ANNUAL GOVERNANCE STATEMENT 2013/14

Scope of Responsibility

1. The City of London Corporation is a diverse organisation with three main aims: to support and promote the City as the world leader in international finance and business services; to provide modern, efficient and high quality local services and policing within the Square Mile for workers, residents and visitors; and to provide valued services, such as education, employment, culture and leisure to London and the nation. Its unique franchise arrangements support the achievement of these aims. This statement refers only to the City of London Corporation in its capacity as a local authority and police authority.

2. The City of London Corporation ("the City") is responsible for ensuring that its business is conducted in accordance with the law and proper standards; 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.

3. In discharging this overall responsibility, the City 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.

4. The City has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE [1]Framework *Delivering Good Governance in Local Government.* A copy of the code is on the City's website at www.cityoflondon.gov.uk. This statement explains how the City has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

5. The governance framework comprises the systems and processes by which the City is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the City to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

6. 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's system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the City's 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.

7. The governance framework has been in place at the City for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

Key Elements of the Governance Framework

Code of Corporate Governance

8. The principles of good governance are embedded within a comprehensive published Code of Corporate Governance. This code covers both the local authority and police authority roles, and links together a framework of policies and procedures, including:

    -   Standing Orders, which govern the conduct of the City's affairs, particularly the operation of Committees and the relationship between Members and officers;

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[1] CIPFA is the Chartered Institute of Public Finance and Accountancy
SOLACE is the Society of Local Authority Chief Executives

- Financial Regulations, which lay down rules that aim to ensure the proper management and safeguarding of the City's financial and other resources;

- Terms of reference for each Committee;

- A Scheme of Delegations, which defines the responsibility for decision-making and the exercise of authority;

- A Members' Code of Conduct, which defines standards of personal behaviour; a Standards Committee, and register of interests, gifts and hospitality;

- A Code of Conduct for employees;

- A corporate complaints procedure, operated through the Town Clerk's Department, with a separate procedure in Community and Children's Services, to comply with the relevant regulations;

- A corporate Project Toolkit and other detailed guidance for officers, including procedures and manuals for business critical systems;

- An anti-fraud and corruption strategy, including anti-bribery arrangements, and whistle blowing policy;

- A Risk Management Handbook;

- Job and person specifications for senior elected Members; and

- A protocol for Member/officer relations.

9. The City's main decision making body is the Court of Common Council, which brings together all of the City's elected members. Members sit on a variety of committees which manage the organisation's different functions, and report to the Court of Common Council on progress and issues. The Town Clerk and Chief Executive is the City's statutory head of paid service, and chairs the Chief Officers' Group, which considers strategic issues affecting the organisation. This group is supported by other officer groups, including the Performance and Strategy Summit Group and the Economic Development Chief Officers Group. The Comptroller & City Solicitor discharges the role of monitoring officer under the Local Government & Housing Act 1989.

10. The Court of Common Council is defined as the police authority for the City of London Police area in accordance with the provisions of the City of London Police Act 1839 and the Police Act 1996. The legislation that introduced Police and Crime Commissioners and Police and Crime Panels during 2012 does not apply to the City of London; the Court of Common Council will, therefore, continue to be defined as the police authority for the City of London Police area.

11. The role of police authority is to ensure that the City of London Police runs an effective and efficient service by holding the Commissioner to account; to ensure value for money in the way the police is run; and set policing priorities taking into account the views of the community. These, and other key duties, are specifically delegated to the Police Committee. The Police Committee has two Sub Committees and a Board to provide enhanced oversight in specific areas of police work:

- The Professional Standards and Integrity Sub Committee has responsibility for providing detailed oversight over professional standards, and examines the casework of every single complaint recorded by the Force;

- The Performance and Resource Management Sub Committee monitors performance against the Policing Plan and oversees management of human and financial resources; and

- The Economic Crime Board considers matters relating to the Force's national responsibilities for economic crime and fraud investigation.

12. Following the enactment of the provisions of the Localism Act 2011, which replaced the national local government standards regime under the Local Government Act 2000, the City

remains under a duty to promote and maintain high standards of conduct by Members and co-opted Members. In particular, the Court of Common Council must adopt and publicise a code dealing with the conduct that is expected of Members when they are acting in that capacity, and have in place a mechanism for the making and investigation of complaints. The Court previously approved a new Code of Conduct in the form suggested by the Department for Communities and Local Government and agreed that, apart from disclosable pecuniary interests, no additional categories of interest would be registerable. It is anticipated that at the meeting of the Court in May 2014, a number of additional registration requirements will be considered for adoption in respect of Members' disclosable interests, principally around membership of outside bodies and organisations. A voluntary regime for registering the receipt of gifts and hospitality (over a certain financial threshold) was introduced in 2013. In March 2014, the Standards Committee's composition was increased to include an additional two Common Councilmen, in order to limit potential conflicts of interest amongst Members when considering complaints and dispensation requests.

13. The City has appropriate arrangements in place under which written allegations of a breach of the Member Code of Conduct can be investigated and decisions on those allegations taken. The Standards Committee has approved a Complaints Guidance Handbook, and the introduction of new voluntary arrangements for the registration of gifts and hospitality received. A Dispensations Sub Committee was established in June 2103 for the purposes of considering requests from Members for a dispensation to speak or vote on certain matters (where they have a disclosable pecuniary interest and are otherwise prevented from participation) being considered at Committee meetings.

14. Under section 28 of the Localism Act, the City is required to appoint at least one Independent Person to support the new standards arrangements. In June 2012, the Court of Common Council gave support to three appointments to the position of Independent Person, and also agreed a revised constitution and terms of reference for the Standards Committee, to be adopted from the point that section 28 of the Act came into force.

15. The Localism Act also requires the City to prepare and publish a Pay Policy Statement each year, setting out its approach to pay for the most senior and junior members of staff. The draft Pay Policy Statement for 2014/15 was agreed by the Court of Common Council in March 2014.

16. During 2013/14, new procedures were introduced for annual declarations of interest by certain officers, to meet the City's obligations under the Bribery Act 2010. The new approach agreed by the Audit and Risk Management Committee, and approved by the Establishment Committee, demonstrates a proportionate and pro-active approach, by requiring officers with decision-making powers in relation to higher risk activities to make an annual declaration to confirm that they have met the requirements relating to potential conflicts of interest, as set out in the Employee Code of Conduct, and to confirm that they have not engaged in any conduct which might give rise to an offence under the Act.

17. As a result of the Protection of Freedoms Act 2011-12, revisions were agreed to the City's policy and procedures in respect of the Regulation of Investigatory Powers Act 2000 (RIPA), which regulates surveillance carried out by public authorities in the conduct of their business. A report is made quarterly to the Policy and Resources Committee on the City's use of RIPA powers.

18. During 2013/14, the role of the City of London Corporation as Trustee of the Bridge House Estates Charity was considered, and a report was presented to the Court of Common Council, to explain the role of the City of London Corporation as Trustee of the Charity, The report further clarified the distinct functions and responsibilities of the Committees of the Court of Common Council of the City Corporation that conduct business relating to the Charity.

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19. The City has a clear hierarchy of plans, setting out its ambitions and priorities:

    - The sustainable community strategy for the City of London (The City Together Strategy: The Heart of a World Class City 2008-2014) is a shared focus for the future, helping to co-ordinate partners' activities towards meeting the needs and aspirations of the City's diverse communities. This was informed by extensive consultation with a wide range of stakeholders and specific interest groups. A Local Strategic Partnership (The City Together) oversees the development of the Community Strategy, which is centred on the Square Mile and the City's local authority and Policing functions.

    - The Corporate Plan shows how the City Corporation will fulfil its role as a provider of services both inside and outside of the City boundaries. The Corporate Plan includes a statement of the City's Vision, Strategic Aims, Key Policy Priorities and Core Values.

    - The City of London Policing Plan details the policing priorities and shows how these will be delivered over the coming year. It also contains all the measures and targets against which the Police Committee hold the City of London Police to account.

    - The Communications Strategy sets out the City's plan of action over the short to medium-term for communicating its activities and managing its reputation.

    - The Cultural Strategy presents a coherent view of the City's important cultural and heritage-related contributions to the life of London and the nation.

    - Other corporate plans and strategies are mentioned elsewhere in this document.

20. Plans and strategies are informed by a range of consultation arrangements, such as City-wide residents' meetings, representative user groups and surveys of stakeholders. The City has a unique franchise, giving businesses (our key constituency) a direct say in the running of the City, and a range of engagement activities, including through the Lord Mayor, Chairman of Policy and Resources Committee and the Economic Development Office. An annual consultation meeting is held for business ratepayers.

21. The Health and Social Care Act 2012 transferred responsibility for health improvement of local populations to local authorities in England, with effect from 1st April 2013. The new duties included the establishment of a Health and Wellbeing Board, which provides collective leadership to improve health and wellbeing for the local area.

Information Management Strategy

22. The Information Management Strategy (approved October 2009) sets out the headline approach to information management in the City. It summarises the current position, gives a vision of where we want to be and proposes a set of actions to start us on the path to that

vision. The Strategy defines our approach to the other key elements for information management, in particular data security and data sharing.

23. Overall responsibility for Information Management Governance is vested in the Information Systems (IS) Sub Committee. The Information Management Governance Board (IMGB) is chaired by the Director of the Built Environment and reports to the IS Strategy Board, which in turn reports to the Performance and Strategy Summit Group of Chief Officers and the IS Sub Committee. The Chief Information Officer was appointed as the Senior Information Risk Owner (SIRO) and Information Asset Owners (IAO) within departments are identified.

Financial Management Arrangements

24. The Chamberlain of London is the officer with statutory responsibility for the proper administration of the City's financial affairs. In 2010 CIPFA issued a "*Statement on the Role of the Chief Financial Officer in Local Government*" which codifies the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The City's financial management arrangements conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.

25. The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, a system of delegation and accountability, and independent scrutiny. In particular the system includes:

- a rolling in depth survey of the City's forecast position over a five year period;

- comprehensive budget setting processes;

- monthly, quarterly and annual financial reports which indicate performance against budgets and forecasts;

- access by all departmental and central finance staff to systems providing a suite of enquiries and reports to facilitate effective financial management on an ongoing basis;

- ongoing contact and communication between central finance officers and departmental finance officers;

- clearly defined capital expenditure guidelines;

- formal project management disciplines;

- the provision of high quality advice across the organisation;

- an in-house internal audit service;

- insuring against specific risks;

- scrutiny by Members, OFSTED, CQC, HMIC, other inspectorates, External Audit and other stakeholders, and

- requests for Members and Chief Officers to disclose related party transactions including instances where their close family have completed transactions with the City of London Corporation.

26. For non-Police services, the significant and continuing reduction in Government grants is the main factor contributing to the revenue deficits being forecast from 2016/17. By 2017/18, additional savings of £9m will need to be found. This is equivalent to about 10% of Chief Officers' cash limited budgets. To address these potential deficits, a service-based activity review is being undertaken to identify: further efficiencies where savings can be made with little impact on services; the appropriate level of expenditure to fulfil statutory requirements; services with less impact on the City's policy objectives; and funding/income generation opportunities. A range of options for budget reductions will be submitted to Members during 2014/15. In addition, targeted/selective budget reductions and efficiency programmes are continuing to be pursued, including those relating to corporate-wide procurement arrangements and the utilisation of assets.

27. The City of London Police manages its budget on a ring-fenced basis, but also faces significant and continuing reductions in Government Grants. The force has its own savings plan, including a new operating model developed through the City First Change Programme, and its own transformation plan – City Futures.

28. An Efficiency Board monitors the savings achieved and a Transformation Board is overseeing the change process. The Efficiency and Performance Sub Committee receives regular reports from these two Boards, continues to challenge the achievement of value for money, and helps to embed further a value for money culture within the City's business and planning processes.

29. The Police Performance and Resource Management Sub Committee's responsibilities include overseeing the force's resource management in order to maximise the efficient and effective use of resources to deliver its strategic priorities; and monitoring government and other external agencies' policies and actions relating to police performance.

30. The Policy and Resources Committee determines the level of the City's own resources to be made available to finance capital projects on the basis of a recommendation from the Resource Allocation Sub Committee. Ordinarily, such projects are financed from capital rather than revenue resources, and major projects from provisions set aside in financial forecasts.

31. The City has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:

   - Financial Strategy. This provides a common base for guiding the City's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;

   - Budget policy. The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers to continuously seek improved efficiency;

   - Annual resource allocation process. This is the framework within which the City makes judgements on adjustments to resource levels and ensures that these are properly implemented;

   - Capital Strategy. This ensures that the City's capital resources are deployed to realise its corporate aims and priorities;

   - Corporate Asset Management Plan. This aims to ensure that the opportunity cost of financial resources tied up in land and buildings is recognised, and that expenditure on the portfolio is directed efficiently and effectively to provide value for money;

   - Capital project evaluation, management and monitoring. The City has a comprehensive system of controls covering the entire life cycle of capital and major revenue projects; and

   - Treasury Management and Investment Strategies. Setting out the arrangements for the management of the City's investments, cash flows, banking and money market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

32. Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members.

33. The performance of the City's financial and property investments are monitored regularly, both in-house and independently, through WM Performance Services and our Independent Investment Adviser (for financial investments) and IPD (for property).

34. The City's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy, and provide value for money.

Risk Management

35. The City's Risk Management framework continues to abide by the Risk Management Handbook. This handbook was revised slightly during 2013/14, to capture individuals responsible for the mitigating actions, known as Control Owners. The framework continues to align with the key principles of ISO 31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The Handbook emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear protocol for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level. The framework assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives.

36. The Risk Management Group, consisting of senior managers representing all departments, including the City of London Police, meets twice annually. The group is a considerable driver in promoting the application of consistent, systematic risk management practices across the organisation. Strategic decisions on risk management are made by the Performance and Strategy Summit Group on a quarterly basis. The Group also provides the central coordination point for the consideration of strategic risk and the evaluation of emerging issues.

37. Actions being taken to mitigate operational risks are monitored by Chief Officers and by the relevant Service Committees. Corporate oversight of strategic risk is provided by the Chief Officers' Group and the Audit and Risk Management Committee. In addition to receiving quarterly risk update reports, the Audit and Risk Management Committee has adopted a cycle of regular in depth review of individual risks stated on the Strategic Risk Register.

38. During 2013/14, a full review was undertaken with Chief Officers on the Strategic Risks. As a result, two new risks, Safeguarding and Workforce Planning, were added; the existing Data Protection risk was revised to become a more holistic Information Security risk; two existing risks were merged to form a single resilience risk; and two further existing risks were merged to form a single finance risk.

39. During the summer of 2013, Zurich Municipal undertook an independent review of the risk management framework. The report highlighted that since the introduction of the Risk Management Handbook, good progress has been made and a sound basis exists for an effective risk management framework. Recommendations from the independent review were considered, and agreed actions incorporated into a risk management improvement plan.

Health & Safety

40. The Health & Safety at Work Act 1974 requires the City as an employer to ensure that it implements systems for the protection of its staff and visitors. The City's systems are aligned to HSG65, the Health and Safety Executive's guidance document on the essential philosophy of good health and safety, which was reviewed this year by the HSE. The City's systems will remain aligned with this guidance, and also fulfil the requirements of the Corporate Manslaughter Act 2007. Its goal is to ensure that safety becomes part of normal business by applying a practical, sensible and common sense approach.

41. During 2013/14, the City focused heavily on the roles and responsibilities of managers in safety management, building on, and increasing awareness of the revised Health & Safety policy introduced last year. Three major safety briefing sessions were opened to all managers and the Chief Officer's Group received the "Safety for Senior Executives" briefing. Elected Members are due to be briefed in the summer of 2014 as part of their development programme. The City Surveyor's Department successfully carried out a major review of their property safety management system and the new property management standards are planned to roll out throughout 2014.

42. Top X (the City's Health & Safety risk management system) continues to be an effective safety risk management tool. Top X helps to ensure that any uncontrolled safety hazards arising from operational processes are identified and controls implemented in a timely manner. Operating alongside the risk management process, it assists in ensuring that specific safety risks are

integrated by Chief Officers within their business planning. All departments regularly submit their Top X which is analysed and considered twice a year by the Corporate Health & Safety Committee, chaired by the Town Clerk and Chief Executive. This allows any uncontrolled issues to be managed. It is envisaged that Top X will also provide the Chief Officers' Group with a corporate strategic oversight of any safety risks by way of a regular report.

43. A further improvement in the quality and completeness of data submissions from departments was evident in 2013, resulting in the first full Top X report being presented to the Corporate Health & Safety Committee. The number of departments reporting 'nil' returns was noted as an indicator of increased confidence in managing safety risk issues.

Business Continuity

44. The Civil Contingencies Act 2004 requires the City, as a Category 1 responder, to maintain plans to ensure that it can continue to exercise its functions in the event of an emergency, requiring responders to train their staff responsible for business continuity, exercise and test their plans, and review these plans on a regular basis.

45. The City has an overarching Business Continuity Strategy and Framework and each department has their own business continuity arrangements. The disaster recovery solution for the City has been fully deployed and technical tests have been carried out to ensure its robustness. Both corporate and departmental arrangements are regularly reviewed to ensure they align with the relevant risk registers and business objectives. Officers from the different departments share best practice and validate their arrangements through the Emergency Planning and Business Continuity Steering Group, which sits on a quarterly basis.

46. Programme management of the City's business continuity management system (BCMS) lies with the Security and Contingency Planning Group, and all departments play a role in it. The City's BCMS has been recently reviewed as part of an independent external review of the City's resilience arrangements.

47. During 2013/14 the City has experienced a number of challenging events that have tested its ability both to deliver its own core activities under exceptional circumstances, and to support the emergency response to these incidents. Common to all of these events has been transport disruptions, which have at times challenged our staff's ability to travel into the Square Mile. The robustness of the business continuity arrangements, and the willingness of staff to adapt to new ways of working, have resulted in service provision being maintained during these disruptive events. Furthermore, those sections which have a role to play in responding to this type of event displayed great resilience and managed to contribute to the response from the emergency services and other partner agencies.

Role of Internal Audit

48. Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit programme, with key risk areas being reviewed annually. This is reinforced by consultation with Chief Officers and departmental heads on perceived risk and by a rigorous follow-up audit and spot checks regime.

49. The internal audit process is supported, monitored and managed by the Audit and Risk Management Committee in accordance with the Public Sector Internal Audit Standards. An Audit Charter, developed from the previous Internal Audit Terms of Reference, was agreed by the Audit and Risk Management Committee in October 2013. This defines the role of internal audit, and codifies accountability, reporting lines and relationships that internal audit has with the Audit and Risk Management Committee, Town Clerk and Chief Executive, Chamberlain and Chief Officers.

50. The Internal Audit Section operates under the requirements of the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1st April 2013, replacing the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The City of London's internal audit function was peer reviewed by the Head of Governance from the London Borough of Croydon in February 2014, and assessed as generally conforming to the

new standard. A number of minor observations were made, which will be acted upon to demonstrate full conformance to the new standard in 2014/15.

51. The Audit and Risk Management Committee oversees a targeted approach to the follow-up and implementation of high priority audit recommendations to ensure the internal control environment is maintained.

52. The fraud investigation function continues to be effective, to exceed national targets for housing benefit fraud sanctions and to conduct a wide range of anti-fraud activities. The Audit and Risk Management Committee is provided with six-monthly progress reports on the strategic pro-active anti-fraud plan, with investigation activity update reports presented to intervening meetings.

53. The City of London Whistleblowing Policy has been reviewed during the year to bring it in line with current best practice. It is planned to implement the new policy in the early summer of 2014, following review by the Audit and Risk Management Committee and approval by the Establishment Committee.

Performance Management

54. The corporate business planning framework sets out the planning cycle with clear linkages between the different levels of policy, strategy, target setting, planning and action (the "Golden Thread").

- All departments are required to produce annual departmental business plans for approval by the relevant service committee(s). These are all clearly linked to the overall Corporate Plan and show key objectives aligned with financial and staffing resources.

- All departmental business plans are reviewed for compliance with the corporate business planning framework, and Quality Assurance meetings are held by the Deputy Town Clerk with Chief Officers.

- All departments are required to report quarterly to their service committees with progress against their business plan objectives and with financial monitoring information.

- Regular performance monitoring meetings are held by the Deputy Town Clerk with selected Chief Officers.

- Performance and Development Appraisals are carried out for all staff, using a standard set of core behaviours. The appraisals are used to set individual objectives and targets and to identify learning and development needs that are linked to business needs. Pay progression is linked to performance assessments under the appraisal process.

55. Performance is communicated to Council Tax and Business Rate payers through the City-wide residents' meetings, the annual business ratepayers' consultation meeting and regular electronic and written publications, including an annual overview of performance, which contains a summary of the accounts.

56. Best practice guidance has been issued to Chief Officers on quarterly reporting to service committees and on the inclusion of an annual assurance statement on data quality within year-end performance reports.

Audit and Risk Management Committee

57. The Audit and Risk Management Committee is an enhanced source of scrutiny and assurance over the City's governance arrangements. It considers and approves internal and external audit plans, receives reports from the Head of Audit and Risk Management, external audit and other relevant external inspectorates, including HMIC, as to the extent that the City can rely on its system of internal control. The Committee reviews the financial statements of the City prior to recommending approval by the Finance Committee and considers the formal reports, letters and recommendations of the City's external auditors. The Committee also monitors and oversees the City's Risk Management Handbook. The Committee undertakes a systematic programme of detailed reviews of each of the risks on the City's Strategic Risk Register.

Review of Effectiveness

58. The City has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the internal auditors and managers within the authority who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates.

59. Processes that have applied in maintaining and reviewing the effectiveness of the governance framework include scrutiny primarily by the Policy and Resources, Finance, Police, Audit and Risk Management, Investment, and Standards Committees; and the Resource Allocation, Police Performance and Resource Management and Efficiency and Performance Sub Committees.

60. This review of the main elements of the City's governance framework has not identified any significant issues for reporting to senior management.

Head of Internal Audit's Opinion

61. The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the City of London Corporation to inform its Annual Governance Statement. The Head of Internal Audit is satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow him to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes. In his opinion, the City has adequate and effective systems of internal control in place to manage the achievement of its objectives. In giving this opinion he has noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.

62. Notwithstanding his overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures, which management has accepted and are documented in each individual audit report. Timeliness in the implementation of priority audit recommendations has improved further during the year. One area of emphasis is highlighted in the internal audit opinion relating to improving compliance with some controls operating over project management.

Future Developments

63. The governance framework is constantly evolving due to service and regulatory developments and assessments. Improvement plans have been compiled in response to the reports and assessments summarised above. Controls to manage principal risks are constantly monitored, in particular for services with statutory responsibilities for the safety of vulnerable people. The City proposes over the coming year to take the following steps to maintain, develop and strengthen the existing governance framework:

- Upgrading the existing financial system, and replacing the existing property management system;

- Agreeing future arrangements for the City's Local Strategic Partnership;

- Generating options for balancing the revenue budget over the medium term to offset the impact of continuing reductions in Government funding;

- Revising the terms of reference of the Standards Committee, to reflect that Committee's remit for monitoring and reviewing the Member/Officer Protocol, and reviewing the Protocol;

- Reporting the reviewed Scheme of Delegations to the Court of Common Council;

- Seeking to appoint two new co-opted Members onto the Standards Committee;

- Sending an annual reminder to all Members in respect of updating their Members' Declarations of interest; and

- Agreeing and implementing an updated Risk Management Strategy, including the introduction of risk management software to assist in the consistent reporting and management of risk across the Corporation.

This annual governance statement was approved by the City's Audit and Risk Management Committee on 13th May 2014.

John Barradell
Town Clerk and Chief Executive
Date:

Mark Boleat
Chairman, Policy and Resources
Committee
Date: