
- reference to how issues raised in the previous year's AGS have been resolved, and
- a conclusion – a commitment to monitoring implementation as part of the next annual review.

13. The framework also states that the AGS should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority, and

should be approved at a meeting of the authority or delegated committee. Local authorities are required to include the AGS with their statement of accounts.

## **Appendices**

- Appendix 1 – Outline Annual Governance Statement 2017/18

## **Background Papers**

- CIPFA/SOLACE - Delivering good governance in Local Government:
  - Framework (2016 Edition)
  - Guidance Note for English Authorities (2016 Edition)

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