

Committee(s):	Date(s):
Audit and Risk Management	05 Mar 2013
Subject: Annual Governance Statement - Methodology	Public
Report of: Town Clerk and Chamberlain	For Decision

Summary

The City of London Corporation is required to conduct a review at least one 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 2012/13 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, and the revised CIPFA/Solace guidance note: "*Delivering good governance in Local Government*" (2012 edition).

The draft AGS will be presented to this Committee in June, in track changed and non-track changed formats, 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.

This report also gives Members the opportunity to consider whether any changes are required to the issues covered by the AGS.

Recommendation(s)

Members are asked to:

- approve the proposals in this report for the production and presentation of the Annual Governance Statement for 2012/13, and
- consider whether any additional areas should be added to the Annual Governance Statement for 2012/13.

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 – *Delivering Good Governance in Local Government* – issued jointly by the Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA).
3. The AGS has to be approved each year by an appropriate committee and signed by the most senior Member and the most senior officer. At the City Corporation, the AGS is approved by the Audit and Risk Management Committee and signed by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.
4. 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. The AGS is then 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

6. The Annual Governance Statement for 2011/12 was approved by your Committee in June 2012. This is attached at Appendix 1. A supporting schedule of assurances was presented to your Committee with the draft AGS. An extract from the 2011/12 schedule is attached as Appendix 2, to illustrate the format used.
7. This report outlines the proposed methodology for the production of the Annual Governance Statement for the financial year 2012/13.

Proposals

Format:

8. It is proposed that the AGS for 2012/13 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.
9. The AGS will be presented to your Committee in two versions: one showing "track changes" from the 2011/12 AGS; and the other showing the final version if all of the changes are accepted.

Content:

10. 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.
11. In producing the statement, officers will review the balance between the standing information on the internal control framework, and changes implemented during 2012/13, taking into consideration the overall length of the statement. The outcomes in respect of the Future Developments identified in the 2011/12 AGS (paragraph 55 in Appendix 1) will be incorporated into the relevant sections.
12. During 2012, a CIPFA/SOLACE Joint Working Group reviewed the *Delivering Good Governance in Local Government: Framework*, first issued in 2007, to ensure it remains fit for purpose. In December 2012, the Joint Working Group issued an addendum to the framework and a revised guidance note. In drafting the AGS, officers will take into account this revised guidance, and the updated example annual governance statement provided in the addendum.
13. The guidance note highlights a number of developments since the launch of the framework:

Transparency

14. The government is committed to increasing transparency across Whitehall and local authorities in order to make data more readily accessible to the citizen and to hold service providers to account. The Department for Communities and Local Government published *The Code of Recommended Practice for Local Authorities on Data Transparency* in September 2011, which is concerned with enshrining the principles of transparency.

Localism Act 2011

15. The Localism Act includes a number of provisions intended to give local government new freedoms and flexibility, including:
 - the 'general power of competence' which gives local authorities the legal capacity to do anything an individual can that is not specifically prohibited, and
 - a new duty to promote and maintain high standards of conduct, following the abolition of the standards board regime. Local authorities are required to draw up their own codes of conduct.

Health and Social Care Act 2012

16. This Act restructures public health services nationally and locally. At a local level, local authorities will have responsibilities for public health and are required to appoint a director of public health and create a health and wellbeing board. While objectives will be set nationally for improving population health, local authorities will have the freedom to determine the means by which they are achieved.

The Role of the Chief Financial Officer

17. In 2010, CIPFA issued the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*. It sets out five principles that define the core activities and behaviours that belong to the role of the chief financial officer and the governance requirements needed to support them.

The Role of the Head of Internal Audit

18. In 2010, CIPFA also issued the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations*. Its purpose is to clarify the role of the head of internal audit in public services and to raise its profile. CIPFA's statement sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them.

Police Reform and Social Responsibility Act 2011

19. The Police Reform and Social Responsibility Act 2011 provides for directly elected police and crime commissioners to oversee local police forces, replacing police authorities, but does not apply to the City of London.
20. The impact of these issues on the City of London will be considered during the drafting of the AGS for 2012/13, and reported to your Committee in June.
21. In previous years, Members have also made helpful 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 2012/13.**

Timetable:

22. In recognition of the importance of the AGS as a corporate document, CIPFA argues 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 10th: Performance and Strategy Summit Group of Chief Officers.
 - June 25th: Audit and Risk Management Committee

Supporting evidence:

23. 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 2011/12 (An extract illustrating the format is at Appendix 2). 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 2011/12

- Appendix 2 – Supporting information presented to Committee

Background Papers:

- Reports to Audit and Risk Management Committee 7th March and 14th June 2012: Annual Governance Statement
- 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)

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