

Committee	Dated:
Audit and Risk Management Committee	14 June 2016
Subject: Annual Governance Statement 2015/16	Public
Report of: The Town Clerk and the Chamberlain	For Decision
Report author: Neil Davies, Head of Corporate Performance and Development	

Summary

This report presents the annual summary and update of the City Corporation's governance and internal control framework in the format agreed by this Committee in March 2016. Appendix 1 sets out the City Corporation's Annual Governance Statement (AGS) as required by the Accounts and Audit (England) Regulations 2015. Appendix 2 contains a schedule of assurances in support of the statement.

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 and the Chartered Institute of Public Finance and Accountancy

Recommendation(s)

Members are asked to:

- approve the AGS set out in Appendix 1 for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive;
- note that the AGS will be published alongside the 2015/16 City Fund and Pension Funds Statement of Accounts;
- note the future developments in paragraph 70 of the AGS to improve the governance framework; and
- delegate authority to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of this Committee, to amend the AGS for any significant events or developments relating to the governance arrangements that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

Main Report

Background

1. This report presents the annual update of the City Corporation's governance and internal control framework. The Accounts and Audit (England) Regulations 2015, which apply to the City of London's City Fund activities, require an audited body to conduct a review, each financial year, of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) each year, alongside the authority's Statement of Accounts. The AGS is set out in Appendix 1 with all additions, deletions and other changes since last year shown as 'tracked changes'.
2. The Chartered Institute of Public Finance and Accountancy (CIPFA), in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE), publishes a *Delivering Good Governance in Local Government: Framework* and an accompanying guidance note, which represents the proper practice guidance in relation to internal control. The City's AGS has been prepared in accordance with this guidance.
3. In 2010, CIPFA issued its *Statement on the Role of the Chief Financial Officer in Local Government*. The governance requirements in this document are that the Chief Financial Officer should be professionally qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members. The Statement requires that, if different arrangements are adopted, the reasons should be explained in the organisation's AGS, together with how these deliver the same impact. The role of the Chamberlain conforms to the requirements of the Statement on the Role of the Chief Financial Officer.

Approval

4. The AGS must be signed by the most senior officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent). 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. There is a requirement that any significant events or developments relating to the governance arrangements that occur between the Balance Sheet date (31st March 2016) and the date on which the Statement of Accounts is signed by the Chamberlain are reported within the AGS. Delegated authority is, therefore, sought for the Town Clerk, in consultation with the Chairman and Deputy Chairman of this Committee, to amend the AGS if necessary.

Ownership

6. As a corporate document, the AGS should be owned by all senior officers and members of the authority. The draft AGS was considered and approved at the Chief Officers Summit Group of Chief Officers on the 16 May.
7. The signatories need to ensure that the AGS accurately reflects the governance framework for which they are responsible. To achieve this, reliance may be placed on many sources of assurance, such as:
 - Chief Officers and Senior Managers;
 - the Chief Financial Officer responsible for the accounting control systems and records and the preparation of the statement of accounts;
 - the Monitoring Officer in meeting his/her statutory responsibilities;
 - members (e.g. through audit or scrutiny committees);
 - the Head of Internal Audit;
 - performance and risk management; and
 - external audit and other review agencies.
8. The Audit and Risk Management Committee has a key role within the 'review of effectiveness' of the City's governance framework, including the system of internal control. One of its prime responsibilities is to review the work of the internal auditors, consider the risk management framework, and consider comments made by the external auditors and other review agencies and inspectorates

External Audit

9. The AGS is required to be published with an authority's Statement of Accounts, but is not part of the accounts. This is an important distinction, as the statement is not then covered directly by the Chief Financial Officer's certification. The external auditors review whether the AGS reflects compliance with "*Delivering Good Governance in Local Government*" and report if the AGS does not comply with proper practices or if it is misleading or inconsistent with other information the auditor is aware of from the audit of the Statement of Accounts.

Delivering Good Governance in Local Government

10. Following a full review and consultation during 2015, CIPFA and Solace have recently issued a new governance framework. This states that:

"The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:

- *reviewing existing governance arrangements;*
- *developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness, and*
- *reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes."*

11. This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

Appendices

- Appendix 1 – Draft Annual Governance Statement 2015/16 – all changes tracked
- Appendix 2 - Schedule of reporting to Members

Background Papers

- Report to Audit and Risk Management Committee, 8 March 2016: *Annual Governance Statement - Methodology*
- 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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