

Committee(s):	Date(s):
Audit and Risk Management	04 Mar 2014
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 2013/14 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 May, 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 gives Members the opportunity to consider whether any changes are required to the headline 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 2013/14, and
- consider whether any additional areas should be added to the Annual Governance Statement for 2013/14.

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 then signed by the Chairman of the Policy and Resources Committee.
5. 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

6. The Annual Governance Statement for 2012/13 was approved by your Committee in June 2013. This is attached at Appendix 1. A supporting schedule of assurances was presented to your Committee with the draft AGS. An extract from the 2012/13 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 2013/14.

Proposals

Format:

8. It is proposed that the AGS for 2013/14 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 2012/13 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 2013/14, taking into consideration the overall length of the statement. The outcomes in respect of the Future Developments identified in the 2012/13 AGS (paragraph 63 in Appendix 1) will be incorporated into the relevant sections.
12. During 2013, revised practical guidance for Local Authority and Police Audit Committees was issued by CIPFA, and a revised Audit and Risk Assurance Committee Handbook was issued by HM Treasury. Both of these have been reviewed, but neither contain any new developments that need to be taken into account in the drafting of this AGS. There will be a minor change as a result of the introduction of the Public Sector Internal Audit Standards (PSIAS), resulting in the Head of Internal Audit's statement on compliance with the old Local Authority Internal Audit Standards being replaced by a statement of compliance with the new PSIAS.
13. 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 2013/14.**

Timetable:

14. 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:
 - April 22nd: Performance and Strategy Summit Group of Chief Officers.
 - May 13th: Audit and Risk Management Committee

Supporting evidence:

15. 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 2012/13 (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 2012/13
- Appendix 2 – Supporting information presented to Committee

Background Papers:

- Reports to Audit and Risk Management Committee 5th March and 25th June 2013: 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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