

Committee(s)	Dated:
Audit and Risk Management Committee	31 March 2020
Subject: Annual Governance Statement – Methodology	Public
Report of: The Town Clerk and the Chamberlain	For Decision
Report author: Hayley Hajduczek, Corporate Strategy and Performance Officer Matt Lock, Head of Audit and Risk Management	

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 2019/20 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 ready for approval in May 2020, accompanied by a schedule of supporting evidence. Subject to the agreement of this Committee, it will be approved by the Town Clerk and Chief Executive under delegated authority. This is due to the schedule of this Committee, as the next meeting is 2 June and the AGS needs to be agreed by 31 May. If approved, it will be signed by the Chair of the Policy and Resources Committee and the Town Clerk and Chief Executive.

Recommendation(s)

Members are asked to:

1. consider and approve the methodology set out in this report for the production and presentation of the Annual Governance Statement for 2019/20;
2. consider whether any additional areas should be added to the Annual Governance Statement for 2019/20; and,
3. grant delegated authority to the Town Clerk, in consultation with the Chairman and Deputy Chairmen of the Audit and Risk Management Committee, to agree the draft Annual Governance Statement.

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 2018/19 was approved by Audit and Risk Committee in May 2019. 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 2019/20.

Proposals

Format:

4. It is proposed that the AGS for 2019/20 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 2019/20 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 "tracked changes" from the approved and published 2018/19 statement.

Members are requested to approve these proposals for the production and presentation of the Annual Governance Statement for 2019/20.

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 2019/20, taking into consideration the overall length of the statement. The outcomes in respect of the Future Work Programme identified in the 2018/19 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 2019/20.

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 22: Summit Group (Town Clerk and Chief Executive's Senior Leadership Team).
 - During May: by circulation to Members of the Audit and Risk Management Committee. The AGS will need to be approved by delegated authority as the next meeting of this committee is 2 June.
 - May 31: City Fund Statement of Accounts due for publication.

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 2018/19. This demonstrates the wide range of on-going assurance provided to Members generally during the period covered by the AGS. In particular, this is designed to give 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 bodies with local authority responsibilities 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. To that end the AGS will need to go through under delegated authority as the next meeting of the committee is 2 June and the AGS needs to be agreed before 31 May.

Approach for Subsequent Years

14. With a change in personnel in both the Corporate Strategy and Performance Team and Internal Audit brings a fresh perspective to the approach for preparing the AGS. Having reviewed the guidance, it is not considered necessary to wait until after 31 March each year to prepare the AGS. Consequently, it is proposed that, for future years, the AGS is prepared for the final (March) Audit and Risk Management Committee of each financial year. A holding paper setting out the methodology for preparing the AGS would no longer be necessary.

Security implications

15. There are no specific security implications arising from the contents of this report.

Financial implications

16. There are no specific financial implications arising from the contents of this report.

Public sector equality duty

17. There are no specific equalities implications arising from the contents of this report.

Resourcing implications

18. There are no specific resourcing implications arising from the contents of this report.

Conclusion

19. Members are asked to approve the production of the AGS for 2019/20 following the process established in previous years, and to consider any additional areas to be added to the AGS this year. Members are also asked to grant delegated

authority to the Town Clerk in consultation with the Chairman and Deputy Chairmen of the Audit and Risk Management Committee, to agree the draft Annual Governance Statement. This is required as next meeting of the committee is 2 June and the AGS needs to be agreed before 31 May.

Appendices

- Appendix 1 – Outline Annual Governance Statement 2019/20

Background Papers

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

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ANNUAL GOVERNANCE STATEMENT 2019/20: OUTLINE

Scope of Responsibility

1. The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK. It aims to contribute to a flourishing society, support a thriving economy and support outstanding environments by strengthening the character, capacity and connections of the City, London and the UK for the benefit of people who live, learn, work and visit here. Its unique franchise arrangements support the achievement of these aims.
2. Although this statement has been prepared to reflect the City of London Corporation ("the City Corporation") in its capacity as a local authority and police authority, the governance arrangements are applied equally to its other funds – City's Cash and Bridge House Estates.
3. The City Corporation is responsible for ensuring that its business is conducted in accordance with the law and proper standards of governance; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively; and that arrangements are made to secure continuous improvement in the way its functions are operated.
4. In discharging this overall responsibility, the City Corporation is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
5. The City Corporation has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on the City Corporation's website at www.cityoflondon.gov.uk. This statement explains how the City Corporation has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

6. The governance framework comprises the systems and processes by which the City Corporation is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the City Corporation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
7. The system of internal control is a significant part of that framework and is designed to manage all risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable rather than absolute assurance of effectiveness. The City Corporation's system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of its 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.
8. The governance framework has been in place at the City for the year ended 31st March 2020 and up to the date of approval of the statement of accounts.

Key Elements of the Governance Framework

Code of Corporate Governance

Standards Committee

Electoral arrangements

Business Strategy and Planning Process

Information Management Strategy

Financial Management Arrangements

Risk Management
Health & Safety and Wellbeing
Business Continuity
Role of Internal Audit
Performance Management
Audit and Risk Management Committee

Review of Effectiveness

Head of Internal Audit's Opinion

Future Work Programme

NB: The following items constitute the Future Work Programme from the 2018/19 Annual Governance Statement (see paragraph 7 of the covering report):

- Review the City Corporation's governance arrangements against the requirements of the CIPFA/Solace framework *Delivering Good Governance in Local Government 2016* and, subject to agreement, following the fundamental review.
- Begin collecting data against a set of outcome-based measures for the whole City Corporation, that demonstrate impact and progress towards delivering the Corporate Plan 2018-23.
- Undertake an annual update for the registration and publication of declarations of interest by the City Corporation's Members and Co-opted Members.
- Provide training events and briefing sessions for Members as part of the Member Development Programme to ensure that they are aware of current and emerging issues, how the City Corporation is delivering its services and responding to changing priorities; and the role of decision-makers. Forthcoming sessions will focus on Cyber-Security, Charing skills and Rough Sleeping & Homelessness.
- Deliver the benefits from the programme of cross-cutting efficiency and effectiveness reviews resulting from the fundamental review and the 2% budget efficiency target.
- Deliver the priority outcomes from the updated and refreshed IM Strategy:
 - Business Intelligence infrastructure, new reports and analytics developed across the organisation.
 - Communication and training on using IM for new ways of working across the organisation.
 - Implement good IM practices including protective marking and classification.
- Implement the new risk appetite framework for the City Corporation, which reflects its capacity to manage risk and willingness to take risk in order to meet the strategic objectives.
- Review the City Corporation's risk management strategy and corporate risk register.
- Review programme governance arrangements, to improve the handling of corporate and departmental projects, including reviewing the terms of reference of relevant governance groups and a process for escalating risks to the appropriate levels.
- Investigate ISO22301 accreditation for our business continuity services.
- Deliver the extended remit of the Audit & Risk Management Committee to undertake periodic reviews of the risk management procedures, financial capabilities, controls, and safeguarding procedures of the City of London School, the City of London School for Girls, the City of London Freeman's School, the City of London Academies Trust (including its embedded academies) and the City Academies that are free-standing entities.

This annual governance statement was approved by the Town Clerk and Chief Executive under delegated authority from by the City Corporation's Audit and Risk Management Committee on xxxxxxxx.

John Barradell
Town Clerk and Chief Executive
Date:

Catherine McGuinness
Chair, Policy and Resources Committee
Date: