



Audit and Risk Management Committee

Date: TUESDAY, 9 SEPTEMBER 2014
Time: 2.15 pm ** PLEASE NOTE START TIME **
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Alderman Nick Anstee (Chairman)
Nigel Challis (Deputy Chairman)
Jamie Ingham Clark
Oliver Lodge
Hilary Daniels (External Member)
Kenneth Ludlam (External Member)
Caroline Mawhood (External Member)
Alderman Timothy Hailes
Alderman Charles Bowman
Revd Dr Martin Dudley
Alderman Ian Luder
Graeme Smith
Roger Chadwick (Ex-Officio Member)
Jeremy Mayhew (Ex-Officio Member)
Hugh Morris (Ex-Officio Member)

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Lunch will be served in the Guildhall Club at 1pm

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 22 July 2014.

For Decision
(Pages 1 - 8)
4. **OUTSTANDING ACTIONS OF THE COMMITTEE**
Report of the Town Clerk.

For Information
(Pages 9 - 10)
5. **MITIGATION OF CR11 - HAMPSTEAD HEATH PONDS PROJECT - RISK UPDATE**
Report of the Director of the Built Environment.

For Information
(Pages 11 - 22)
6. **CORPORATE RISK REVIEW - CR18 - WORKFORCE PLANNING**
Report of the Director of HR.

For Information
(Pages 23 - 28)
7. **CORPORATE RISK REVIEW - CR16 - INFORMATION SECURITY AND GOVERNANCE**
Report of the Chamberlain.

For Information
(Pages 29 - 40)
8. **RISK MANAGEMENT UPDATE**
Report of the Chamberlain.

For Information
(Pages 41 - 64)
9. **INTERNAL AUDIT PROGRESS REPORT**
Report of the Head of Internal Audit and Risk Management.

For Information
(Pages 65 - 82)

10. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT**

Report of the Head of Internal Audit and Risk Management.

For Information
(Pages 83 - 90)

11. **INVESTIGATIONS UPDATE REPORT**

Report of the Head of Internal Audit and Risk Management.

For Information
(Pages 91 - 96)

12. **SOCIAL HOUSING TENANCY FRAUD - ANTI-FRAUD AND PROSECUTION
POLICY AND DELEGATED AUTHORITY TO AUTHORISE CRIMINAL
PROCEEDINGS**

Report of the Chamberlain.

For Information
(Pages 97 - 108)

13. **COMMITTEE WORK PROGRAMME**

Report of the Town Clerk.

For Information
(Pages 109 - 112)

14. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

16. **EXCLUSION OF THE PUBLIC**

RESOLVED: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

17. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the Non-Public minutes of the meeting held on 22 July 2014.

For Decision
(Pages 113 - 114)

18. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

19. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

Part 3 - Confidential Agenda

20. **RISK MANAGEMENT CHALLENGE SESSION**
Report of the Chamberlain.

For Discussion
(Pages 115 - 126)

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 22 July 2014

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 22 July 2014 at 11.00 am.

Present

Members:

Alderman Nick Anstee (Chairman)
Nigel Challis (Deputy Chairman)
Alderman Charles Bowman
Alderman Timothy Hailes
Alderman Ian Luder
Jamie Ingham Clark
Hilary Daniels (External Member)
Kenneth Ludlam (External Member)
Caroline Mawhood (External Member)
Roger Chadwick (Ex-Officio Member)
Jeremy Mayhew (Ex-Officio Member)
Hugh Morris (Ex-Officio Member)

In Attendance:

Officers:

Simon Murrells	Town Clerk's Department
Neil Davies	Town Clerk's Department
Julie Mayer	Town Clerk's Department
Dr Peter Kane	Chamberlain
Caroline Al-Beyerty	Chamberlain's Department
Paul Nagle	Chamberlain's Department
Steve Telling	Chamberlain's Department
Michael Cogher	Comptroller and City Solicitor
Paul Beckett	City Surveyor
	Director of the Department of the Built Environment
	Department of the Built Environment
Heather Bygrave	External Auditor, Deloitte
Angus Fish	External Auditor, Deloitte
Nick Bennett	External Auditor, Moore Stephens
Lucy Nutley	External Auditor, Moore Stephens

1. APOLOGIES

Apologies were received from Rev Dr Martin Dudley, Oliver Lodge and Graeme Smith.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

There were no declarations.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED, that:

The public minutes and non-public summary of the meeting held on 13 May 2014 be approved.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received its outstanding actions list and noted the following updates and additions:

Internal Audit Peer Review

The Head of Internal Audit and Risk Management advised that the outcomes of four other Peer Reviews would become available during the next six months and, therefore, the benchmarking exercise would be reported to the Committee in either March or June 2015.

Strategic risk Review SR5 – Flooding in the City

- The Committee had received a briefing note from the Director of the Built Environment, which concluded that the flood resistance and resilience measures applied to buildings and infrastructure, in the surface water flood risk areas, represents the most cost effective response to the surface water/sewer flood risks the City faces.
- In respect of the Dams at Hampstead Heath and further to a query from a Member about an alleged conflict of interest, which had been reported in the press, the Director of the Built Environment assured Members that such a conflict did not exist.

Members agreed that the above action points could now be closed.

Risk Management Update (new arrangements for meetings with Chief Officers on Risk Management)

The Assistant Town Clerk was heard in respect of proposed new arrangements for holding informal discussions with Chief Officers about their top departmental risks. It was suggested that these discussions take place in a '*workshop*' format at the end of formal Committee Meetings. Members noted that the meetings would be minuted and, should anything significant come to light, it would be reported formally at the next meeting of the Grand Committee. Depending on the content of these discussions, they would be placed in either the public or non-public part of the agenda.

Whilst welcoming the suggestion in principle, Members were committed to keeping the business of the Audit and Risk Management Committee as transparent as possible. However, they were reminded that any decisions to go into closed session would need to be defensible under Local Government Act Exemptions. Members were further reminded that, in accordance with CIPFA Guidelines, they were entitled to meet in private with the Head of Internal Audit,

with no other officers present. Furthermore, the Local Government Act and the City of London's own governance arrangements made provision for Committees to break into informal working groups or parties to discuss operational matters. There was a general agreement that, in the interest of broadening risk mitigation within the City of London Corporation, the workshop sessions with Chief Officers follow a similar format, for a trial period.

Annual Governance Statement

As this had been approved under Delegated Authority (Agenda Item 11), it could be closed.

BHE Trustee Responsibility

This was covered under agenda item 15 on today's agenda and could therefore be closed.

CR2 and CR16 – Supporting the Business City and Information Security

As further updates were expected at the September Meeting, these items could be closed.

Anti-Fraud and Investigation Update

A recent meeting with the DWP regarding the Single Investigation Service had been productive, although much depended on receipt of the national service level agreement and draft joint working protocols. Members noted that an update on the issue would be provided within the September Fraud Investigation Update report, so this item could be closed.

Replacement Whistleblowing Policy

As the Whistleblowing Policy had been approved by the Establishment Committee on 10th July 2014, this item could be closed. Further detail on this item was also provided under Agenda Item 11 – Decisions taken Under Delegated Authority.

RESOLVED, that:

1. A new programme of inviting Chief Officers into Audit and Risk Management Committee Risk 'Workshops', on the rising of the main Committees, commence in September 2014. *(The Town Clerk to circulate a schedule for the ensuing year).*
 2. The Outstanding Actions list be noted.
5. **AUDITED 2013/14 CITY FUND AND PENSION FUNDS FINANCIAL STATEMENTS TOGETHER WITH DELOITTE'S REPORT THEREON**
- The Committee considered a report of the Chamberlain, which presented the Financial Statements in respect of the Audited City Fund and Pension Fund Financial Statements, together with the External Auditors' Report. The Chairman was pleased to advise that all Members present had attended the briefing sessions and thanked the Chamberlain for being very accommodating and also providing 1-1 sessions for Members, where necessary.

During the discussion and debate on this item, the following issues were raised/noted:

- In respect of the treatment of the Crossrail commitment of £200m, Members noted that, since this was an Executory Contract and the obligation to pay would not materialise until the ticket halls had been built, it was shown as a commitment in the notes to the financial statements rather than as a provision on the balance sheet. The External Auditor endorsed this treatment. Members were advised that accounting for this commitment in any other way would be treated as an error in the financial statements and this advice would only change if the Crossrail commitment was no longer an Executory Contract. Whilst not all Members concurred with this treatment, it was accepted that it was in accordance with generally accepted accountancy practices. The Chamberlain advised that, in future years, a note could be added to the Financial Statements to demonstrate how the balance sheet would differ if the Crossrail funding was provided for within the Accounts.
- The Value for Money Conclusion had been more detailed than previously, due to the Audit Commission's requirement for auditors to challenge local authorities robustly on their plans for dealing with the continuing reductions in Government grants.
- Testing was largely complete, including investment holdings.
- In respect of adjustments, Members noted that provision for appeals against rateable values would not impact significantly on the statements.
- In respect of the Pension Fund, the Actuaries had confirmed that the assumptions were at the prudent end of acceptable and a Member of the Finance Committee, who is also an Actuary, shared this view.

In respect of the Risk Management section of the Explanatory Foreword to the Statement of Accounts and further to queries raised by a Member, the following amendments had been tabled and were agreed:

30. *The City of London has established a robust programme of risk management as a key element of its strategy to preserve its assets, enhance efficiency for service users and members of the public and protect its employees.*
31. *The Audit and Risk Management Committee monitors and oversees the City's Risk Management Strategy and undertakes a systematic programme of detailed reviews of each of the risks on the City's Corporate Risk Register. Following the independent review of the City's Risk Management arrangements (by Zurich Municipal) in the summer 2013, the Committee has overseen and supported officers in the development and agreement of a new Risk Management Strategy.*

32. *The Corporate Risk Register codifies key strategic risks and assigns responsibility for taking action to mitigate each risk to a named Chief Officer.*
33. *The Officer Risk Management Group has a remit to ensure that risk management policies are applied, that there is an on-going review of risk management activity and that appropriate advice and support is provided to Members and officers.*
34. *A Governance Statement is reviewed and updated annually. The Annual Governance Statement is considered and approved by the Audit and Risk Management Committee, based on its evaluation of the effectiveness of the risk and governance framework, and will be available at www.cityoflondon.gov.uk.”*

RESOLVED, that:

1. The contents of Deloitte’s Management letters be noted.
 2. The City Fund and Pension Funds Financial Statements for the year ended 31 March 2014 be recommended to the Finance Committee.
 3. The amendments to paragraphs 30 – 34 of the Explanatory Foreword to the Statement of Accounts, as set out above, be approved.
 4. Authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, to approve any material changes to the financial statements required before signing the audit opinion, by Deloitte, which is expected to be by the end of August or early September 2014.
 5. That (4) above be subject to the full Committee being consulted where, in the view of the Chairman and Deputy Chairman, it is appropriate to do so.
6. **AUDITED 2013/14 ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR BRIDGE HOUSE ESTATES (BHE), CITY’S CASH TRUST FUNDS AND SUNDRY TRUSTS TOGETHER WITH MOORE STEPHENS REPORT THEREON**

The Committee considered a report of the Chamberlain in respect of the Audited Bridge House Estates and Sundry Trusts Financial Statements, together with the External Auditors’ report.

Members noted that, at one of the briefing sessions, a query had been raised about the reserves policy. Officers advised that, as BHE was income generating, its surpluses were added to reserves and could be drawn down for further BHE activities. Members noted that the first call on BHE was for maintenance of the bridges and thereafter for allocation to the City Bridge Trust.

It was also suggested that that the note on the related party transactions within the City Fund should be given greater prominence by also including it within the Trustees annual report. This was accepted by the Chamberlain and the External Auditor.

RESOLVED, that:

1. The contents of the Moore Stephens Management Letter be noted.
2. Approval of the Annual Reports and Financial Statements for Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds for the year ended 31 March 2014 be recommended to the Finance Committee.

7. 2013/14 AUDIT PLAN COMPLETION

The Committee received a report of the Chamberlain, which provided a short update regarding the completion of the 2013/14 Audit Plan, which was currently at 96%.

RESOLVED, that:

The status of the 2013/14 Internal Audit Plan be noted.

8. HMIC INSPECTIONS (ANNUAL UPDATE) 2013/14

The Committee considered a report of the Commissioner of Police, which provided an update on the City of London Police's response to Her Majesty's Inspectorate of Constabulary (HMIC) Inspection Reports for the Financial Year 2013/14.

RESOLVED, that:

The HMIC Annual Update 2013/14 be noted.

9. RESOLUTION FROM THE PERFORMANCE AND RESOURCE MANAGEMENT SUB (POLICE) COMMITTEE

The Committee received a Resolution from the Performance and Resource Management Sub (Police) Committee in respect of a report which had provided an update on the internal audit reviews undertaken, on behalf of the City of London Police, between February and April 2014. The Head of Internal Audit and Risk Management had responded to the Resolution and briefed the Chairman and Members prior to the meeting. Members noted that, as an outcome, the Police Commissioner would field requests for delays in audit reviews prior to their submission to Internal Audit. The External Member, who is also a Member of the Performance and Resource Management Sub (Police) Committee was satisfied with the response.

RESOLVED, that:

The Resolution from the Performance and Resource Management Sub (Police) Committee and the response of the Head of Internal Audit and Risk Management be noted.

10. **COMMITTEE WORK PROGRAMME**

Members received the Committee's Workplan and noted that the September meeting of the Audit and Risk Management Committee would receive a full 12-month plan. The City's Cash accounts would be presented to the Audit and Risk Management and Finance Committees in November, in accordance with last year's timetable.

RESOLVED, that:

The Committee's work plan be noted.

11. **DECISIONS TAKEN UNDER URGENCY/DELEGATED AUTHORITY**

The Committee received a report of the Town Clerk, which set out the following decisions, which had been taken under delegated authority and in accordance with Standing Order 41, since the Committee last met on 13 May 2014.

Annual Governance Statement

At the last meeting on 13 May 2014, the Audit and Risk Management Committee considered the Annual Governance Statement for 2013/14 in the formats agreed by the Audit and Risk Management Committee in March 2014. The Annual Governance Statement had been revised, taking into account the changes requested by the Audit & Risk Management Committee on 13 May 2013.

Whistleblowing Policy

At the last meeting on 13 May 2014, the Audit and Risk Management Committee resolved that the proposed replacement Whistleblowing Policy be endorsed, subject to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, being satisfied with the clarity of the '*public interest*' test. This had now been provided and the Establishment Committee approved the revised Whistleblowing Policy on 10 July 2014.

RESOLVED, that:

The decisions taken under delegated authority, as set out above and since the last meeting of the Audit and Risk Management Committee, be noted.

12. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

In response to a question on the anti-fraud on line training course, which currently had a 90% completion rate, the Head of Internal Audit and Risk Management advised that a refresher Policy would be agreed with HR and presented to the Audit and Risk Management Committee in January 2015, as part of the update report on the Fraud Awareness Training..

13. **ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT**

There were no items of urgent business.

14. **EXCLUSION OF THE PUBLIC**

RESOLVED, that:

Under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that that involve the likely disclosure of exempt information, as defined in Part 1 of the Schedule 12A of the Local Government Act.

Item No	Paragraph No (s)
15	3

15. **BHE TRUSTEE RESPONSIBILITY AND APPLICATION TO PROJECT BE**

The Committee received a joint report of the Comptroller and City Solicitor, in respect of the Trustee responsibilities for Bridge House Estates, in response to queries raised by Members at the last meeting.

16. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

17. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There were no items of urgent business.

The meeting ended at 12.30 pm

Chairman

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
International Centre for Financial Regulation	Chamberlain advised Members to await the outcome of the police report, before taking a view about risk assurance implications.	Chamberlain	An individual had been charged and the Committee would receive an update on the outcome of the Court Hearing.
Agenda Management	Report authors should avoid repeating background detail contained in previous reports on the same subject, for example, in the Strategic Risk reports. As an alternative, it would be more helpful to keep this information in an appendix. It would also be helpful to summarise key changes since the previous reports, under a separate heading, after 'background' on the report template.	All to note/action	On-going.
Internal Audit Peer Review	Once all the Peer Reviews had been published, officers would look at benchmarking results with other London Borough.	Paul Nagle	Next report to Committee in March or June 2015.
Risk Management Update	The risk review programme to be developed further, to include departmental top risks and inviting Chief Officers, in rotation, to attend the Committee to discuss their departmental risk registers.	Paul Nagle/Suzanne Jones/Simon Murrells/Julie Mayer	The new programme will commence in September 2014, commencing with the Chamberlain's Department. The future risk review programme is set out within the Risk Management Update (agenda item 8) and the Chamberlain's Risk Report (agenda item 20).

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Committees:		Dates:
Audit & Risk Committee	For information	9 September 2015
Hampstead Heath, Highgate	For information	15 September 2015
Wood & Queen's Park Committee		
Subject:		Public
Mitigation of CR11 - Hampstead Heath Ponds Project – risk update		
Report of:		For Information
Director of the Built Environment		
Summary		
<p>Officers are continuing to progress the Ponds Project – the ultimate mitigation identified for Corporate Risk 11. The Heath and Hampstead Society have signalled their intention to apply for a judicial review by submitting a pre-action protocol letter. It is not yet known what impact this and the determination of the planning application may have on the programme but officers are continuing to progress detailed design and are taking all steps possible to ensure the project remains on program.</p>		
Recommendations		
Members are asked to receive this report for information.		

Main Report

Background

1. The Ponds Project was initiated following hydrological studies that revealed that in the event of a severe storm, there was a risk that the reservoirs on Hampstead Heath could overtop, potentially leading to erosion and dam failure. The risk of a dam failure has been monitored as a strategic (now corporate) risk since July 2011.
2. As reported to your Committee previously, all possible mitigating actions apart from the completion of the Hampstead Heath ponds project have been undertaken. These include the development of an on-site emergency action plan, monitoring of the dams, an emergency response contractor and a telemetry system which monitors weather and water levels.

Current Position

3. The Gateway 4c Report for the Ponds Project was approved in July 2014. This report agreed the proposed solution for both chains of ponds and approved the submission of planning application to Camden. The Hampstead Heath Ponds Project is currently on track but there are a number of risks to the programme. The most significant of these are planning permission and the judicial review.

Planning permission

4. The City submitted its planning application on 4 July 2004, and under the terms of the planning performance agreement between the City and Camden, the application should be considered in October. Camden has not yet managed to appoint an independent engineer to undertake a review of the project. They would like to use the findings of this proposed review in their determination of the application. The City considers that this is a “nice to have” rather than essential to determining the planning application and will continue to reiterate this to Camden. Officers are continuing to monitor progress of this appointment and other deliverables within the planning performance agreement.

Judicial review

5. The Heath & Hampstead Society submitted a pre-action protocol letter to the City in July and the City responded. The City now expects the Society to submit their claim to the Court by the end of September. The City and the Society have both agreed to request that the case be expedited and are hoping that the case can be heard by the Court in the autumn. A report is being submitted to the relevant Committees and the Court of Common Council to secure the necessary additional funding.

Impact on construction program

6. The City will only be able to start works once it has planning permission. The current programme assumes that planning permission will be granted in October, and tree clearance works begin in January 2015, allowing the main works to start in April 2015. The concern for the programme is that if the January 2015 tree works are delayed too long it will not be possible to complete them prior to the bird nesting season, and so these works would need to be delayed until August 2015. At worst case, this would lead to the loss of a season and a significant delay to the programme and possibly also the loss of the current constructor team who have built up knowledge of the Heath.
7. To mitigate this consideration is starting to be given to alternative programs that would move around the programme in response to requirements of the bird nesting season; for example, starting major works at areas where no tree clearance is required should the tree clearance window be missed.

Ladies Pond Facilities

8. It was anticipated at the start of the project that it would be necessary to replace both the Ladies Bathing facilities and the concrete slab on which they stand. However as designs progressed the spillway was moved into the western corner of the pond, allowing the concrete slab to be retained. It is still necessary to replace the building due to the operational issues associated with the new spillway. The constructor and the design team are currently commissioning further surveys to confirm the condition of the slab which will feed into buildability considerations and design. The outcome of these surveys will confirm the suitability of the existing slab to be retained, and whether additional piling or a cantilever will be necessary. This requirement will feed into the Agreed Maximum Price for construction.

Other issues included with the CR11 supporting statement

9. The supporting statement for CR11 notes the risk of cost increases. It has been necessary to request additional money be allocated to the cost of judicial review because this is an increase in project scope. The project board continues to monitor spend against budget and is working towards agreeing the “Agreed Maximum Price” with the constructor in December 2011.
10. Officers continue to progress the issue of landownership, and are not currently concerned that this will impact on programme.

Corporate & Strategic Implications

11. The Ponds Project supports Key Policy Priority 5: Increasing the impact of the City’s cultural and heritage offer on the life on London and the nation by supporting the provision of “safe, secure and accessible Open Spaces”. The Ponds Project will ensure compliance with the current and anticipated requirements of the Reservoirs Act 1975 and deliver the concluding mitigation of Strategic Risk 11. The project also supports the City Together Strategy – “supports our communities”, “protects, promotes and enhances our environment” and “is vibrant and culturally rich”.

Conclusion

12. The project risk of judicial review has materialised but it is not yet known what impact this will have on the project programme, and therefore the impact of the judicial review on the final mitigation of Corporate Risk 11 is not yet known. Officers continued to monitor progress with Camden on the planning performance agreement. The controls set out in the risk supporting statement remain relevant and active.

Appendices

- Appendix 1 – Risk Supporting Statement: CR11

Esther Sumner

Ponds Project & Management Support Officer

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Risk Supporting Statement: CR11

Risk Owner: Director of Built Environment

Risk	Dam failure at Hampstead Heath resulting in loss of life and damage to property and infrastructure Links to: Strategic Aim SA3 and Key Policy Priority KPP4	Current Risk	R
		Likelihood	Impact
		Unlikely	Extreme

Detail	<p>There are two chains of ponds at Hampstead Heath. Three of the ponds are "large raised reservoirs" under the Reservoirs Act 1975 and are categorised as "A" because in the event of breach they would pose a risk to the community downstream. They are therefore supervised by a Panel Engineer under the provisions of the Reservoirs Act. Amendments to the Reservoirs Act by the Flood & Water Management Act 2010 are expected to bring the entire chain of ponds into the category of "high risk". A number of hydrological studies have indicated that there is insufficient spillway capacity and that in a flood event this could result in overtopping which could result in dam erosion and breach. The Ponds Project was initiated in July 2011 to resolve this risk. The City has also undertaken other interim mitigation measures (telemetry, weather monitoring and an on-site plan) but these fall short of the ultimate mitigation of the Ponds Project as they do not address dam breach which could arise from overtopping.</p>
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<p>Issues</p> <ul style="list-style-type: none"> * Legal challenge results in delays to the project * Planning application determination period extended. Any delay in determination beyond October would delay the project until after summer 2015. * Cost increases 	<p>Controls</p> <ul style="list-style-type: none"> * Planning permission sought and Planning Performance Agreements signed - this includes an independent review by a Panel Engineer (Director of Built Environment) * Planning Performance Agreements in place with LB Camden (Director of Built Environment) * Budget controlled by the Project Boart (Director of the Built Environment)
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* Landownership issues delay the project

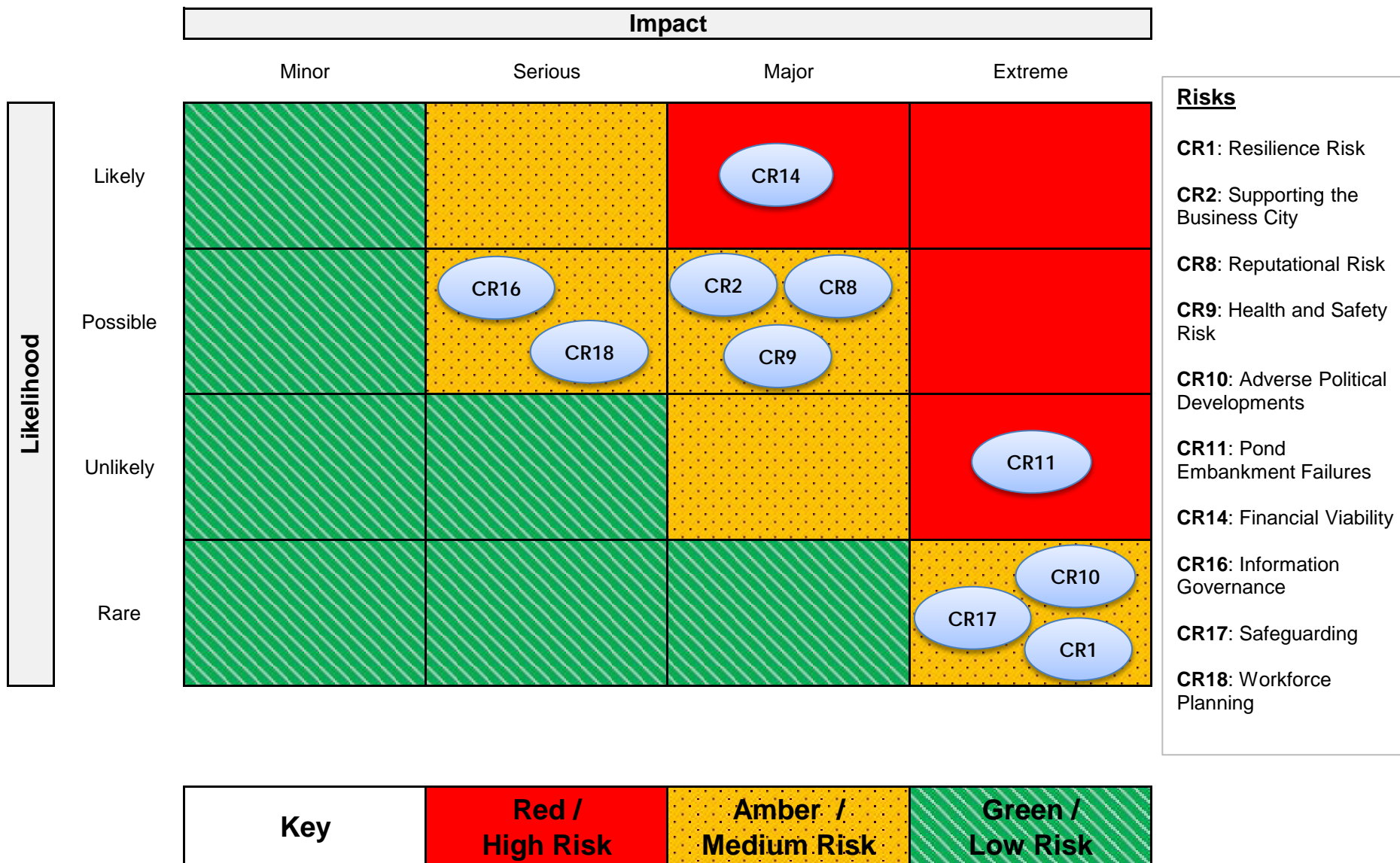
* Communication with landowners affected (*City Surveyor*)

Summary

Due to the need to prevent dam breach which arises from insufficient spillway capacity, this risk can only be mitigated by the completion of the Ponds Project. It is worth noting that the City owns a number of other water bodies, some of which are currently categorised as "large raised reservoirs" while others maybe brought into the inspection and safety regime of the 1975 Act by the 2010 Act. The appropriate supervision of these water bodies is monitored as a business risk, for which the Director of Open Spaces is responsible.

Target Risk	A
Likelihood	Impact
Rare	Extreme

Corporate Risk Profile



Guidance Notes

Risk Register Headings	Description
Risk No.	Unique reference for the risk.
Risk Details	Description of the risk.
Risk Owner	Officer responsible for the overall management of specific risks
Control Owner	Officer responsible for coordinating the activity to control the risk
Existing Controls	Controls in place to mitigate the risk.
Current Risk	The assessed level of risk taking in to account the existing controls.
Target Risk	The level at which the risk will be deemed as acceptable.
Risk Status	Overall status of Red, Amber or Green calculated in accordance with the assessment of Likelihood and Impact, having applied the risk assessment matrix.
Direction	An indicator to highlight the change in Current Risk since last reported
Planned Action	Details of further action required to mitigate the risk to an acceptable level.

Ratings	Risk Status
R	High risk, requiring regular monitoring and deployment of robust control measures.
A	Medium risk, requiring at least quarterly monitoring, further mitigation should be considered.
G	Low risk, less frequent monitoring, consideration may be given to applying less stringent control measures for efficiency gains.

Guidance Notes

Likelihood Scores	Brief Description
1 Rare	Robust mitigating controls in place, the risk may occur only in exceptional circumstances, (e.g. not likely to occur within a 10 year period or no more than once across the current portfolio of projects).
2 Unlikely	Adequate mitigating controls in place, the risk may occur in remote circumstances (e.g. risk may occur once within a 7-10 year period or once across a range of similar projects).
3 Possible	Reasonable mitigating controls in place, but may still require improvement. External factors may result in an inability to influence likelihood of occurrence (e.g. risk event could occur at least once over a 4-6 year period or several times across the current portfolio of projects).
4 Likely	Mitigating controls are inadequate to prevent risk from occurring, the risk may have occurred in the past (e.g. risk event could occur at least once over a 2-3 year period or several times across a range of similar projects).

Impact Scores	Brief Description
1 Minor	Isolated service user/stakeholder complaints, Minor incident or failure to achieve team plan objectives
2 Serious	Adverse local media coverage/multiple service user/stakeholder complaints, Significant injury or failure to achieve service plan objectives
4 Major	Adverse national media coverage 1-3 days, Major injury or failure to achieve strategic plan objective
8 Extreme	National publicity more than 3 days, Fatality or life threatening illness / disease, failure to achieve a major corporate objective

	Rare	Unlikely	Possible	Likely
	1	2	3	4
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%
Probability	Has happened rarely/never before	Unlikely to occur	Fairly likely to occur	More likely to occur than not
Time period	Unlikely to occur in a 10 year period	Likely to occur within a 10 year period	Likely to occur once within a one year period	Likely to occur once within three months
Numerical	Less than one chance in a hundred thousand (<10-5)	Less than one chance in ten thousand (<10-4)	Less than one chance in a thousand (<10-3)	Less than one chance in a hundred (<10-2)

	Minor	Serious	Major	Extreme
	1	2	4	8
Service Delivery / Performance	Minor impact on service, typically up to 1 Day	Service Disruption 2-5 Days	Service Disruption > 1 week to 4 weeks	Service Disruption > 4 weeks
Financial	Financial loss up to 5% of Budget	Financial loss up to 10% of Budget	Financial loss up to 20% of Budget	Financial loss up to 35% of Budget
Reputation	Isolated service user/stakeholder complaints contained within business	Adverse local media coverage/multiple service user/stakeholder	Adverse national media coverage 1-3 days	National publicity more than 3 days. Possible resignation of leading Member or
Legal / Statutory	Litigation claim or fine less than £5,000	Litigation claim or fine between £5,000 and £50,000	Litigation claim or fine between £50,000 and £500,000	Multiple civil or criminal suits. Litigation claim or fine in excess of £500,000

Safety / Health	Minor incident including injury to one or more individuals	Significant Injury or illness causing short term disability to one or more person	Major injury or illness/disease causing long term disability to one or more person	Fatality or life threatening illness / disease (e.g. Mesothelioma) to one or more
Objectives	Failure to achieve Team plan objectives	Failure to achieve one or more service plan objective	Failure to achieve a Strategic plan objective	Failure to achieve a major corporate objective

Committee: Audit and Risk Management	Date: 9th September 2014
Subject: Corporate Risk 18; Workforce Planning	Public
Report of: Director of HR	For Information
<p><u>Summary</u></p> <p><u>Corporate Risk 18</u> – Workforce Planning has been reviewed and updated to take account of recent information and the mitigating actions taken to control the risk. This report reviews the current position taking into account the economic position, recent legislative changes and the employment market environment. It reviews the controls in place and assesses whether these are sufficient to minimise the risk.</p> <p>Recommendations The Committee is asked to note this report and to consider whether any recommendations should be made with regard to the management of the risk by officers.</p>	

Main Report

Background

1. This report has been prepared in accordance with the request of the Audit and Risk Management Committee. It provides an account of CR18 Workforce Planning and the mitigating arrangements in place.
2. Corporate Risk 18 is that: The City of London would lose its workforce capacity to deliver its strategic aims and objectives if there are changes in the working environment which the City is unable to predict and therefore plan for.

Current Position

3. The City of London employee's terms and conditions have been less affected by the economic downturn than most other organisations. Our employees have been largely protected through this time and this has probably been a factor in recruitment and retention rates. However this increases the risk in the next 3 years. Other organisations are starting to slowly recover and the market value of specialist skills is beginning to increase, for us this is a time of greater uncertainty as the reality of service reviews and reducing budgets becomes apparent, our best staff are generally the most portable and most likely to move on.
4. This risk is heightened by the removal of the default retirement age and the increases to statutory pension age which can have at least two negative consequences. Firstly we can no longer predict turnover due to retirement and so the risk of losing skills, experience and corporate knowledge, without adequate time to prepare, is greater than before these changes. Secondly younger people in heated job markets expect faster progression, we may recruit them but we are at greater risk of not being able to retain them long enough to

recoup their value if the workplace and the working environment is not comparable to the external markets. Most external markets, even traditional ones, have progressed, delayering management, adopting modern management models and maximising the use of technology to automate process and increase the independence of individuals and managers through self-service.

5. Our reputation and the breadth and diversity of our services has been attractive in the past and much sought after by those looking to be at the top of their field. Today, career development no longer means a career based on one profession or industry, people look to add both specialist and generic skills to their CVs to increase their options for the future. Technology and new, smarter, ways of working crosses all areas and being 'leading edge' and having the jobs most sought after can be as much about our modern working practices and use of technology as the job itself. If we are unable to offer a full package of reward, job content and working practices, we are likely to become less and less attractive in the job market.

Controls

6. Mitigating controls are in the HR Business Plan for 2014/17 which has 6 strands; Recruitment, Development of our people for today and tomorrow, Pay and Reward, Enabling the business, Healthy and Safe Workforce and Escalating Performance.
7. In 2014/15 this will include;
 - Departmental Workforce Planning by SMTs is facilitated by Business Partners. Each department will reviews its critical posts, workforce profiles and analyses future needs in departments. The Director of HR reviews the Chief Officer profiles with the Town Clerk and updates the senior management Workforce Plan.
 - HR resources have been committed in 2014/15 to further developing the online recruitment, on-boarding¹ and induction systems, demonstrating a modern professional organisation to our potential future employees, the development of the pre and post starting date induction should assist in retention. This development is controlled by a programme board in HR which meets monthly to review progress against the business case.
 - Business critical roles have been identified and where appropriate retention payments are being made.
 - Resources have been developed in HR to provide an efficient and effective team in the recruitment to senior posts. This team has been cited in every senior appointment as presenting a professional and efficient organisation making the organisation attractive to the candidates. Not only does this control the reputational aspect of recruitment but it also provides the shortest recruitment times, usually the recruitment is achieved within the notice period of the outgoing incumbent, providing a seamless transition. Most recently appointments have been made in enough time to allow for an overlap and therefore an effective handover to the new postholder. This was achieved with the last two most senior officer posts in the organisation; the Chamberlain and the Town Clerk.
 - The absence of a default retirement age is being addressed by the revised PDF scheme will include individual's future plans and the development of staff for the future needs of the business. In addition the Learning and Development Strategy includes specific training for managers to both accurately identify learning needs and to understand the options for meeting those needs improving our development of the workforce for future business need.

¹ Onboarding is the process of getting the successful applicant from conditional offer to starting work. It includes security, identity, medical and other checks including references and DBS where appropriate.

- Corporate HR has brought the three independent schools into the business partner model and the business partner has developed comprehensive business plans for the three schools identifying areas of highest risk and putting controls into mitigate those risks. These are reviewed monthly by the Business Partner and the senior management teams in the three schools.
- The relevance of pay to the market is reviewed regularly, a comprehensive research study is commissioned periodically and this has just been completed on the senior posts which attract an MFS. This study has tracked the market rates in critical areas and HR are currently working with Directors on the implications of the findings. This in turn will inform our sourcing strategy.
- The Job Evaluation (JE) system is centrally controlled and requires comprehensive evidence for grade levels. This not only reduces our risk of legal challenge but increases confidence in the fairness of reward, which in turn increases retention.
- IIP accreditation tests our response to workforce planning in a number of areas, in particular to management and leadership, employee engagement and communication. These are key retention elements which continue to be tested IIP. The City Corporation has agreed to work towards the stretch standards of IIP aiming to achieve Gold Standard. The achievements will be tested on an incremental basis, in year 1 (2014/15) it will concentrate on the single organisation culture and the effectiveness of leaders and manager.
- The Workplace Charter is a new ‘standard’ that has been agreed by Chief Officers and which tests the Health and Wellbeing of the working environment. The initial assessment has been made and will be complete in November 2014. This together with our Health and Safety Strategy is a control for the safe working environment and contributes to our recruitment and retention.
- A talent management strategy for the entry level is being developed to include a Graduate scheme, Apprenticeships and work experience. This strategy will target attracting and supporting young people from our wider community who, despite being extremely talented, need help in getting into the job market. This will widen our job applicant field and contribute to our reputation for being ‘a good place to work’.

Risk Assessment

8. The current risk status of this risk is Amber, due to the risk being assessed as possible and the potential serious consequences for the delivery of the strategic aims and objectives of the Corporation. With the planned mitigation actions it is considered that this will reduce this risk to a Green status.
9. This risk is monitored via the monthly HR Dashboard which details; age, gender and ethnic origin profiles, starters, leavers and turnover, sick absence rates and case work levels.

Conclusion

10. The risk is being actively managed. In addition to the above the risk is monitored together with the HR strategy on a quarterly basis.

Appendix 1 – CR18 – Corporate Risk Register Extract

Contact:

Janet.fortune @cityoflondon.gov.uk / 02073321245

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Risk Supporting Statement: CR18

Risk Owner: Director of Human Resources

Risk	<p>Loss of work force capacity due to changes in the working environment, reducing the ability to achieve our strategic aims and objectives</p> <p>Links to: All Strategic aims and key policy priorities.</p>	Current Risk	A
		Likelihood	Impact
		Possible	Serious
Detail	<p>The fact that we have been less affected by the economic downturn than most and have largely protected our employees through this time, actually increases the risk for the next 3 years. Other organisations are starting to slowly recover and the market value of specialist skills is beginning to increase (we see that now with IS), this is at a time we are doing service reviews and taking large amounts out of the budget this has the potential to increase turnover of our most marketable staff. We can no longer predict turnover on the basis of age so the risk of losing skills and experience and corporate knowledge without adequate time to prepare is greater that before. In addition we operate in so many different markets for jobs it is not just the value of the posts in the markets which affect our ability to attract and retain staff. Technology and ways of working is affecting all 'professions' , being 'leading edge' and having the jobs most sought after in different fields is also dependant on being at the forefront of the industry. If we fall behind in that we will have to recruit from different levels in the market.</p>		
Issues	Controls		
<p>* Removal of Default retirement age</p> <p>* New Pension regulations</p> <p>* Moving of Statutory Pension Age</p> <p>* Key staff leaving the organisation as job market improves</p> <p>* Working environment lacks application of latest technology and is unattractive to retain and attract new staff</p>	<p>* The HR Business Plan for 2014/17 includes development of succession planning and a revised sourcing strategy which is intended maintain our position in our critical markets as the employer of choice. (Head of Corporate HR and Business Services)</p> <p>* The Business Plan also includes a regular pay survey to better inform the market rates which in turn informs our sourcing strategy for key posts and improves our response and conversion rates. (Head of Corporate HR and Business Services)</p> <p>* That the revised PDF scheme addresses these issues specifically and is better aligned to developing staff for the future needs of the business and that staff are asked to indicate their medium term plans if known. (Head of Corporate HR and Business Services)</p>		
Summary	<p>The risk remains at Amber but the likelihood is expected to reduce by the controls.</p>	Target Risk	G
		Likelihood	Impact
		Unlikely	Serious

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Committee(s): Audit and Risk Management Information Systems Sub Committee	Date(s): 9th September 22nd September
Subject: Information Security and Governance	Public
Report of: Chamberlain	For Information
Summary	
<p>This report is in response to the actions from the minutes of the May Committee meeting of the Audit and Risk Committee and to provide a status update in relation to information security and governance.</p> <p>Recommendation(s)</p> <p>Members are asked to:</p> <ul style="list-style-type: none"> • Note the report 	

Main Report

Background

This report is designed to provide a response and update to mitigation of information security and governance risk (SR16) and further developments in this area:

- Update on current position: number of breaches
- Risk mitigation to date: training, communications, engagement
- Development of the IMGB (structure, changes, future approach and action plan)

Current Position and actions from last report

The following provides an outline of the current position and actions from the last report:

1. **Security Breaches:** There have been 2 breaches of information since the last report (May 2014). Both breaches were reported to the Information Officer through the correct course of action and neither were considered to be of a nature that they should be reported to the Information Commissioner.
 - a. **Culture, Heritage and Libraries / Town Clerk's Department: 4/6/14**
 A Committee report was published on website containing: personal contact information of a third party. After notification the information was removed from the website. After investigation, it was concluded that the information was available elsewhere on the web, however we published a mobile contact number in error.

Action: Arranged for the following action: staff involved were reminded to be vigilant when handling personal information and asked to re-complete the DP e-learning package.

b. **GSMD:** 10/6/2014

Personal information of a current student was mistakenly added to an email sent to a rejected student. The information consisted of the current student's name and course information, and general reference to health issues, but the health issues were not specified.

Action: An apology was issued to data subject, i.e. the current student); the unintended recipient confirmed the email was deleted; staff involved were reminded to be vigilant when handling personal information and asked to re-complete the DP e-learning package.

2. **Mitigating Actions to avoid security breaches**

a. **Training:**

- i. 123 staff have attended engagement presentations in Data Protection to date in 2014.
- ii. 57 staff have completed Protecting information level 1, 2 or 3 relating to their role in 2014
- iii. 35 staff completed Data Security training in 2014 so far.

b. **Communication and awareness:** there has been further communication to all City staff through the following means with respect to handling information with emphasis on Data Protection, breaches of which can incur the biggest penalty for the City Corporation.

- i. Email infographic sent to all staff from the Deputy Town Clerk 5 August 2014 and used as office posters for the next two weeks (see appendix 1)
- ii. Email about building security sent to all staff on 31 July 2014
- iii. Email about 'being aware of 'phishing' sent to all staff on 19 August 2014 with links to further information on Data Security training
- iv. Communication of 'one stop shop' diagram to reporting information security incidents – paper based, personal information, loss or theft of devices and building security published on the intranet. See appendix 2.

c. Improvement in auditing the Mitigation of Risk

- i. Data Protection compliance checks through the AIN (access to information) representatives as a pilot process commenced in November 2013. This involves working with AIN reps to check local security arrangements for physical security of items (physical security of information through storage and transportation, clear desk policy for those working with personal/sensitive data). This will be rolled out further and broadened over time to fully cover retention of personal data.
- ii. Clarity in the reporting process: an agreed 'back office' incident escalation process is outlined in Appendix 4.
- iii. In time for Learning and Development week in October 2014, the new Learning Management System will be rolled out across the City Corporation. This presents the opportunity to promote the most up to date information management courses to staff and target those staff who handle personal or sensitive information and track their course completion more fully and present completion statistics back to the Board.

Development of the IMGB

1. Terms of Reference:

- a. The IMGB (Information Management Governance Board) is now a **strategic board only**.
- b. The purpose of the board is to decide on the most pressing areas of concern in relation to IMG (information management and governance) and identify the key business areas and experts to collaborate with in addressing IMG issues.
- c. It will then recommend interventions such as workshops, policy development, communication and training in relation to best practice in the field of information governance and management where applicable – corporately and departmentally.

After careful consideration of the performance of the previous IMGB, this approach was agreed by both the SIRO and Chair (listed in Appendix 1). The ambition is to develop effectiveness and efficiency in information governance and management through a fresh approach, using organisational expertise to best effect and reduce bureaucracy. An outline of Board Members and planned activity for Autumn 2014 is included in Appendix 1.

Conclusion

This report has outlined progress since the last report submitted in May 2014 and sets out the planned course of action going forward.

Appendices

- Appendix 1: IMGB: Structure and engagement plan
- Appendix 2: Example of staff communications since May 2014
- Appendix 3: Flow diagram for staff information of incident reporting for 'information breaches' in relation to sensitive, hardcopy/online, and building security.
- Appendix 4: Flow diagram of incident escalation/decision in the event of a breach.

Graham Bell

Chief Information Officer and SIRO (Senior Information Risk Officer)

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Appendix 1: IMGB membership and action plan

IMGB: Membership

- Director of the Built Environment (*chair*)
- Chief Information Officer (*SIRO, or Senior Information Risk Officer*)
- Head of Corporate Performance and Development, Town Clerks
- Strategy, Research and Information Lead, Chamberlain's

- Summit Group
- Chief Officer Group

*Seek corporate decision
(policy refresh etc)*

*Consult with Col Information
Experts through workshops etc.*

Head of Corporate Performance is line manager to Information Officers

Expert	Topic
Archivists (London Metropolitan Archives)	Record management
Technical Architects/IS and Agilisys	Data Security, system decommissioning, data retention and disposal
Committee and Member Services	Member training and education, information handling and access
VIP team (IS)	
Caldicott Guardian (Children and Community Services)	Handling sensitive and confidential information/protective marking
Audit and Risk Team	Record retention
Information Officer x 2	DP/FOI – record retention Handling sensitive information FOI requests
Lawyers (Comptroller and City Solicitors)	Record management

Action Plan: Autumn/Winter 2014

Activity	Action	Owner	Completion Date
Protective Marking Information classification awareness in line with 2014 legislation	Direct approach to areas required to classify sensitive information. Work with business areas to identify areas this applies to and assist them in achieving this	Strategy, Research and Information Lead, Chamberlains	September 2014
Ensure robust online security policy and plans are in place.	Refresh and agree information security policy for online systems. Promote online security and training	Strategy, Research and Information Lead, Chamberlains	October 2014
Clear desk policy for those dealing with sensitive information	Work with departments and Chief Officers to identify those dealing with sensitive information to encourage and sponsor clear desk policy in key areas. Assess success factors of this.	Strategy, Research and Information Lead, Chamberlains	October-December 2014
Audit compliance of Data Protection Act	Work with AIN representatives to develop and expand audit of areas to assess DP compliance. Explore and understand mechanism for secure transportation of non-public committee reports. question	Information Officers, Town Clerks	Winter 2014
Promote new Civil Service Information Governance and security modules	Rollout and promote 4 new training modules that include cyber security awareness: <ul style="list-style-type: none"> • Course for General Users/all staff • Course of Information Asset Owners (IAOs) • Course for Senior Information Risk Owners • Course for non-executive director/Board Members 	Strategy, Research and Information Lead in partnership with HR and Information Officers.	October 2014

Appendix 2: Example of communications to staff:

Data Protection e-Flyer and Screensaver: Summer 2014

Data Protection

Are you data aware?

Please take note of the following good practice to avoid breaching the Data Protection Act and compromising people's personal information, which could result in enforcement action against the City of London. A more detailed version of this guidance is available on the [policy pages of colnet](#).



Emailing personal information?

- Use the 'bcc' for multiple recipients
- Don't include personal information within an email chain
- Don't unnecessarily disclose names and email addresses of colleagues in the 'cc' option.



Remember - the IS Division have software to assist managing large mailshots and circulation lists: [Listserve](#)

Manual files containing personal information should always be kept secure, for example, in a locked cupboard



Ask your **manager** before removing **personal information** from the office.

- Take extra care when using **public transport**
- Don't leave laptops, files etc. **visible in a car!**
- Consider the use of **secure pouches** outside the office.



Portable devices must be kept secure, encrypted and password protected. Further advice on their secure use is available from the IS Division.



Do not keep **personal information** for longer than necessary. Ensure all personal information is disposed of **securely**.



When you are away from your desk lock your PC and do not leave personal information displayed on your desk.



Take care when using printers, photocopiers and network drives. Collect your information promptly, and do not leave any personal information on shared network drives (e.g. W Drive).



Passwords used to access **personal information** must always be kept **secure** and not shared.



Do not post personal information online, including when using social media, unless you know you are allowed to do so. This includes written information and photos/videos.



Avoid emailing and faxing personal information to recipients outside the organisation.

- If there is no alternative, ensure the recipient can confirm safe delivery
- Always take extra care when inputting the email address/fax number.
- If the personal information is particularly sensitive, consider using a **secure email service** (available through the IS Division).



If using Cloud computing solutions to store, access or share personal information, ensure that there is sufficient security in place, and that all appropriate guidance is followed. Further advice on the secure use of Cloud computing solutions is available from the IS Division.



If you find you can access personal information which you would not normally be permitted to access, please report it immediately and ensure your access is removed.



More information

There is a **Data Protection e-learning module** on the intranet. All employees who regularly access **personal information** should have gone through this (in accordance with the **Employee Data Protection Policy**). If you have not yet completed this please take some time **now to do so**.

It is essential that any **breaches**, or **potential breaches**, of the Data Protection Act are **immediately reported** to the **Town Clerk's Department** for a full investigation.

Most penalties issued by the Information Commissioner against public authorities for breaching the DPA have been in excess of **£100,000**

All **enforcement cases** are listed on the Information Commissioner's website and updated on our **intranet pages**

In some cases **disciplinary action** will need to be considered when breaches occur so do, please, be careful.

You can also find information here:

- Employee Handbook
- IS Guidelines
- Access to Information representatives

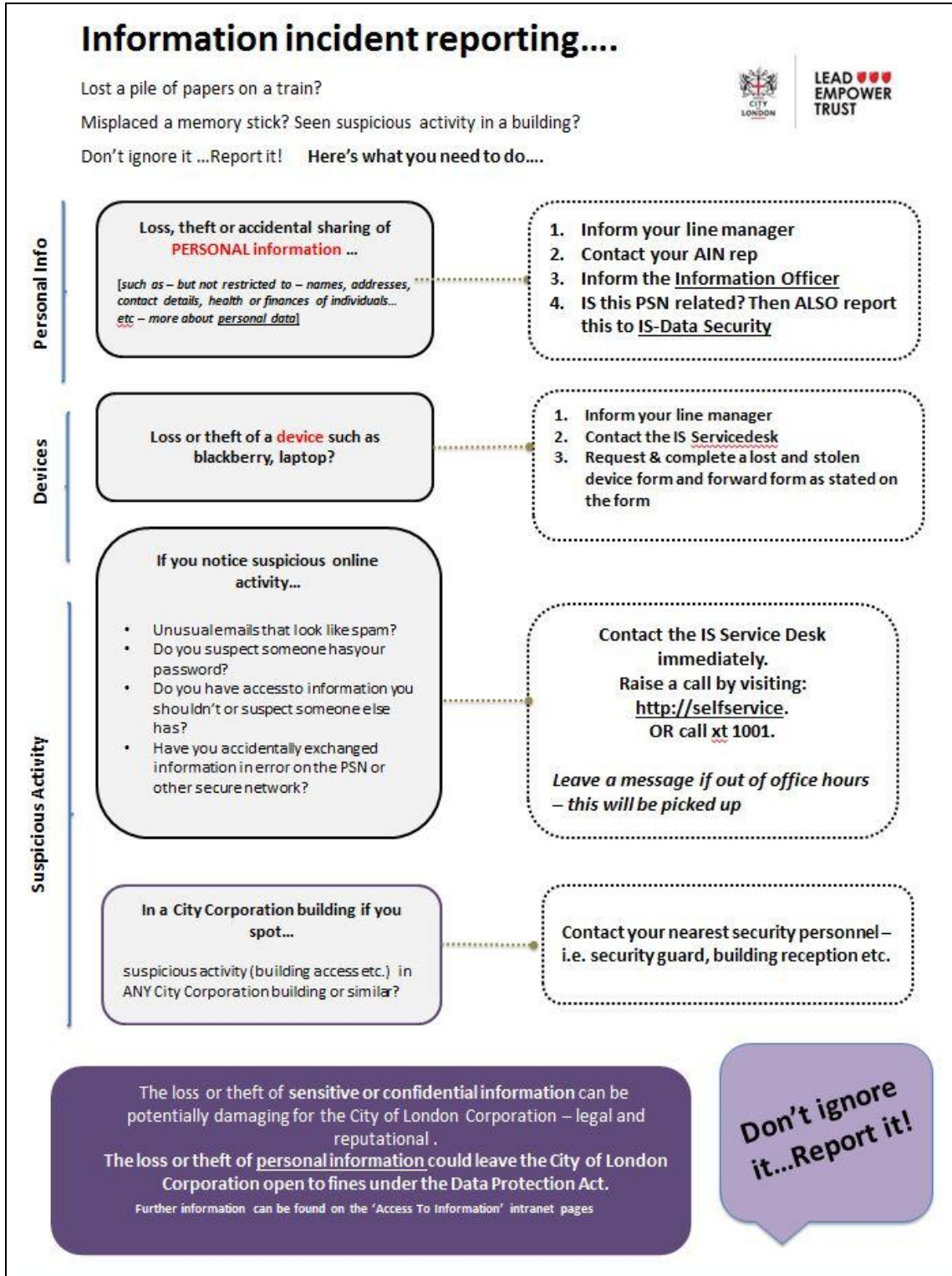
or contact

- Information Officer (ext1209)
- Assistant Information Officer (ext 3244)

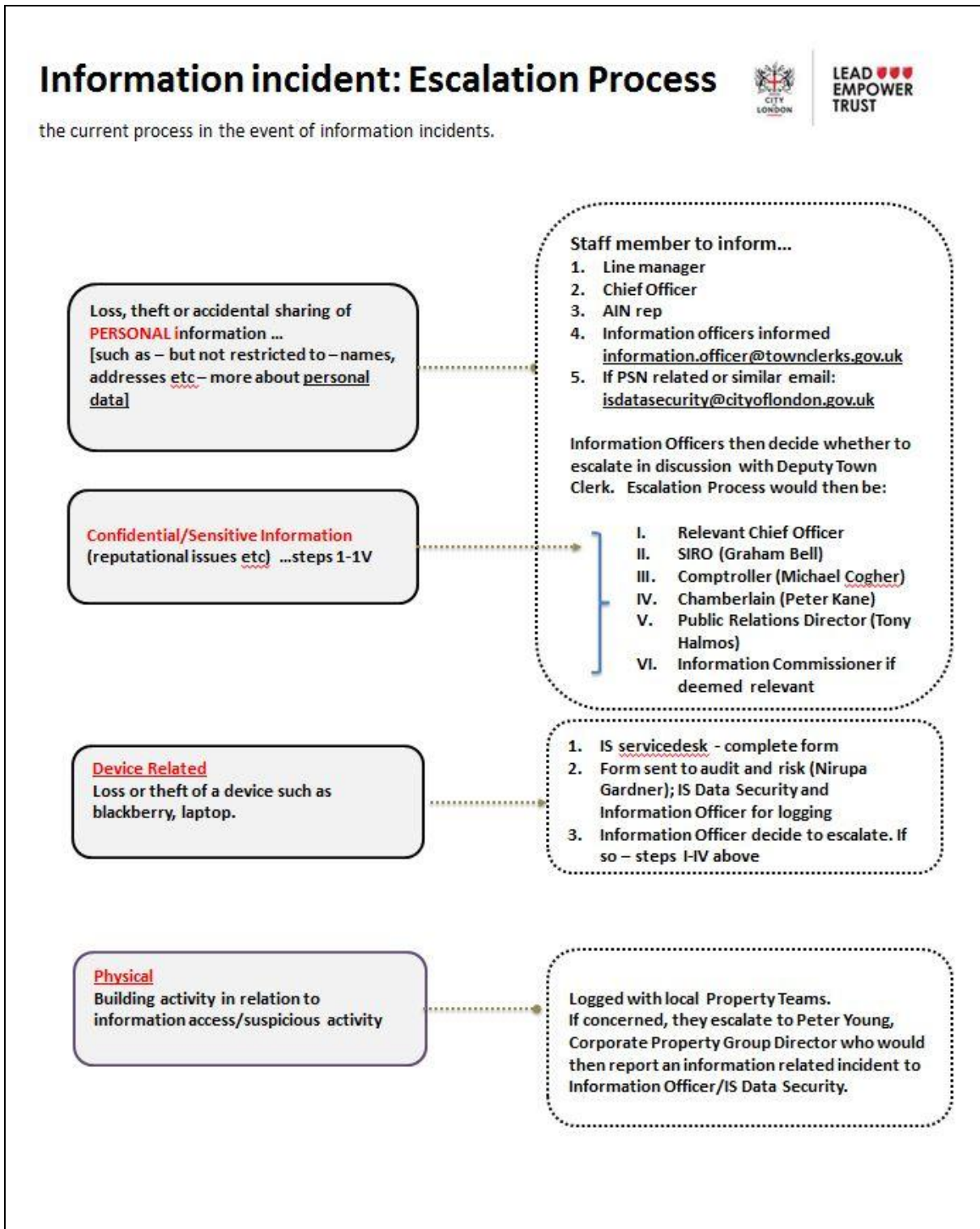


Appendix 3:

Flow chart for Information Incident reporting: Staff Information now available on intranet.

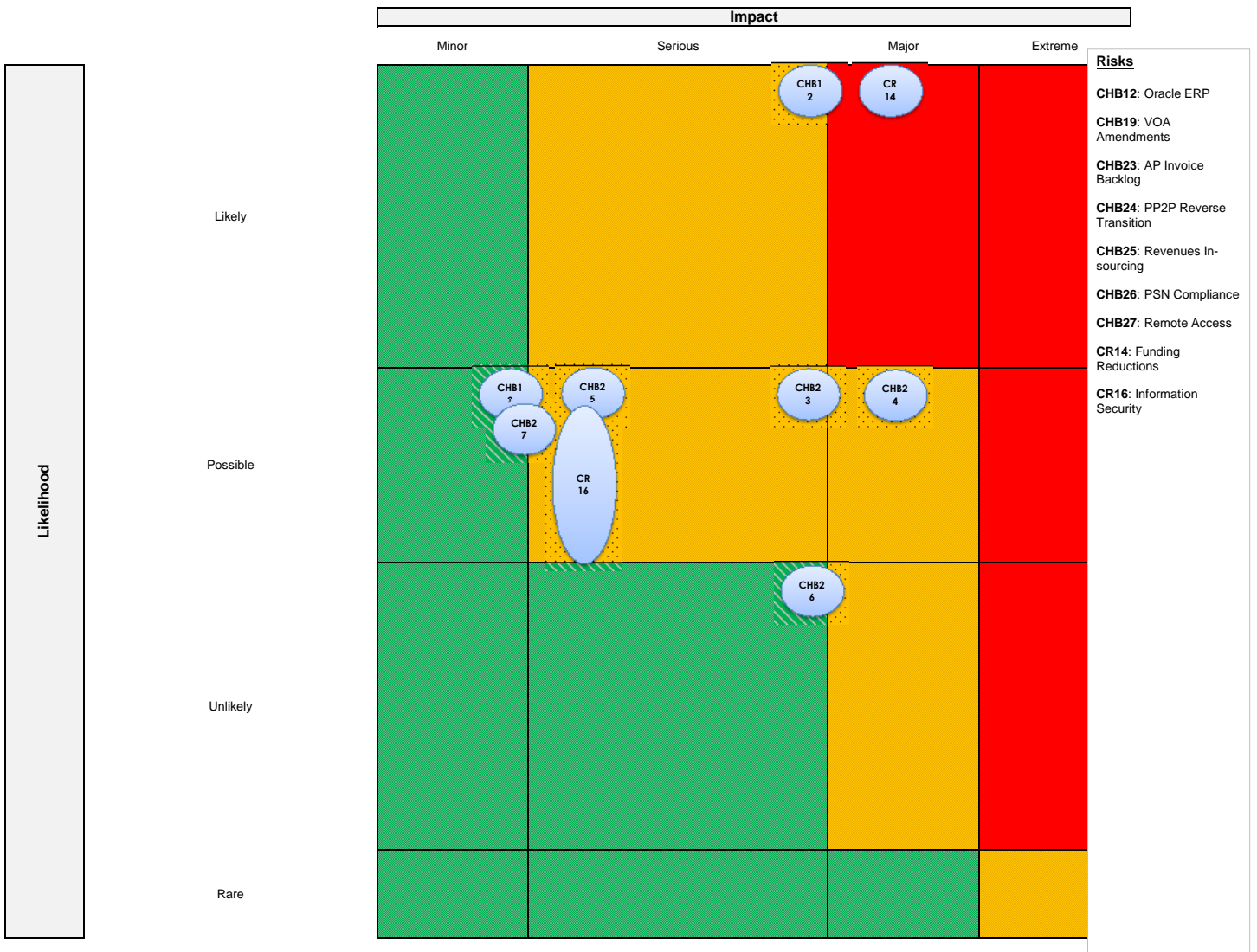


Appendix 4: Flow diagram of agreed escalation process structure (back office) once an information breach is recorded.



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Risk No.	Risk	Risk Owner	Existing Controls	Current Risk				Planned Action	Target Risk		
				Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
CHB12	<p>Oracle ERP</p> <p>Failure to deliver required efficiencies and future revenue savings as part of the major project to upgrade CBIS to Oracle R12 and the implementation of an Enterprise Resource Planning (ERP) system, consolidating other key systems and processes as appropriate.</p> <p>Expected to Change: Following Project Re-plan (Date TBC)</p>	Peter Kane	Project governance operating (Steering Group and Project Board), project underway with experienced implementation partner. Iteration 1 testing largely complete. Control Owner: Milan Gudka	Likely	Major	R	↔	Continued application of project governance. Rigorous stakeholder engagement. Ownership of all changes by the key business representatives on the project. Further work with implementation partner to design and build ERP system which is Fit for Purpose for the Corporation but also adheres to as best practice as possible. Iteration 2 testing to commence in July 2014. Series of workshops to re-baseline project, ensuring that planned outcomes align with strategic objectives.	Rare	Major	G
CHB19	<p>VOA Amendments</p> <p>Business Rates; legislative changes. Valuation Office Amendments leading to increased number of appeals and potential City Corporation liability for bad debt resulting from any incorrect refunds that may be processed.</p> <p>Expected to Change: n/a on-going risk</p>	Carla-Maria Heath	Monitoring outcomes of valuation test cases. Plan in place to manage peaks in workload. Control Owner: Carla-Maria Heath	Possible	Serious	A	↔	Continued monitoring.	Possible	Minor	G
CHB23	<p>AP Invoice Backlog</p> <p>Inability to deliver a "business as usual" service because of the backlog of accounts payable invoices for processing, resulting in poor performance in the timely and accurate payment of invoices and leading to reputational damage (externally with suppliers and internally with departments) and financial loss to the City Corporation.</p> <p>Expected to Change: 30th September 2014</p>	Chris Bell	Proactive performance management in place. Increased quality review and use of peer to peer review. Weekend working offered to high performing team members. Control Owner: Chris Bell	Possible	Major	A	↔	Continuation of existing control. Increased engagement with departments and suppliers to improve end to end process compliance. New Department Report designed and shared with FLG. First circular now out with service users to target non-compliance and non-receipting primarily. Reorganisation of City Procurement in progress, due to be completed September 2014	Rare	Serious	G
CHB24	<p>PP2P Reverse Transition</p> <p>Reverse transition of partnership with Accenture results in alteration of the current programme of CLPS activity, leading to further disruption to business as usual.</p> <p>Expected to Change: 30th September 2014</p>	Peter Kane/ Suzanne Jones	Reverse transition plan in place. Milestones in place for City and Accenture teams. All reverse transition activities complete and signed off. Ongoing vacancies led to Knowledge Transfer packs being designed by Accenture for use as part of new hire inductions. Control Owner: Chris Bell	Possible	Major	A	↔	Regular programme monitoring, engagement with departments. Recruitment to key posts. Update reports to be provided to Committee.	Unlikely	Serious	G
CHB25	<p>Revenues In-sourcing</p> <p>Disruption to business as usual billing and income collection service as a result of the "in-sourcing" of the Revenues contract (currently with Liberata).</p> <p>Expected to Change: 30th September 2014 (Risk will cease)</p>	Suzanne Jones	Monthly service review in place. Blackout/change freeze in place for system migration. Control Owner: Carla-Maria Heath	Possible	Serious	A	↔	Regular progress review and update reports.	Unlikely	Serious	G
CHB26	<p>PSN Compliance</p> <p>Increased cost of maintaining connection to the Public Services Network (PSN) or possible disconnection in the event of non-compliance, arising as a result of increasingly demanding requirements.</p> <p>Expected to Change: 30th November 2014 (Risk expires)</p>	Chris Anderson	Separate network enclave created, allowing access to the PSN other than via the Corporate network. Control Owner: Chris Anderson	Unlikely	Major	A	↔	June compliance submission to Cabinet Office failed. Reviewing requirements from this in order to make the entire City Corporation Network PCN Compliant in 2014.	Rare	Major	G
CHB27	<p>Remote Access</p> <p>Remote Access - Citrix Access Gateway 4.6.3 is no longer under support from Citrix. No security or other fixes are available. No support for IE 9 onwards. There is a single point of failure at DR should this server fail.</p> <p>Expected to Change: November 2014</p>	Graham Bell	Juniper MAG VPN solution implemented. Control Owner: Graeme Quarrington-Page	Possible	Serious	A	↔	Further exploration of a fuller technical solution options that fully mitigate the risk in addition to the rollout of Juniper MAG solution to remote workers.	Possible	Minor	G
CHB28	<p>IS Service Outage</p> <p>Disruption to service delivery as a result of major information systems outage (e.g. network/technology infrastructure failure)</p> <p>Expected to Change: November 2014 project to complete</p>	Graham Bell	Audit	Rare	Serious	G	↓	Project in progress to migrate to Infrastructure as a Service. This will improve service resilience and remove many single points of failure and provide disaster recovery .	Rare	Minor	G
CR14	<p>Funding Reduction</p> <p>Likely reductions in future spending rounds will reduce grant income for the City Corporation resulting in the Corporation being unable to maintain a balanced budget and maintain healthy reserves in City Fund significantly impacting on service delivery levels.</p> <p>Expected to Change: 31st March 2015</p>	Peter Kane	Service based review in progress. Review of operational assets in progress. Robust financial planning. Scrutiny by the Efficiency Board and Efficiency and Performance Sub-Committee. Control Owner: Caroline Al-Beyery	Likely	Major	R	↔	submission of package of saving proposals for consideration by Resource Allocation Sub Committee. Development and implementation of savings programme by 2016/17	Likely	Major	R
CR16	<p>Information Security</p> <p>Loss or mishandling of personal or commercial information could result in harm to individuals, a breach of legislation such as the Data Protection Act 1988 which incurs a monetary penalty of up to £500,000. Breaches can also incur compliance enforcement action, corruption of data and significant reputational damage.</p> <p>Expected to Change: TBC (risk will remain, but net risk expected to reduce)</p>	Peter Kane	Central monitoring & guidance with nominated senior officer responsibility and Access to Information Network (departmental reps) Mandatory training for all staff plus programme of briefings. Awareness emails sent biannually to all staff Appointment of a Technical Solutions Officer (IS Division) Control Owner: Graham Bell	Possible	Serious	A	↔	Review and refresh existing policy around cyber security and technology infrastructure risk in partnership with Agilisys. Actively promote Data Security training and Protecting Information training for staff in Autumn-Winter 2014. Outreach activity to departments promoting best practice in information management.	Unlikely	Serious	G



Key	Red / High Risk	Amber / Medium Risk	Green / Low Risk
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Committee:	Date:	Item no.
Audit & Risk Management Committee	9 th September 2014	
Subject: Risk Management Update		Public
Report of: Chamberlain		For Information
<u>Summary</u>		
<p>This report presents the Audit and Risk management Committee an update on the Corporate Risk Register and progress on the Risk Management Information System.</p> <p>The Risk Management Strategy was approved at the May Audit and Risk Management Committee, and the templates for the Corporate risks have been updated to reflect the new scoring criteria and include the target risk score. As a result all the corporate risks have been rescored.</p> <p>Covalent has been chosen as the risk management information system and work is progressing to install the software. It is expected that rollout of the software will begin in September, and as part of the process, departmental risk registers will be refreshed and moved on to the new 4x4 scoring methodology.</p> <p>As agreed at the last Audit & Risk Management Committee a rolling programme of engaging with Chief Officers to discuss their Departmental Risk Register is being introduced on the close of each Audit and Risk Management Committee meeting. This programme has been developed so that all departments are challenged within a 12 month cycle. The first of these, commencing at this meeting, is in respect of the Chamberlain's Department.</p>		
Recommendations		
Members are asked to		
<ul style="list-style-type: none"> • review the Corporate Risk Register (Para 4 and Appendix 1); • note the progress of the risk management information system (Para 6); and • note the forward programme of Departmental and Corporate Risk Reviews to be undertaken at the close of each Audit and Risk Management Committee (Para 9 and Appendix 2). 		

Main Report

Background

1. The Corporate risk register (previously known as the Strategic Risk register) was last reviewed by the Chief Officer Summit Group on the 29th July 2014.
2. In accordance with the established risk framework, each risk has been reviewed and updated by the responsible risk owner. The latest corporate risk register contains 10 Corporate risks. (Appendix 1).

Corporate Risk Update

3. Following approval of the risk management strategy, at the May Audit and Risk Management Committee, the corporate risks have been rescored in line with the new 4x4 risk matrix. Updates on the risk register template include the removal of the Gross Risk Scores and Control Evaluation scores. A new Target Risk Score has been added to indicate the intended direction of travel for the risk once further risk mitigation controls have been implemented.
4. Key updates to the Corporate risk register are summarised below:
 - 4.1. CR1 (Resilience Risk): Risk accepted at Amber, indicated by the Target Risk Score which is the same as the Current risk score. Existing work continues to ensure adequate provisions remain in place for the corporation's response to emergency situations.
 - 4.2. CR2 (Risk): Programme of work within EDO continues in defending the City's competitiveness and promoting diverse initiatives to improve the financial services industry. Completion of these works should move the risk to Green from its Current status Amber.
 - 4.3. CR8 (Reputation): Risk accepted at Amber due to several existing controls in place. Annual examination of departmental risk registers by the PRO is in place and will be more streamlined once the new risk management system is in place.
 - 4.4. CR9 (Health and Safety): Likelihood of this risk may drop from Possible to Unlikely after completion of the manager training. However the overall risk level will remain at Amber and be accepted at this level.
 - 4.5. CR11 (Pond Embankment Failures): Risk has been revised to focus specifically on the Hampstead Heath area, due to its high profile. The overarching Reservoir risk is being managed as part of the Open Spaces departmental register. This revised risk is now owned by the Director of Built Environment with the current risk rating at Red. It is hoped that once the Project is completed the risk status could be reduced and accepted at Amber.
 - 4.6. CR14 (Financial Viability Risk): This risk is "acceptable" as it currently stands, with the controls in place. The possibility/certainty of reductions to funding is outside our influence. If the Service based reviews are successful, we will still be in the position that even further reductions in funding will impact our ability to deliver existing services and a balanced budget. This risk may come down to Amber after review by the Policy & Resources Committee on 4th September, however currently remains at Red.
 - 4.7. CR16 (Information Security): Existing policies around information management, cyber security and technology infrastructure are being refreshed. Once completed and communicated it is hoped that the Risk could reduce to Green from its current status as Amber.
 - 4.8. CR17 (Safeguarding): Safeguarding champions have now been established within key departments and an awareness campaign has also begun. As a result the risk score has been set and accepted at Amber.

4.9. CR18 (Workforce Planning): Actions within the HR Business Plan should help to reduce the risk status to Green from its current status Amber.

Top Departmental Risk Review

5. Departmental risk registers are sent to the Internal Audit section each quarter in order to identify significant risks requiring potential escalation to the corporate risk register. As part of the new risk framework it was agreed that not all significant risks require escalation to the corporate risk register, however they can still be significant for the respective department. As a result a new top departmental risk register has been created to raise awareness of these risks. Four Departmental red risks were considered by the Summit Group on the 29th July 2014. None of these four risks were considered for escalation on to the Corporate Risk Register at this time.

Risk management Information System

6. Following demonstration from several software companies, including Oracle, Covalent has been chosen as the risk management information system. This was a collective decision based on feedback from members of the risk management group.
7. Approval has also been gained for the IS board allowing for the procuring of the system to begin. It is envisaged that the new software will be installed and rolled out from September 2014 with the Chamberlain's department to start the rollout.
8. Departmental rollout will coincide with a refresh of their risk registers, which will include scoring risks based on the new 4x4 risk matrix.

Cyclical Review of Corporate and Departmental Risks (Appendix 2)

9. As agreed at the last Audit and Risk Management Committee meeting, a rolling programme of engaging with Chief Officers to discuss their Departmental Risk Register is being introduced on the close of each Audit and Risk Management Committee meeting. The first of these meetings will be in respect of the Chamberlain's Department. These sessions will be informal, with any key points noted and reported back to the following Audit and Risk Management Committee meeting.
10. As part of the review the Chief Officer will produce a brief report highlighting how departmental risks are being managed and also provide an overview of the highest scoring risks within their departmental risk register. The report will also include a brief update on any Corporate Risks they own. The guidance provided to Chief Officers is set out in Appendix 2, and will be revised in light of experience. The forward programme of Challenge Sessions is set out in the following table.

11.

Departmental reviews	Date
Chamberlains (including update on CR14: Finance and CR16: Information Governance) and New Risk CR18: Workforce Planning	9 th Sep 2014
Town Clerks (including update on CR1: Resilience, CR2: Supporting the Business City, CR8: Reputation and CR9 Health & Safety) and Remembrancers (including update on CR10: Adverse Political Developments)	4 th Nov 2014
Barbican, GSMD and Markets & Consumer Protection	8 th Dec 2014
City Surveyors, Open Spaces (including Revised Risk CR11: Pond Failures) and Culture, Heritage & Libraries	24 th Feb 2015
Comptroller & City Solicitor, Built Environment and Mansion House	28 th Apr 2015
Communities & Children Services (including update on CR17: Safeguarding), City of London Boys School, City of London Girls School and Freemans School	2 nd Jun 2015

Conclusion

12. The Corporate Risk Register continues to be actively reviewed and updated by risk owners in line with the requirements stipulated by the new Risk Management Strategy. Work is continuing to further enhance the effectiveness of managing and reporting risks throughout the organisation.

Appendices:

- **APPENDIX 1** Corporate Risk Register
- **APPENDIX 2** Department risk review sessions

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City of London Corporation

Corporate Risk Register

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Corporate Risk Register	Owned By	Chief Officers' Group	Version	2014 - 07
	Administered By	Sabir Ali	Date	29/07/2014

Summary Risk Register

Risk No.	Risk	Risk Owner / Lead Officer	Existing Controls	Current Risk		Planned Action	Target Risk Rating
				Rating	Direction		
CR1	City Corporation fails to work effectively with related parties to respond appropriately following a major incident/severe business disruption to restore service delivery, assist business recovery and support the community.	Town Clerk	City Police proactively managing the risk of terrorism. Disaster recovery/contingency plan in place, includes responsibilities under the Civil Contingencies Act.	A	↔	Maintain existing controls.	A
CR2	The City Corporation fails effectively to defend and promote the competitiveness of the business city which loses its position as the world leader in international financial and business services.	Director of Economic Development	International Regularity Strategy Group, Robust policy, media and political response, Role of Lord Mayor and Role of the Policy and Resources Committee Chairman.	A	↔	Economic Development Office engaged in a programme of work to support, defend and enhance the business city, in accordance with the EDO Business Plan.	G
CR8	Negative publicity and damage to the City Corporation's reputation.	Director of Public Relations	Communications Strategy in place, experienced media/communications team, Departmental Communication Representatives meetings, PR Toolkit.	A	↔	New Health and Safety management system being trialed to identify risks within property assets.	A
CR9	Major failure of health and safety procedures resulting in a fatality in an accident on City of London Corporation premises or to a member of the City of London workforce.	Health and Safety Committee / Relevant Chief Officer	Officer Health and Safety Committee in operation, monitoring key H&S issues and having oversight of the Health and Safety Top X risks.	A	↔	The Corporate Safety Team will be carrying out their own audits on departments.	G

Summary Risk Register

Risk No.	Risk	Risk Owner / Lead Officer	Existing Controls	Current Risk		Planned Action	Target Risk Rating
				Rating	Direction		
CR10	Adverse political developments undermining the effectiveness of the City of London Corporation.	Remembrancer	Promotion of the good work of the City Corporation, City Corporation needs to remain relevant and “doing a good job” and be seen as such.	A	↔	Maintain existing controls.	A
CR11	Dam failure at Hampstead Heath resulting in loss of life and damage to property and infrastructure	Director of Built Environment	Planning performance agreement in place, Communication with Land owners Budget controlled by Project Board.	R	↔	Planning permission to be sought.	A
CR14	Likely reductions in future spending rounds will reduce grant income for the City Corporation resulting in the Corporation being unable to maintain a balanced budget and maintain healthy reserves in City Fund significantly impacting on service delivery levels. Whilst it is almost certain that reductions in grant income will occur in 2016/17 and 2017/18, we do not know the magnitude.	Chamberlain	Maintaining prudent management of City Fund finances, Robust financial planning, Scrutiny of the achievement of savings options by the Efficiency Board and Efficiency and Performance Sub-Committee	R	↔	Maintain existing controls.	R

Summary Risk Register

Risk No.	Risk	Risk Owner / Lead Officer	Existing Controls	Current Risk		Planned Action	Target Risk Rating
				Rating	Direction		
CR16	Loss or mishandling of personal or commercial information could result in harm to individuals, a breach of legislation such as the Data Protection Act 1988 which incurs a monetary penalty of up to £500,000. Breaches can also incur compliance enforcement action, corruption of data and significant reputational damage. To ensure the protection of information at the City Corporation a number of controls and risk owners must be exerted which span IT infrastructure, information policy, physical handling, online access and sharing and everyday behaviour within and outside the City Corporation	Chamberlain	Central monitoring & issuing of guidance including DP awareness . Annual awareness emails and other awareness raising tools. Some monitoring of data processor contracts to ensure DPA compliance.	A	↔	Compliance audits to be undertaken by the Town Clerk's Information Officers. Scrutiny and refresh of existing policy around information management, cyber security and technology infrastructure.	G
CR17	Failure of the City of London's statutory obligation to safeguard adults at risk and children	Director of Communities and Children Services	Corporate Safeguarding Policy, Partnership arrangements with Health, Housing, City of London Police and Voluntary sector, Governor Training sessions	A	↔	Awareness campaign, Quarterly review meetings with safeguarding champions	A
CR18	Loss of capacity due to changes in the working environment, reducing the ability to achieve our strategic aims and objectives	Director of HR	HR Business Plan 2014/17 (succession planning, sourcing strategy, employer of choice) Regular pay survey	A	↔	L&D Strategy to move to a culture of self-development improving capacity of the organisation	G

Risk Supporting Statement: CR1

Risk Owner: Town Clerk

Risk	City Corporation fails to work effectively with related parties to respond appropriately following a major incident/severe business disruption to restore service delivery, assist business recovery and support the community. Links to: Strategic Aims SA1 & SA2 and Key Policy Priority KPP3	Current Risk	A
		Likelihood	Impact
		Rare	Extreme

Detail	This risk has a number of components for the City Corporation resulting from the roles as an employer, a Local Authority and as the Police Authority for the square mile. The risk from the policing perspective (operational policing) is managed by the Commissioner of Police, the remaining elements cover a range of operational areas e.g. disaster recovery/business continuity, building management, employee and community safety. The City Corporation also has a responsibility under the Civil Contingencies Act 2004 to its businesses and residential communities to support them in the aftermath of an emergency. This risk is directly linked to CR2 (Supporting the Business City), CR3 (Financial Stability) and CR8 (Reputation Risk), any changes on this risk's assessment may lead to reassessment of these risks.
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Issues	Controls
<ul style="list-style-type: none"> * Public/business confidence in the City as a safe environment and international reputational issues * Specific locations as potential targets (high profile areas/buildings in the City and City Corporation assets) * Employee/community welfare issues (visitors, residents and workers) * Pre-planned events, whether in the City or elsewhere, that adversely affect business, property or communities for which the City Corporation has a statutory or corporate responsibility 	<ul style="list-style-type: none"> * Iconic sites within the City have been assessed by the Security Services and plans concerning these are regularly exercised (Assistant Town Clerk and relevant Chief Officers) * Generic Emergency Management Plan and Corporate and Departmental Business Continuity arrangements are in place and are regularly exercised (Assistant Town Clerk and all Chief Officers) * Disaster Recovery and backups are in place and are regularly tested (Chief Technical Officer and relevant Chief Officers) * Guidance and support is provided to businesses and residents on how they can better prepare for the potential impacts of emergencies (Assistant Town Clerk) * The City Corporation has held a series of thematic workshops focusing on the potential impacts of various emergencies on the Square Mile's business community and a publication to help firms be better prepared has been produced (Assistant Town Clerk) * The City Corporation leads on the multiagency forum for the Square Mile and plays an active role in the Central London sub-Regional Resilience Forum and other pan-London bodies (Town Clerk and Assistant Town Clerk) * The City Corporation conducts and takes part in multiagency exercises focusing on the key risks (Assistant Town Clerk) * Systems are in place to warn and inform the community (visitors, residents and businesses) (Assistant Town Clerk and Director of Public Relations) * Procedures are regularly reviewed, incorporating lessons learned from recent incidents and near misses, enabling greater coordination of the City's response. (Assistant Town Clerk and relevant Chief Officers) <p>Other relevant controls:</p> <ul style="list-style-type: none"> * Building safety and evacuation/invacuation plans are in place for City of London Corporation's corporate premises (Assistant Town Clerk and relevant Chief Officers)

Summary	<ul style="list-style-type: none"> * This risk relates specifically to the City Corporation's ability to address the impacts of a major incident/severe business disruption through its role as the lead for coordinating the activities of its service departments and other public services to restore the business and residential infrastructure. * The City of London Corporation arrangements are tested regularly and a programme of local and pan-London tests and exercises ensures the City Corporation remains able to respond appropriately to emergencies. * The City of London Corporation, along with the Police undertakes a range of activities with other agencies to prevent and prepare for emergencies. The Current Threat Level for the United Kingdom is at Substantial (meaning a terrorist attack is a strong possibility) therefore it is essential that the City Corporation maintains a high a level of preparedness to ensure that, together with its partner agencies, it is ready to respond to and lead the recovery phase of the emergency response to an incident. 	Target Risk	A
		Likelihood	Impact
		Rare	Extreme

Risk Supporting Statement: CR2

Risk Owner: Director of Economic Development

Risk	The City Corporation fails effectively to defend and promote the competitiveness of the business city which loses its position as the world leader in international financial and business services. Links to: Strategic Aims SA1 & SA3 and Key Policy Priorities KPP1 & KPP3	Current Risk	A
		Likelihood	Impact
		Possible	Major

Detail	If the City Corporation fails to provide effective support for and promotion of the competitiveness of the business city there is a danger that the City will lose its international position leading to a reduction in business activity in the City, lower income for and industry engagement with CoL. One of EDO's main purposes is to mitigate this risk. However, it should be noted that damage to the City's competitive position could occur as a result of circumstances beyond CoL's ability to influence.
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<p>Issues</p> <ul style="list-style-type: none"> * Domestic and EU tax and regulation is crucial to City competitiveness * The development of a European Banking Union and the ability to continue contracting euro denominated business in the UK. * The debate over the UK's relationship with, and membership of, the EU creates uncertainty over London's place in the Single Market and thus its attractiveness to international firms. * Issues which pose a major threat to the City's reputation e.g. response to Forex investigations, migration/access to skilled workers. 	<p>Controls</p> <ul style="list-style-type: none"> * Programme of work of the EDO to promote and defend City's competitiveness and explain CoL's role (ref. EDO Business Plan) and role of the industry in supporting the wider economic growth and jobs creation agenda. (Assistant Director, City, EU, International Affairs) * International Regulatory Strategy Group's role to shape the European and international regulatory landscape in a way that preserves the free flow of capital and promotes open markets and to the development of a European Banking Union does not lessen the European Single Market. (Director, Economic Development) * Programme to coordinate and promote diverse initiatives under way to improve governance, professionalism and business culture across the financial services industry, in response to the Parliamentary Commission on Banking Standards, under the umbrella of the Lord Mayor's 'Trust and Values – Investing in Integrity' initiative. (Director, Economic Development) * Robust policy, media and political response to industry developments affecting public perceptions of the City as a whole. (Both Assistant Directors, Economic Development) * Role of the Lord Mayor as an ambassador for the Business City. (Assistant Director, City, EU, International Affairs) * Role of the Policy and Resources Committee Chairman in promoting the City. (Assistant Director, City, EU, International Affairs)
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Summary	At any given time there are a number of issues that could undermine the City's position as a world leader in international financial and business services. Specific issues will be refreshed at each review with appropriate mitigation.	Target Risk	G
		Likelihood	Impact
		Unlikely	Serious

Risk Supporting Statement: CR8

Risk Owner: Director of Public Relations

Risk	Negative publicity and damage to the City Corporation's reputation. Links to: Strategic Aims SA1, SA2 & SA3 and Key Policy Priorities KPP1, KPP2, KPP3, KPP4 & KPP5	Current Risk	A
		Likelihood	Impact
		Possible	Major

Detail	<p>This risk may materialise as a result external factors or failure to manage risk within the operations of the organisation. There will always be an inherent risk around reputation, but the specific threats present at any one time will vary depending on the nature of key projects, internal and external developments or factors. A shortlist of the most significant issues is maintained, updated by the Director of Public Relations on a quarterly basis using information gained from on-going liaison with departments and, in future as risk management becomes embedded, through examination of departmental risk registers. In addition to the shortlist below, there is a broad risk in relation to negative publicity or adverse media comment following failure of service delivery. The likelihood and impact of this is very much dependent upon the circumstances and outcome of the failure.</p>
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Issues	Controls
n/a Page 51	<ul style="list-style-type: none"> * Communications strategy in place (<i>Director of Public Relations</i>) * Experienced media/communication team with the right skills to handle reputation issues (<i>Director of Public Relations</i>) * Regular liaison with Committees and departments including through Departmental (<i>Director of Public Relations</i>) * Communication Representative Meetings etc., aiming to ensure the overall reputation of the organisation is kept under close review during all policy deliberations (<i>Director of Public Relations</i>) * PR Tool kit prepared for departmental communications representatives (<i>Director of Public Relations</i>) * Annual examination of departmental risk registers to identify emerging issues (<i>Director of Public Relations</i>) * Working with PR Consultants to improve City Corporation's ability to respond to PR challenges (<i>Director of Public Relations</i>)

Summary	Likelihood	Impact	Target Risk	A
* Hampstead Heath Hydrology and related issues	3	4	Likelihood	Impact
* London Living Wage	2	2	Possible	Major
* Debate around the transparency and accountability for City's Cash	3	2		
* Adverse comment or publicity on the role, purpose and governance of the City Corporation	4	2		
* Managing the impact of street works on visitors, residents and workers	4	2		
* External website project fails to meet delivery timetable and objectives as a communication tool	2	2		
* Adverse publicity from any failures of performance by City Schools.	3	4		
* Any failure on the children's safeguarding procedures	2	8		

Risk Supporting Statement: CR9

Risk Owner: Health and Safety Committee / Relevant Chief Officer

Risk	Major failure of health and safety procedures resulting in a fatality in an accident on City of London Corporation premises or to a member of the City of London workforce. Links to: Strategic Aims SA2 & SA3 and Key Policy Priority KPP2	Current Risk	A
		Likelihood	Impact
		Possible	Major

Detail	Corporate oversight of health and safety risk is maintained by Corporate Human Resources, an officer Health and Safety Committee is in operation, chaired by the Town Clerk. A health and safety risk management system is in place, with monitoring and review mechanisms, ensuring that the key risks identified across the organisation are controlled and escalated accordingly. The committee monitors progress to address significant issues as they arise. For the purpose of maintaining the Corporate Risk Register, a shortlist of the most significant current health and safety risks will be maintained.
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<p>Issues</p> <p>Management of Contractors.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 52</p>	<p>Controls</p> <ul style="list-style-type: none"> * Policy in place to meet legal requirement (Director of HR) * Corporate Training is in place and effective (Director of HR) * H&S Plans being developed and working groups in operation in all departments (All Chief Officers) * Top X being reported – further work on content improvement planned (All Chief Officers - coordinated by Corporate Health & Safety Manager) * Accidents & Near Misses being reported & investigated via a new system (All Chief Officers) * Departmental Competencies Improved and departmental H&S committees being monitored (Corporate Health & Safety Manager) * A new health and safety management system for buildings is being trialled within City Surveyors. The new system will help identify where health and safety risk exists within City of London property assets and assess how well it is being managed with a view to improving performance. (Health & Safety Manager Property)
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Summary	The Action plan is nearing completion. The H&S systems across the Corporation of London to ensure H&S compliance have been reviewed and the new Policy, approved by the Establishment Committee on 18th April 2013, is now prompting procedural reviews in some departments. The Town Clerk has communicated to all chief officers the importance of the responsibilities highlighted in the policy and a further training event is planned for all managers in March/April. Member training on the impacts of Health & Safety and decision making was delivered to new members. Near Miss reporting is happening, though this could still be improved in some departments.	Target Risk	A
		Likelihood	Impact
		Unlikely	Major

Risk Supporting Statement: CR10

Risk Owner: Remembrancer

Risk	Adverse political developments undermining the effectiveness of the City of London Corporation. Links to: All Strategic Aims and Key Policy Priorities.	Current Risk	A
		Likelihood	Impact
		Rare	Extreme

Detail	Owing to its nature and geographical size, the City Corporation is particularly vulnerable to political developments concerning London government. There are two main issues at present: the continuing aftermath of the financial crisis with the resulting close scrutiny of the City Corporation, and the longer term threat to the Corporation's local authority functions from sharing of services and a possible London Government review.
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<p>Issues</p> <p>* The current problems in the financial system have provoked allegations of undue influence and partial accounts of the City Corporation's lobbying activities and deployment of City's Cash.</p> <p>* A review of London government is not currently envisaged but the increased interest in sharing services (and offices) between authorities and Boundary Commission proposals may reinstate earlier suggestions for 5 or 6 "super boroughs", raising concerns around the viability of a separate administration for the Square Mile.</p>	<p>Mitigating Actions</p> <p>* Promotion of the good work of the City Corporation. The City Corporation needs to remain relevant and "doing a good job" and be seen as such. (<i>Remembrancer</i>)</p>
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Summary The organisation needs to ensure it is seen as important and relevant across a wide field of activities that are not geographically limited to the Square Mile or to the future of the financial sector alone. Current public affairs activities should be maintained to this end. Any functions which may be vulnerable on account of their size if kept as free standing operations need to be identified and the case for ameliorating action (e.g. partnerships, shared services) considered.	Target Risk	A
	Likelihood	Impact
	Rare	Extreme

Risk Supporting Statement: CR14

Risk Owner: Chamberlain

Risk	Likely reductions in future spending rounds will reduce grant income for the City Corporation resulting in the Corporation being unable to maintain a balanced budget and maintain healthy reserves in City Fund significantly impacting on service delivery levels. Whilst it is almost certain that reductions in grant income will occur in 2016/17 and 2017/18, we do not know the magnitude.	Current Risk	R
	Links to: Strategic Aim SA2 and Key Policy Priority KPP2	Likelihood	Impact
		Likely	Major
Detail	<p>This risk is already headlined in the medium term financial strategy approved by the Court of Common Council in March 2014. The financial strategy last year was to make further efficiencies to generate small surpluses for the next two years. These surpluses were to bolster our reserves, allowing time to plan for future government spending cuts. The 2013 Autumn Settlement announced a 15.8% reduction for 2015/16 for non-police services. Due to savings already made, the City Fund is able to accommodate this loss within a breakeven position for 2015/16.</p> <p>Further cuts are likely in future spending rounds and coupled with the financial impact of other pressures such as our share of the likely appeals losses under the new Business rates system and the progressive adoption of the London Living Wage, the 2017/18 forecast deficit is likely to be £8.9m. However we have sufficient reserves to allow us to plan for managed savings once the magnitude of any reduction is known.</p>		
Issues	Controls		
<ul style="list-style-type: none"> * Reduction in grant income to the City Corporation * Increasingly difficult to maintain a balanced budget * Increased pressure on reserves 	<ul style="list-style-type: none"> * Service based review to address the 2016/17 and 2017/18 forecast deficit, including a review of spend not in line with City Fund duties that may potentially be better funded from Bridge House Estates. (The Town Clerk, Chamberlain and Financial Services Director) * Review of operational assets. (The Chamberlain and Financial Services Director) * Robust financial planning. (The Chamberlain and Financial Services Director) * Direct engagement with central government on grant formula (The Chamberlain and Financial Services Director) * Scrutiny of implementation of savings options by the Efficiency Board and Efficiency and Performance Sub-Committee. (The Town Clerk, Chamberlain and Financial Services Director) 		
Summary			
<p>The financial strategy already addresses this risk in the development of a package of proposals of £20m per annum for consideration by Resource Allocation Sub Committee. The savings programme will need to be developed for implementation over the next 18 months. Savings will begin to be reflected in budgets for 2015/16 with full impact by or before 2017/18. There is also a risk that the financial position will further deteriorate post 2018, so savings proposals above the £13m needed to balance City Fund and City's Cash will help mitigate this risk.</p>	Target Risk	R	
	Likelihood	Impact	
	Likely	Major	

Risk Supporting Statement: CR16

Risk Owner: Chamberlain

Risk	Loss or mishandling of personal or commercial information could result in harm to individuals, a breach of legislation such as the Data Protection Act 1988 which incurs a monetary penalty of up to £500,000. Breaches can also incur compliance enforcement action, corruption of data and significant reputational damage. To ensure the protection of information at the City Corporation a number of controls and risk owners must be exerted which span IT infrastructure, information policy, physical handling, online access and sharing and everyday behaviour within and outside the City Corporation Links to: All Strategic Aims and Key Policy Priorities.	Current Risk	A
		Likelihood	Impact
		Possible	Serious

Detail	There is a need to emphasise the importance of information governance and management as a discipline and the challenges it presents in the digital age (wider than the Data Protection Act). This encompasses guidance around compliance, controls, behaviours, best practice etc. in relation to different types of information we handle and to sustain this engagement within organisation.
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<p>Issues</p> <ul style="list-style-type: none"> - Lack of Member and staff awareness of, and engagement with required behaviour with regards to information handling - Office moves/relocations increase the possibility of losing or misplacing personal information. - Transferring personal information to third parties, e.g. when contracting out services. - Incorrect/accidental disclosure or loss of personal information, e.g. when sending personal information using any medium. - Insufficient security in place to protect personal information across the City Corporation: only social care information is encrypted/protectively marked. - Lack of attention to risks posed by NOT sharing appropriate information - e.g. danger to life of vulnerable adults - Increasing complexity and volume of information increasing costs 	<p>Controls</p> <ul style="list-style-type: none"> * Central monitoring & issuing of guidance and communications exists for data protection compliance (DP) (since 2003), along with nominated senior officer responsibility, Access to Information Network with departmental reps (Deputy Town Clerk) * DP awareness written into corporate employee policies as a requirement (Director of HR) * DP: Employee Data Protection Policy requirement to complete the corporate DPA e-learning course (Director of HR) * DP: Rolling program of tailored DPA training presentations for all staff and Members (Information Officer) * DP: Record of all presentation attendees and e-learning sign-offs kept for audit purposes (Information Officer) * DP: Awareness emails sent biannually to all staff (Information Officer) * DP: Other awareness raising tools used when highlighting key issues (Information Officer) * DP: Some monitoring of data processor contracts to ensure DPA compliance (Chief Officers of All Departments where Data Processors Operate) * IS technical and information staff are currently scrutinising and refreshing existing policy around information management, cyber security and technology infrastructure in partnership with Agilisys the IS strategic partner to the City. (Chief Information Officer)
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<p>Summary</p> <p>* All Members and officers should be aware of 'good practice' in relation to handling information. Work is underway to address the opportunity and risk of information as business asset in CoL via policy refresh, staff and Member engagement, training and guidance.</p> <p>*Controls are in place to ensure that personal information, in whatever format it is held, is kept secure at all times. Appropriate controls via secure networks etc are in place for those departments handling sensitive information. In addition, policies, procedures and tools regarding the management of personal information, including share, transfer, disclosure, transport and destruction of information is covered in appropriate training modules.</p> <p>* Compliance audits undertaken by Town Clerk's Information Officers are underway across the organisation to monitor DP adherence and suggest improvements.</p> <p>* The risk owner for CR16 is the Chamberlain. However, every Department has a responsibility for the personal information it processes, and therefore all Chief Officers must assume responsibility to ensure compliance with Information Governance.</p>	Target Risk	G
	Likelihood	Impact
	Unlikely	Serious

Risk Supporting Statement: CR17

Risk Owner: Director of Community and Children Services

Risk	Failure of the City of London's statutory obligation to safeguard adults at risk and children Links to: Strategic Aim SR2 and Key Policy Priority KPP2	Current Risk	A
		Likelihood	Impact
		Rare	Extreme

Detail	The risk could lead to harm to our service users and severely damage the City of London's reputation, including the possible investigation and lack of public confidence in the services provided. Although primarily this risk sits with the Community and Children's Services department there will be close working arrangements with departments such as Culture, Heritage and Libraries and Open Spaces who also provide services for children and adults at risk.
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<p>Issues</p> <p>* Weaknesses have been identified embedding safeguarding across the City of London and within schools located within the City..</p>	<p>Controls</p> <p>* Corporate Safeguarding Policy, as approved by the Chief Officers Group on 19 March 2014 and Community and Children's Services Committee on 11 April 2014, highlights training requirements for departmental Safeguarding Champions. Safeguarding Champions for the following departments will be identified and training has been provided and quarterly review meetings have been scheduled - Town Clerks, City Bridge trust, Culture heritage and Libraries, Open Spaces, Markets and Consumer Protection and Built Environment.. (Service Managers for Children and Adult Services)</p> <p>* A raising awareness campaign for staff called "notice the signs" has been launched with posters, leaflets, badges, screen savers. An impact analysis will be carried out in December 2014 to assess the success of the campaign and to identify if further actions need to be implemented. A raising awareness campaign for residents will be launched in September 2014 (Strategic Communications Manager)</p> <p>* Partnership arrangements in place with Health, Housing, City of London Police and Voluntary sector to monitor reports of harm. (Service Managers for Children and Adult Services)</p> <p>* Term based reviews with the Guildhall School of Music and Drama and City Schools. (Assistant Director - People Division)</p> <p>* Governor training sessions have commenced in December 2013 and are on-going. (Assistant Director - People Division)</p>
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Summary	Work is ongoing to embed safeguarding issues within the City of London and Schools located in the City. This will be supported by the Corporate Safeguarding Policy and the implementation of the associated training and communication plans. Annual reports on both Adult and Children's safeguarding have been reported to the Safeguarding sub committee in September to report on progress and to update the cross partnership training planned.	Target Risk	A
		Likelihood	Impact
		Rare	Extreme

Risk Supporting Statement: CR18

Risk Owner: Director of Human Resources

Risk	Loss of capacity due to changes in the working environment, reducing the ability to achieve our strategic aims and objectives Links to: All Strategic aims and key policy priorities.	Current Risk	A
		Likelihood	Impact
		Possible	Serious
Detail	<p>The fact that we have been less affected by the economic downturn than most and have largely protected our employees through this time, actually increases the risk for the next 3 years. Other organisations are starting to slowly recover and the market value of specialist skills is beginning to increase (we see that now with IS), this is at a time we are doing service reviews and taking large amounts out of the budget this has the potential to increase turnover of our most marketable staff. We can no longer predict turnover on the basis of age so the risk of losing skills and experience and corporate knowledge without adequate time to prepare is greater than before. In addition we operate in so many different markets for jobs it is not just the value of the posts in the markets which affect our ability to attract and retain staff. Technology and ways of working is affecting all 'professions', being 'leading edge' and having the jobs most sought after in different fields is also dependant on being at the forefront of the industry. If we fall behind in that we will have to recruit from different levels in the market.</p>		
Issues	Controls		
<ul style="list-style-type: none"> * Removal of Default retirement age * New Pension regulations * Moving of Statutory Pension Age * Key staff leaving the organisation as job market improves * Working environment lacks application of latest technology and is unattractive to retain and attract new staff 	<ul style="list-style-type: none"> * The HR Business Plan for 2014/17 includes development of succession planning and a revised sourcing strategy which is intended maintain our position in our critical markets as the employer of choice. (Head of Corporate HR and Business Services) * The Business Plan also includes a regular pay survey to better inform the market rates which in turn informs our sourcing strategy for key posts and improves our response and conversion rates. (Head of Corporate HR and Business Services) * That the revised PDF scheme addresses these issues specifically and is better aligned to developing staff for the future needs of the business and that staff are asked to indicate their medium term plans if known. (Head of Corporate HR and Business Services) 		
Summary	The risk remains at Amber but the likelihood is expected to reduce by the controls.	Target Risk	G
		Likelihood	Impact
		Unlikely	Serious

Corporate Risk Profile

Likelihood

		Impact			
		Minor	Serious	Major	Extreme
Likelihood	Likely			CR14	
	Possible		CR16 CR18	CR2 CR8 CR9	
	Unlikely				CR11
	Rare				CR10 CR17 CR1

- Risks**
- CR1:** Resilience Risk
 - CR2:** Supporting the Business City
 - CR8:** Reputational Risk
 - CR9:** Health and Safety Risk
 - CR10:** Adverse Political Developments
 - CR11:** Pond Embankment Failures
 - CR14:** Financial Viability
 - CR16:** Information Governance
 - CR17:** Safeguarding
 - CR18:** Workforce Planning

Key	Red / High Risk	Amber / Medium Risk	Green / Low Risk
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Guidance Notes

Risk Register Headings	Description
Risk No.	Unique reference for the risk.
Risk Details	Description of the risk.
Risk Owner	Officer responsible for the overall management of specific risks
Control Owner	Officer responsible for coordinating the activity to control the risk
Existing Controls	Controls in place to mitigate the risk.
Current Risk	The assessed level of risk taking in to account the existing controls.
Target Risk	The level at which the risk will be deemed as acceptable.
Risk Status	Overall status of Red, Amber or Green calculated in accordance with the assessment of Likelihood and Impact, having applied the risk assessment matrix.
Direction	An indicator to highlight the change in Current Risk since last reported
Planned Action	Details of further action required to mitigate the risk to an acceptable level.

Ratings	Risk Status
R	High risk, requiring regular monitoring and deployment of robust control measures.
A	Medium risk, requiring at least quarterly monitoring, further mitigation should be considered.
G	Low risk, less frequent monitoring, consideration may be given to applying less stringent control measures for efficiency gains.

Likelihood Scores	Brief Description
1 Rare	Robust mitigating controls in place, the risk may occur only in exceptional circumstances, (e.g. not likely to occur within a 10 year period or no more than once across the current portfolio of projects).
2 Unlikely	Adequate mitigating controls in place, the risk may occur in remote circumstances (e.g. risk may occur once within a 7-10 year period or once across a range of similar projects).
3 Possible	Reasonable mitigating controls in place, but may still require improvement. External factors may result in an inability to influence likelihood of occurrence (e.g. risk event could occur at least once over a 4-6 year period or several times across the current portfolio of projects).
4 Likely	Mitigating controls are inadequate to prevent risk from occurring, the risk may have occurred in the past (e.g. risk event could occur at least once over a 2-3 year period or several times across a range of similar projects).

Impact Scores	Brief Description
1 Minor	Isolated service user/stakeholder complaints, Minor incident or failure to achieve team plan objectives
2 Serious	Adverse local media coverage/multiple service user/stakeholder complaints, Significant injury or failure to achieve service plan objectives
4 Major	Adverse national media coverage 1-3 days, Major injury or failure to achieve strategic plan objective
8 Extreme	National publicity more than 3 days, Fatality or life threatening illness / disease, failure to achieve a major corporate objective

	Rare	Unlikely	Possible	Likely
	1	2	3	4
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%
Probability	Has happened rarely/never before	Unlikely to occur	Fairly likely to occur	More likely to occur than not
Time period	Unlikely to occur in a 10 year period	Likely to occur within a 10 year period	Likely to occur once within a one year period	Likely to occur once within three months
Numerical	Less than one chance in a hundred thousand (<10-5)	Less than one chance in ten thousand (<10-4)	Less than one chance in a thousand (<10-3)	Less than one chance in a hundred (<10-2)

	Minor	Serious	Major	Extreme
	1	2	4	8
Service Delivery / Performance	Minor impact on service, typically up to 1 Day	Service Disruption 2-5 Days	Service Disruption > 1 week to 4 weeks	Service Disruption > 4 weeks
Financial	Financial loss up to 5% of Budget	Financial loss up to 10% of Budget	Financial loss up to 20% of Budget	Financial loss up to 35% of Budget
Reputation	Isolated service user/stakeholder complaints contained within business unit/division	Adverse local media coverage/multiple service user/stakeholder complaints	Adverse national media coverage 1-3 days	National publicity more than 3 days. Possible resignation of leading Member or Chief Officer.
Legal / Statutory	Litigation claim or fine less than £5,000	Litigation claim or fine between £5,000 and £50,000	Litigation claim or fine between £50,000 and £500,000	Multiple civil or criminal suits. Litigation claim or fine in excess of £500,000
Safety / Health	Minor incident including injury to one or more individuals	Significant Injury or illness causing short term disability to one or more person	Major injury or illness/disease causing long term disability to one or more person.	Fatality or life threatening illness / disease (e.g. Mesothelioma) to one or more persons
Objectives	Failure to achieve Team plan objectives	Failure to achieve one or more service plan objective	Failure to achieve a Strategic plan objective	Failure to achieve a major corporate objective

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Audit & Risk Management Committee Department risk review sessions

The Audit and Risk management Committee is responsible monitoring and overseeing the City Corporation's risk management strategy and be satisfied that the assurance framework properly reflects the risk environment. It is through this Committee that the Court of Common Council discharges its responsibility for obtaining assurance that those risks faced by the Corporation are being appropriately managed.

It was agreed at this Committee that each department should have their most significant risks reviewed and challenged by Members of the Audit and Risk Management committee.

As part of the review Chief Officers will need to produce a brief report highlighting how departmental risks are being managed and also provide an overview of the highest scoring risks within their departmental risk register. The report should also include a brief update on any Corporate Risks they are the risk owner for. These sessions will be informal, with any key points minuted and reported back to the following Audit and Risk Management Committee meeting.

It is recommended that, from September, only Corporate risks which have been significantly changed or those added new to the register be reported as separate items on the agenda.

The schedule of departmental reviews to replace the corporate risk review is shown below:

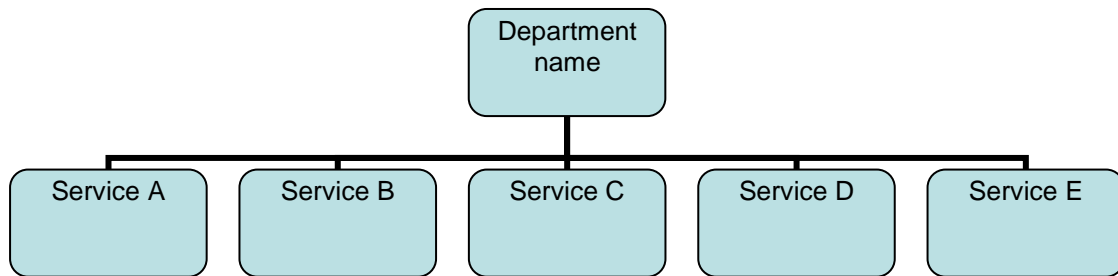
Departmental reviews	Date
Chamberlains (including update on CR14: Finance and CR16: Information Governance) and New Risk CR18: Workforce Planning	9 th Sep 2014
Town Clerks (including update on CR1: Resilience, CR2: Supporting the Business City, CR8: Reputation and CR9 Health & Safety) and Remembrancers (including update on CR10: Adverse Political Developments)	4 th Nov 2014
Barbican, GSMD and Markets & Consumer Protection	8 th Dec 2014
City Surveyors, Open Spaces (including Revised Risk CR11: Pond Failures) and Culture, Heritage & Libraries	24 th Feb 2015
Comptroller & City Solicitor, Built Environment and Mansion House	28 th Apr 2015
Communities & Children Services (including update on CR17: Safeguarding), City of London Boys School, City of London Girls School and Freemans School	2 nd Jun 2015

When Chief Officers are reporting on their departmental risks, the chairman of the relevant service committee for that department will also be invited to attend.

Guidance

For guidance purposes, the report from Chief Officers may contain the following:

1. Departmental Structure (Current departmental structure up to service level)



2. Brief overview of the department (taken from the service plan)
3. Departments Risk Management framework
 - a. How does risk related information get escalated to the Management teams?
 - b. Any service areas with no risk registers, and if 'yes' then why?
 - c. Any emerging issues for the department within the coming months?
 - d. Does the information on the risk register link with other business areas, e.g. Performance management, Health and Safety, Business continuity and Emergency Planning?
 - e. Does the information on the risk register link with any inspection/audit outcomes and compliance issues? If 'yes' then how are being managed via the risk management framework.
 - f. Any areas of achievement as a result of risk management?
4. Risk register
 - a. Ideally the top 10 red or amber risks should be provided, in the summary format.
 - b. Each risk to be owned by one risk owner
 - c. Control owners must be stated
 - d. Risk description should be brief

Committee:	Date:
Audit and Risk Management Committee	9 th September 2014
Subject: Internal Audit Update Report	Public
Report of: Head of Internal Audit	For Information
Summary	
<p>This report provides an update on internal audit activity since the Committee met on 13th May 2014. It sets out the independent opinion of the Head of Internal Audit in relation to the adequacy and effectiveness of the control environment for those areas of internal audit work concluded since the last update report to Committee.</p> <p>The outcomes from the seventeen main audit reviews finalised since the last update are reported and significant risk issues highlighted. Three audit reviews resulted in Amber assurance ratings, which indicate there are significant audit findings which require mitigation and focused action by management.</p> <ul style="list-style-type: none"> • Open Spaces – Cemeteries and Crematorium – ICT Review: • Community and Children Services – Public Health Contracts: • Mansion House – Income Review: <p>Completion of the 2014/15 internal audit plan is at 16% which is marginally above the expected 15% rate of completion for this time period. The two interim senior auditors are being retained until October 2014 to maintain the resources of the internal audit section at a full level.</p> <p>A good level of performance is being maintained by the internal audit function, although the timely issuing of draft reports following completion of audit fieldwork requires improvement.</p> <p>Recommendation</p> <p>Members are asked to note the update report.</p>	

Main Report

Current Position

1. Since the last full update report to the Audit & Risk Management Committee in May 2014, seventeen main audit reviews have been finalised. Three of these reviews resulted in Amber assurances for which the headline issues and consideration of impact is analysed in **Table 1**. Further details of these reports are provided in **Appendix 1**.

Table 1 – Key Audit Report Headlines (details of recommendations in brackets)

Open Spaces – Cemetery & Crematorium – ICT Review – Amber (4 Amber, 4 Green)

Assurance Level : Amber, Impact : Medium

Materiality: Epilog is the critical system at the Cemetery & Crematorium since it is used for the majority of the functions at C&C such as grave care, burials and cremations, financial information recording and reporting.

Key findings:

Poor data quality has resulted in increased workload for the staff and user dissatisfaction; however a data correction exercise has commenced and is to be fully completed by Spring 2015. Investigation of the poor performance of the system has resulted in improvements being made to the ICT infrastructure. The application supplier has been requested to investigate the poor performance of the system itself. Elements of the BCP have been tested but the document needs updating to reflect organisation and infrastructure changes and followed up with a BCP test in earnest.

Management Response: All recommendations were agreed to be fully implemented by April 2015.

Department of Community & Children’s Services – Public Health Contracts - Amber (2 Amber, 3 - Green)

Assurance Level : AMBER Impact : High

Materiality: The City currently commission 42 public health services and the authority to commission and manage 37 out of the 42 public health contracts has been delegated to the London Borough of Hackney (LBH). Funding of the City’s public health contracts portfolio is met by Department of Health (DoH)’s public health grant (£1,651,000 in 2013/14)

Key Findings:

One of the two City contracts had been developed but not signed for which an amber recommendation was agreed to address. Of the sample of 8 LBH-led public health services reviewed, a contract is not in place in respect of three where there is currently a dispute with the service provider because of a funding gap. The review noted some areas where contract monitoring procedures could be improved.

Management Response:

All recommendations were agreed to be implemented by November 2014.

Mansion House – Income - Amber Assurance (7 Amber, 5 Green recommendations)

Assurance Level : Amber, Impact : Medium

Materiality: Actual income from Event Hire and Mansion House Tours was £375k for 2013/14.

Key findings:

Recommendations relating to clarifying the income generation objectives, reviewing charging policy, undertaking a full costing review and benchmarking were agreed. Cash income from tours conducted by City Tour Guides was not banked intact where it was used to reimburse Tour Guide fees. There is scope to streamline the income collection process where two members of staff were duplicating income collection processes and improve the separation of duties and reconciliation of Lent Hire income.

Management Response: Eleven of the twelve recommendations made were agreed by Management with one recommendation rejected related to publishing Mansion House fees and charges in a brochure. All agreed recommendations are due to be implemented by December 2014.

Current Position

- In addition to highlighting these key issues arising from recent internal audit work, the fourteen internal audit reviews identified in **Table 2** have been finalised and reported over the last three months with a Green Assurance rating. Audit report summaries from these reviews are circulated separately to the Audit & Risk Management Committee and the Chairman and Deputy Chairman of the relevant Service Committee. The detailed full internal audit report can be provided to members of this Committee on request.

Table 2	Red	Amber	Green	Total
Green Assurance Audit Reviews	recs.	recs.	recs.	
Corporate Reviews:				
Data Quality		1	3	4
Built Environment:				
Variation Order and Change Control			2	2
Remembrancer's Department:				
Functions and Guildhall Lettings			6	6
Chamberlain's Department:				
Payroll			4	4
Comptroller and City Solicitors Department:				
Legal Consultation		1	5	6

Table 2	Red	Amber	Green	Total
Green Assurance Audit Reviews	recs.	recs.	recs.	
Department of Culture, Arts and Libraries: London Metropolitan Archives – Physical Assets and Collections		2	2	4
Markets and Consumer Protection Department: Market Leases Due Diligence		1	1	2
Town Clerk’s Department: Economic Development Office: Overseas Offices		2	4	6
Public Relations Office: Communication Strategy		1	3	4
City of London Police: Fees and Charges		1		1
Police Vehicle Fleet – VFM		1	1	2
Third Party Payments			4	4
Guildhall School of Music and Drama: Professors Contracts		1	1	1
City of London School for Girls: Teaching and Non-Teaching Staff Recruitment (incl. Temp Staff)			1	1

Audit Work Delivery

3. Completion of the 2014/15 audit plan was 16% at the end of July 2014 compared to an expected completion profile of 15% for this time of year, and 13% at the same time period in 2013.
4. There is one auditor vacancy, which is currently being recruited to. The two interim senior auditors are being retained into October 2014, to maintain internal audit resources following the major carry forward of internal audit work from 2013/14.
5. Details of main audit reviews planned for the next quarter (October 2014 to December 2014) can be provided to Members on request.

Internal Audit Section Performance

6. A review of the performance of the internal audit function is provided in **Appendix 2**. Analysis of audit days delivered for the 2014/15 planning period is provided in **Appendix 3**.

7. In summary, the good performance levels in implementing audit recommendations as assessed by formal follow-up reviews have been maintained. There has been improvement in the timely issue of final audit reports which was below target levels. Performance in the timely issue of draft reports following completion of audit fieldwork had dropped below the target level due to delays in Quality Assurance caused by the high volume of audit reviews being concluded over the last 3 months. All other performance levels are meeting or exceeding targets.

Development of the Internal Audit Section

8. The internal audit charter will be reviewed and updated prior to seeking approval at the November Committee meeting. A recruitment exercise to fill the auditor vacancy is underway. Further work to review the efficiency of the internal audit process will be commencing in September, including planning for an upgrade to the internal audit section MK audit automation software to the latest version and arranging an internal audit section training day in the Autumn.

Conclusion

9. Internal audit's opinion on the City's overall internal control environment is that it remains adequate and effective. Some areas of control do need focused improvement by management, particularly in the areas identified within the three amber assurance audit reports.
10. The internal audit section has one auditor vacancy; however there are two temporary senior auditors in place until October 2014 to ensure adequate internal audit coverage is maintained.

Appendices

- Appendix 1 – Audit Report Summaries
- Appendix 2 – Review of Internal Audit Performance
- Appendix 3 – Audit Resource Analysis

Background Papers:

2014/15 Internal Audit Plan

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APPENDIX 1 –Amber (Moderate Assurance) Audit Review Outcomes

Audit: Open Spaces Department – Cemetery and Crematorium ICT Review (4 Amber and 4 Green priority recommendations)

Audit Scope and Background:

This assurance review was requested by the Open Spaces department due to on-going problems with key systems and general systems availability. Particular focus was placed on the assessment of the key Cemetery and Crematorium (C&C) systems (Epilog System) and the Information and Communications Technology (ICT) areas of Business Continuity Planning (BCP), Disaster Recovery (DR) and system resilience.

Audit Findings:

Although the Epilog system provides the required functionality, performance of the system has been slow since implementation. Gower Consulting (ICT Consultants for Registration, Cremation and Burial Authorities) has acknowledged the latency problems but has been unable to resolve some of the issues thus far.

Two amber recommendations actions arose from the implementation of the Epilog system. Poor data quality has resulted in increased workload for the staff and user dissatisfaction because of the manual checks and corrections that are necessary; however, a data correction exercise has commenced and is to be fully completed by Spring 2015. The poor performance of the system was initially assumed to be caused by the technical infrastructure at the C & C. However, following investigation by City of London Information Systems (IS) department and Agilysis, improvements are being made to the ICT infrastructure; the area of slow response now appears to be specific to the Epilog application and certain functions within. A request is to be made to Gower Consulting to investigate the poor performance of the system itself.

Two amber recommendations were agreed following review of the Business Continuity arrangements. Elements of the BCP have been tested but the document needs updating to reflect organisation and infrastructure changes and followed up with a BCP test in earnest. An annual review of the Business Continuity area has been advised to ensure all content remains relevant and current. Elements of a Business Impact Assessment (BIA) were found in the BCP document however not all critical systems were included. C&C have agreed to draft a BIA document in consultation with the Town Clerk's Security and Contingency Planning Group.

Support for the Epilog system is provided by a combination of Gower Consulting, the City's IS department and Agilysis. The system expertise resides with a few individuals in small teams within the IS department and at Gower Consulting, therefore, at times the support is stretched and is noticeable in the service provided.

The general ICT review revealed DR is in place and backups are performed in accordance with City of London policy. With regard to resilience, the infrastructure was found to have single points of failure such as a single router and firewall, however, full resilience is not essential in this instance and the costs associated with full resilience are prohibitive and unjustifiable at present.

The remaining areas of the review established that appropriate physical security controls are in place on site. The configuration and infrastructure (under the control of the IS department and Agilysis) is controlled in line with industry standard practice. Account administration is managed appropriately with adequate segregation of duties in place.

Epilog system penetration testing was performed by an external company in April 2013 which highlighted several risks; however, all these risks have been mitigated thus confirming security from external attacks.

Management Response: All recommendations were agreed by Management; they will all be implemented by April 2015.

Audit: Department of Community and Children's Services – Public Health Contracts - (2 Amber and 3 Green priority recommendations)

Audit Scope and Background:

In April 2013, the City's Health and Wellbeing Board took over the statutory responsibility for commissioning public health services which were previously commissioned by NHS East London and City Primary Care Trust (NELC). The City currently commission 42 public health services and the authority to commission and manage 37 out of the 42 public health contracts has been delegated to the London Borough of Hackney (LBH) for a management fee of approximately £39k in 2013/14. This is the first year that the City has responsibility for commissioning public health services and we recognise that work is in progress to review services previously commissioned by NELC.

The audit review focused on the commissioning and contract management of services and the overarching Service Level Agreement with LBH. The LBH's Internal Audit Section were carrying out a similar review of Public Health Contracts so a joint-working approach has been adopted, co-ordinating efforts where appropriate.

Audit Findings:

Legislative compliance was confirmed in that a Joint Strategic Needs Assessment (JSNA) covering the City of London (CoL) has been carried out as required. We noted that work is in progress to update the 2011/12 JSNA which sets out the health needs and priorities of the CoL. Good practice we identified was in respect of the development of a three year Joint Health and Wellbeing Strategy (JHWS) which sets out how the health needs and priorities identified in the JSNA (but not limited to the JSNA) will be met.

Internal audit noted that the authority to commission public health contracts has been largely delegated to the LBH and only two of a sample of 10 had been commissioned directly by COL. One of the two CoL contracts had been developed but not signed for which an amber recommendation was agreed to address.

Of the sample of 8 LBH-led public health services reviewed, a contract is not in place in respect of three. These exceptions relate to services provided by Homerton University Hospital (HUH) NHS Foundation Trust who are the City and Hackney's biggest public health services provider. We were informed that LBH has not entered into a formal agreement with HUH because of a dispute over a £1.3m funding gap.

Our testing of contract monitoring arrangements identified that these vary from contract to contract depending on their nature, complexity and value. In the majority of the contracts in our sample (nine out of 10 services), CoL (or LBH on behalf of CoL) assesses performance report/information submitted by providers at least on a quarterly basis. Three LBH led contracts were identified where contract review meetings are not held on a regular (i.e. quarterly) basis as required.

The overarching SLA with LBH stipulates that CoL and LBH representatives should hold monitoring meetings on a quarterly basis to review the performance of the agreement between the two local authorities. However, we found that CoL and LBH have not met formally prior to our audit. This issue was addressed during the audit and the first contract meeting between CoL and LBH was held in January 2014.

Our sample testing indicated that any areas of under-performance and/or development are discussed in the contract review meetings and a plan of action is noted in the minutes. There was one exception (counselling service) where we could not find evidence that corrective action(s) for areas of underperformance have been developed and agreed with the provider.

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The public health contracts reviewed stipulates that the commissioner may carry out occasional planned or unplanned visits to the provider's base. Of the 10 services reviewed, we identified only one service (Exercise on Referral service) where CoL carries out inspection visits to the provider's base. However, the providers of five regulated services in our sample are the subject of the Care Quality Commission (CQC)'s annual inspection. We were unable to find any evidence that CoL (or LBH on behalf of CoL), have carried out an inspection visit to providers of four services in our sample within the last year for which an amber priority recommendation was agreed.

The internal audit review noted that there has been an initial review of all public health commissioned services that were transferred from the NELC on their dissolution in April 2013 and this was reported to the Health and Wellbeing Board in January 2014 and Community and Children's Services Committee in February 2014. We are also advised that a small number of services are to be decommissioned at the end of March 2014 and full service reviews are to be completed in respect of five services. A green priority recommendation was agreed for the commissioning team to ensure that CoL public health contract opportunities are open to competition where the value of the contract deems it necessary.

Management Response: All recommendations were agreed by Management; they are all due to be implemented by November 2014.

Audit: Mansion House – Income Review - (7 Amber and 5 Green priority recommendations)

Audit Scope and Background:

The Mansion House hosts a number of events each year, for which a hierarchy of hire fees are payable, depending on the client. A number of tours of the House are carried out by House staff or City Tour Guides for which some income is collected. The income target for the 2013/14 financial year was £310k. Actual income was £375k, exceeding target by 21%. The objectives of this audit were to ensure that all income is identified, received, accounted for and banked intact, having been securely held. The audit also considered the fairness, consistency and cost recovery of the charging policy and income generation potential.

Audit Findings:

Charges are agreed by the General Purposes Committee of Aldermen subject to a report submitted by the Private Secretary and Chief of Staff reviewing past charges and recommending charges for the forthcoming financial year. Whilst this provides a policy basis for the setting of charges, it is not underpinned by a detailed review of the costs of running the House, which would indicate the level of charges to be made depending on the pricing policy for different categories of customer or service. The last detailed review of costs was undertaken 5 year ago.

The Mansion House relies on a benchmarking exercise carried out by the Remembrancer to analyse costs of similar operations in the City. It then compares Lent Hall charges to ensure it is competitive, without having carried out an analysis of its own costs. The benchmarking exercise is therefore useful but the Mansion House does not take full advantage by considering both their costs and charges in relation to similar venues. Four amber recommendations relating to clarifying the income generation objectives, reviewing charging policy, undertaking a full costing review and benchmarking were agreed. These actions will mitigate the risk that hiring charges are not set appropriately to recover full costs where appropriate and that income generation potential from commercial lettings is maximised. The Mansion House agreed to develop a budget costing model to assist in the determination of charges by October 2014.

Testing confirmed that all income recorded as generated by operations at the Mansion House is adequately accounted for. It was noted, however, that cash was not banked intact in contravention of Financial Regulations for House Tours conducted by City Tour Guides where income was used to reimburse Tour Guide fees. This is in contravention of HMRC rules and could risk the payment of financial penalties to HMRC. An amber and green priority recommendation was made and agreed to cease this practice from 1st April 2014.

Two further amber priority recommendations were made and agreed to streamline the income collection process where two members of staff were duplicating income collection processes and improve the separation of duties and reconciliation of Lent Hire income to minimise the risk of fraud and errors in the collection and coding of income.

Management Response: Eleven of the twelve recommendations made were agreed by Management; the green recommendation rejected related to publishing Mansion House fees and charges in a brochure. All recommendations are due to be implemented by December 2014.

Review of Internal Audit Performance – August 2014

1. The following Key Performance Indicators are used for monitoring the Internal Audit section. Performance against these indicators is set out in the table below. Where targets have not been achieved, further comments on corrective action are provided after the table.

Performance Measure	Target	2014/15 Performance	Aug 14	May 14
Completion of audit plan	90% of planned audits completed to draft report stage by end of plan review period (31 st March 2015)	16% to date – in line with expected profile of audit work completion., extra two temps remain in place till October 14	☺	☹
% recommendations confirmed fully implemented at time of formal follow-up	Overall – 75% Red – 100% Amber – 80% Green – 70%	Overall – 88% Red – 100% Amber – 95% Green – 85%	☺	☺
Timely production of draft report	80% of draft reports issued within 4 weeks of end of fieldwork	66% - some delays in issuing draft reports due to significant volume of carry forward work being concluded in first 3 months of year.	☹	☺
Timely agreement and issue of final report	80% of final reports (including agreed management action plan) issued within 5 weeks of issue of draft report	83% -	☺	☺
Customer satisfaction	Through key question on post audit surveys – target 90%	95%	☺	☺
% of audit section staff with relevant professional qualification	- target 75%	87.5%	☺	☺

Completion of audit plan

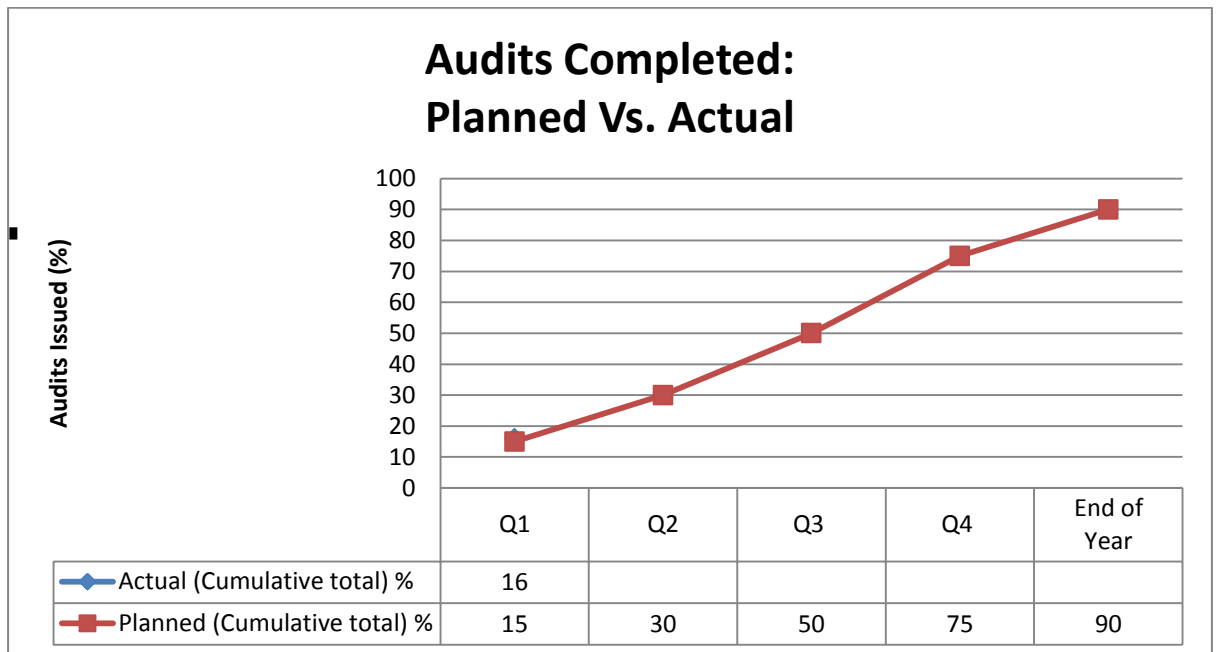
- Delivery of the 2014/15 plan, as at the end of July 2014, is set out in **Table 3** below.

Table 3 - Committee Report

	Current Plan	Not Started	Planning	Fieldwork	Draft Report	Final / Complete	% Complete
Full Reviews	94	66	6	11	3	8	12%
Spot checks & Mini Assurance Reviews	80	48	6	11	7	8	19%
Irregularity Investigations	2	0	0	1	0	1	0%
A&I/support reviews	3	1	0	1	0	1	33%
TOTAL	179	115	12	24	10	18	16%

KPI 1 (% completed)	16%
----------------------------	-----

- A graph is provided below to show delivery of the internal audit plan against the assumed profile of completion anticipated at the start of year. Performance in completion of the 2014/15 audit plan was 16% at 31st July 2014, marginally above the 15% completion rate projected for this period of the audit plan year.



- A senior auditor left the audit section at the beginning of May 2014. This position was filled through internal promotion of an existing auditor. The resulting auditor vacancy is being filled through an external recruitment exercise.

5. Two temporary senior auditors have been retained for the first part of 2014/15 to ensure the timely completion of the 2013/14 carry forward work and cover the auditor vacancy. This temporary resource will be in place until October 2014.
6. **Implementation of Recommendations** – Overall implementation of audit recommendations as measured by formal follow-up reviews undertaken over the last year is now at 88%. Good performance in this area is being sustained. Further analysis of performance in this area is provided in the separate audit recommendations follow-up report.
7. **Timely production of draft report** – performance in issuing draft reports within four weeks of end of fieldwork is at 66%. Performance in this area is proving to be volatile. Delays in issuing draft reports over the last 3 months was due to an unusually high volume of audit work concluding in a short period causing backlogs in the Quality Assurance process.
8. **Timely agreement and issue of final report** – performance in this area has improved from the 77% reported in the last quarter and is now exceeding meeting the expected target.
9. The timely reporting and agreement of audit reports are areas where the Committee has commented on the need to improve performance previously. Maintaining a consistent level of performance requires on-going focus.
10. **% of audit section staff with relevant professional qualification** – following the appointment of two professional qualified senior auditors at the beginning of January 2014, the % of audit section staff with relevant professional qualifications is now increased to 87.5%.

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Appendix 3 – Internal Audit Resource Analysis (1st April 2014 to 28th July 2014)

	Original Plan Budget (Days)	Expected to Date (Days)	Actual to Date (Days)
Gross Days	4107	1422	1513
Uncontrollable Days			
Bank Holidays	128	44	49
Annual Leave	487	169	158
Net Available Days	3492	1209	1306
Days available for direct audits and support work Available for Projects			
Main Reviews/Spot Checks	1475	331	352
Follow-up's	139	48	23
2013/14 Plan C/fwd	275	275	280*
	1877	1119	701
Risk Management			
Corporate Risk Management	134	46	68
Ad hoc on-demand support/advice (risks & controls)	155	54	28
Chamberlain Business Continuity Support	8	3	1
Anti-Fraud & Corruption			
Fraud Investigations	318	110	122
Pro-active fraud & prevention	105	36	38
Audit Planning & Reporting			
Audit Planning & Reporting	52	18	24
Audit Plan progress reporting	47	16	5
External Audit Liaison/Co-ordination	15	5	3
Efficiency & Performance Review			
Support to Efficiency Board/EPSC	40	14	11
Officer Groups (Information management, Information Liaison, Transport Groups)	0	0	1
Audit Development			
Continuous Improvement	68	24	30
Audit policy, research and development	56	19	31
Audit intranet	3	1	0
Member Support			
COL Audit & Risk Management Committee	45	16	35
GSMD Audit & Risk Management Committee	6	2	2
London Councils - Audit Committee	5	2	2
Museum of London - Audit Committee	6	2	1
Police Performance & VFM Committee	4	1	4
Barbican Centre Risk/Finance Committee	5	2	3
	1072	371	407

Admin Support

General (e.g. time recording/staff meetings/staff monitoring)***	246	85	128
MK Audit Automation Software	23	8	20
Other Absences*	126	44	42
Audit Training**	78	27	38
Corporate Training	18	6	17
CIPFA & IIA Training	40	14	8
	531	184	253

* sickness /medical appointments/City volunteering/Jury Service

** includes Office Apprentice College Hours

*** includes recruitment hours and lost time

Committee:	Date:
Audit & Risk Management Committee	9 th September 2014
Subject:	Public
Internal Audit Recommendations Follow-up	
Report of:	For Information
Chamberlain	

Summary

This report provides an update on the implementation of audit recommendations by management since the last follow-up report to the Audit & Risk Management Committee on 13th May 2014.

Five formal audit review follow-ups have been concluded since the May Committee with 84% of recommendations either fully implemented or superseded at the time of follow up; an overview of these is provided at **Appendix 1**.

At the end of August 2014 there are no outstanding red priority actions from reviews previously concluded and reported to this Committee.

Cumulative performance in the implementation of audit recommendations over the last 24 months has been monitored with 83% of audit recommendations confirmed as implemented, when formal audit follow-ups were undertaken. Where red and amber priority recommendations were still to be implemented at the time of audit follow-up, further updates have been sought from management to confirm timescales for resolution.

Management status updates on all open red and amber actions are provided in **Appendix 2**. The trend towards prompt implementation of amber recommendations following the agreement of internal audit reports continues to be in evidence.

Targeted follow-up with Chief Officers continues to reiterate the importance of keeping to agreed timescales for the implementation of recommendations.

The recommendation tracking pilots, whereby Departments are able to provide direct updates on implementation to the MK audit software, are on-going within the Department of Community and Children's Services and Open Spaces Department. Good progress has been made in closing off recommendations within the Open Spaces Department following a concerted effort by the audit liaison to obtain evidence of implementation for review by Internal Audit.

In addition to the 11 amber open actions which are being progressed according to agreed timescales, there are 245 open green priority actions as at the end of August 2014.

Members are asked to:

- Note the recommendations follow-up report; and
- Note performance in the timely implementation of recommendations following the agreement of internal audit reports continues to be in evidence.

Main Report

Formal Audit Follow-ups

1. Details of the 7 formal audit review follow ups concluded since the May 2014 report to the Committee are set out in Appendix 1, along with comments where internal audit recommendations were yet to be implemented.
2. As at the end of August 2014, cumulative performance in the implementation of audit recommendations when formal audit follow-ups were undertaken, over the last 24 months, is as follows:-

Implementation at time of audit follow-up (last 2 years)	Red	Amber	Green	Total
Recommendations Agreed	11	76	186	273
Recommendations Implemented	11	67	148	226
% implemented	100%	88%	80%	83%

3. No red or amber priority recommendations are outstanding from the formal follow-up reviews completed since the last update to this Committee.

Red and Amber Priority Recommendations Status

4. In addition to this formal audit follow-up process, internal audit obtains status updates from recommendation owners on a quarterly basis for any open red or amber priority recommendations. The outcomes from these status checks are reported in Appendix 2 and summarised in the following table.
5. There are currently no open red priority actions as these are nearly always implemented before or very soon after internal audit work is finalised. Similarly good performance in the prompt implementation of amber recommendations following the agreement of internal audit reports is reducing the number of open amber priority recommendations that require monitoring. There are currently 11 live amber priority recommendations, when at a similar point last year 14 amber recommendations were open. This table does not include amber actions agreed and subsequently implemented.

Open Amber/ Red Actions	Total	On-track per original agreed dates	Revised target date compared to original				Revised date to be agreed	Implementation Planned in future		
			1-3 mths	4-6 mths	7-12 mths	12 + mths		Next 3 mths	Next 4 to 6 mths	More than 6 mths
Red	-	-	-	-	-	-	-	-	-	
Amber	11	5	1	1	1	2	1	5	1	2
Total.	11	5	1	1	1	2	1	5	1	3

* Details of the one amber priority recommendations where the revised target dates exceed by 12 months the original agreed date are as follows:- (Additional information is in Appendix 2):-

- Open Spaces: Chingford Golf Course (2010 Audit) – the recommendation to market test the management contract, last undertaken in 2001 – at the time of audit, was delayed initially pending developments and optional appraisal relating to the future of the site. On 6th January 2014, the Director of Open Spaces met with officers from Procurement, Audit and Epping Forest; regarding the planned tendering approach. Discussion about the nature of the service resulted in the procurement officer advising that tendering would not yield income benefits greater than currently achieved. It was determined that a recovery plan should be instigated and that a performance based contract introduced with the current contractor. The Visitor Services manager, responsible for this work, resigned in February 2014 and to date it hasn't been possible to appoint a suitable successor. As an interim arrangement, the Superintendent informed Aytee Sports of the intention to move to performance contract. One of the Epping staff, who is managing this work on an interim basis, has been able to introduce two elements of the recovery plan:-

- 1) A new loyalty membership scheme,
- 2) Removal of the "red rule" which required all golfers to wear a red top when playing.

We are advised that these interim arrangements are showing some early improvement in the level of use. Once an appointment of the Visitor Services Manager can be achieved, it will be a high priority for a new performance contract to be completed, together with a full recovery plan. It is estimated that delivery of these objectives will be within 7 to 12 months of appointment.

- DCCS: Affordable Housing (2012 Audit) – the recommendation to include the on-going revenue costs of additional housing units, plus estimates for rental income, within the 30-year Housing Business Plan has been delayed by development of the Asset Management Strategy. A revised target date of the end of November 2014 has been agreed with the client to allow for ratification of the Strategy.

Implementation of Recommendations according to agreed timescales

6. Recommendation owners are subject to challenge by Internal Audit where any slippage in implementation occurs; this is to ensure that revised timescales are only agreed in exceptional circumstances. There is a strong focus on the agreement of realistic implementation dates when audit reviews are being

finalised and this is reflected in the high level of implementation at the time of formal follow-up exercises.

7. There continues to be targeted follow-up with Chief Officers to reinforce the importance of keeping to the original agreed timescales for the implementation of recommendations and the need for adherence to any agreed revisions to timescale. The recommendations tracking pilot exercise, whereby client Departments can use the MK audit software to update the status of audit recommendations and submit evidence of implementation for evaluation by internal audit is progressing. This functionality continues to be trialled within both the Department of Community and Children's Services and the Open Spaces Department for all recommendation priorities. Activity since the last update to this Committee has been focused in the latter, following an evidence-gathering exercise by the client Audit Liaison. Progress has been made in closing down a small number of recommendations, as well as demonstrating progress towards implementation for others.

Conclusion

8. There is a very high level of acceptance of internal audit recommendations and good communication with clients in respect of the progress of recommendations implementation. There remain a small number of historic amber priority recommendations where original agreed timescales have not been achieved where revised implementation dates have been agreed, but the trend towards prompt implementation of high priority recommendations following the agreement of internal audit reports continues.

Appendices

- **Appendix 1 – Formal Audit Follow-up reviews**
- **Appendix 2 – Red and Amber actions status update**

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Audit Follow-ups November to September 2014						Recommendations Agreed				Recommendations Implemented				Appendix 1
Department	Audit Review	Main Report Finalised	Follow up Date	Assurance level	R	A	G	Tot	R	A	G	Tot	Exception Comments	
City Surveyor	Traditional Crematorium	Jun-13	Mar-14	Amber	0	4	1	5	0	4	1	5	N/A All recommendations implemented.	
City Surveyor	Guildhall Expenditure	Jun-13	May-14	N/A	0	0	4	4	0	0	3	3	In terms of the one outstanding green recommendation, Guildhall repairs and maintenance stock records are currently being improved and will, going forward, include an audit trail of purchases and usage for all stock held. This work was expected to be completed by June 2014; a client update is awaited.	
Barbican Centre	Engineering Stocks and Stores	Aug-13	Jul-14	Green	0	0	17	17	0	0	14	14	Due to a recent upgrade of the Agility stock software, a quarterly stock check has yet to be undertaken and a user manual still needs to be prepared. A value for money benchmarking exercise for the in-house stores provision will be undertaken once a feasibility study of the stores processes has been completed.	
Chamberlains	iTrent	Oct-12	May-14	Green	0	11	20	31	0	11	15	26	Five green priority recommendations were agreed not to be pursued in this audit. The recommended solution is to be reviewed as part of a larger City of London requirement to isolate all important system logs (such as iTrent and CBIS) onto separate servers. The creation of a separate centralised log server repository will be considered after the implementation of Infrastructure as a Service (IaaS) which is currently being formed by City of London and Agilysis.	
Barbican Centre	Business Continuity Management System	Dec-13	May-14	Green	0	1	9	10	0	1	7	8	Both green priority recommendations were expected to be completed by the end of June 2014 and we have since been advised by the client that these have been implemented; supporting evidence is awaited.	
Totals					0	16	51	67	0	16	40	56		

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Audit Actions Status - based on Management reports - as at 20/08/2014				Open Red & Amber		Comments	Open Red & Amber Actions			Revised target date compared to original date (for live reds / ambers)				Planned Implementation date			
Department	Audit Review	Main Report Finalised	Assurance level	R	A		On target to Orig Date	Revised Dates agreed	Revised to be agreed	1 to 3 mths	4 to 6 mths	7 to 12 mths	12 mths plus	<3 mths	3 - 6 mths	> 6 mths	
Open Spaces	Chingford Golf Course	Aug-10	Amber	0	1	On 6 th January 2014, the Director of Open Spaces met with officers from Procurement, Audit and Epping Forest; regarding the planned tendering approach. Discussion about the nature of the service, resulted in the procurement officer advising that tendering would not yield income benefits greater than currently achieved. It was determined that a recovery plan should be instigated and that a performance based contract introduced with the current contractor. The Visitor Services manager, responsible for this work, resigned in February 2014 and to date it hasn't been possible to appoint a suitable successor. As an interim arrangement, the Superintendent informed Aytee Sports of the intention to move to performance contract. One of the Epping staff, who is managing this work on an interim basis, has been able to introduced two elements of the recovery plan:- 1) A new loyalty membership scheme, 2) Removal of the "red rule" which required all golfers to wear a red top when playing. These interim arrangements are showing some early improvement in the level of use; the number of rounds played in 2013/14 were up 1,657 or 8% from 20,497 to 22,154, against a national trend of declining memberships. (The Sky Sports Golf Survey indicated that 70% of clubs reported a continuing fall in membership.) Once an appointment of the Visitor Services Manager can be achieved, it will be a high priority for a new performance contract to be completed, together with a full recovery plan.		1					1				1
Markets and Consumer Protection	Markets Car Parks	Apr-12	Green	0	1	One amber priority recommendation is outstanding in respect of addressing the poor quality of management information available from the car park barrier system at Smithfield. The barrier equipment replacement is included in the procurement of the off-street car park management contract. The current contract (with APCOA) has been extended until 30 November 2014 (ratified at Court of Common Council on 16 May 2013). Therefore the replacement equipment will not now take place until 2014/15 when the new off street car park contract is let.		1			1			1			
Community and Children's Services	Affordable Housing	Sep-12	Amber	0	1	One amber priority recommendation is outstanding in respect of inclusion of the on-going revenue cost of additional housing units, plus estimates for rental income, within the 30-year Housing Business Plan. The Asset Management strategy - key to the implementation of this recommendation - is yet to be ratified and as such a revised target date of the end of November 2014 has been agreed.		1				1	1				
Community and Children's Services	CDM Regulations - Health and Safety	Oct-12	Amber	0	1	This amber priority recommendation has been partially implemented. Many of the April 2007 changes to CDM regulations place extra responsibilities upon clients with key objectives. Many of these responsibilities apply to projects which must be notified to the Health and Safety Executive (HSE) but also equally apply to non-notifiable projects as well. One of the ways to address these changes is to make staff more aware of the current requirements by stipulating these in a departmental procedures document for compliance. (CSAQ 2.1 & 2.2) The Department of Community and Children's Services has reportedly implemented a compensating control through the renewed training of it's officers and Internal Audit are currently awaiting receipt of the training booklet used to verify that all of the appropriate headings and responsibilities have been addressed.			1					1			
Corporate	Final Account Verifications	Mar-14	Amber	0	1	This amber priority recommendation has been partially implemented. The outstanding action relates to the reporting facility for use when monitoring the extent to which final accounts are being verified and was due for implementation by the 31st August 2014. Confirmation is awaited that this issue has been addressed.		1			1			1			
Community and Children's Services	Holloway Estate Investigation	May-14	N/A		1	This amber priority recommendation relates to the lack of CCTV at the Holloway Estate Office, which has hampered identification of the individual responsible for the r the suspected theft of a Blackberry and cash from the site safe. We are advised that the installation of CCTV forms part of the capital programme of works for 2014/15 and Holloway has been flagged as a priority. A revised implementation timescale of the end of November 2014 has been agreed.		1			1			1			
Open Spaces	Cemetery & Crematorium ICT Review	Jun-14	Amber	0	3	The three outstanding amber priority recommendations are understood to be on target for implementation by the originally agreed dates. The recommendations relate to: 1) the need to investigate and address areas of poor performance within the Epilogue system, especially the cremation desk diary and the burial bookings functions; 2) the drafting of a BIA document for the IT systems, consulting with the Town Clerk's Security and Contingency Planning Group for assistance where necessary; and 3) Updating and reviewing the BCP (preferably on an annual basis as a minimum) to ensure its currency, and carrying out a BCP exercise in earnest to ensure procedures, contact information and facilities are present and the Business Continuity Plan operates adequately	3							2	1		

Audit Actions Status - based on Management reports - as at 20/08/2014				Open Red & Amber			Open Red & Amber Actions			Revised target date compared to original date (for live reds / ambers)				Planned Implementation date			
Town Clerk's	Public Relations Office	Jul-14	Green	0	1	This amber priority recommendation relates to the progression of discussions between the PRO and City Procurement regarding print services, continuing to consult them in instances where the value of the expenditure is expected to exceed the thresholds where competitive quotes or tender are required. We are advised by the Chairman of the Marketing and PR Procurement Category Board, which includes printing in its terms of reference, that a major revamp of the whole procurement of printing is being planned. It is expected that this will take about 12 months to implement, so to cover the position until then, the Chamberlain will be submitting a waiver request to the Finance Committee for all the organisation's printing, across every department (obviously including PRO).	1									1	
Town Clerk's	EDO Overseas Offices	Aug-14	N/A	0	1	This amber priority recommendation relates to the provision of fraud awareness training to all individuals in the China and India offices, based on good practice utilised in the UK and is scheduled for completion by the 31st October 2014.	1									1	
Total				0	11		5	5	1	0	1	1	1	2	7	1	3

Committee:	Date:
Audit and Risk Management Committee	9 th September 2014
Subject:	Public
Anti-Fraud and Investigation Up-date Report	
Report of:	For Information
Chamberlain	

Summary

This report provides Members with an update of our investigation activity since our last report to Committee in May 2014.

The responsibility for investigating housing benefit fraud transfers to the Department for Work & Pensions, Single Fraud Investigation Service on 1st December 2014. Initial meetings have been held concerning the transfer, with three workshops arranged for early September.

Two fraud awareness training sessions were held in conjunction with a colleague from the UK Borders Agency. A Member fraud awareness session was held on 23rd June 2014, presentation slides are available to Members who were unable to attend.

Preparation is underway for the 2014/15 National Fraud Initiative exercise, with the Senior Investigator continuing to co-ordinate the City Corporation and the City of London Police participation in this valuable data matching exercise.

Possession of a social housing property on the City's Middlesex Street estate has recently been returned to the City, following the identification of illegal sub-letting.

Fifty litres of diesel were stolen by an employee at the Cemetery and Crematorium, disciplinary action has been taken in this matter. Anonymous allegations were also received, which prompted an Internal Audit investigation in to other areas at the Cemetery and Crematorium, no further thefts or frauds were identified, however seven recommendations have been made and agreed to improve the control environment, including ensuring instances of Fraud and theft are reported promptly.

CIPFA have recently launched a new Counter Fraud Unit, taking the lead on counter fraud and corruption for local government.

Recommendations

Members are asked to note the report:

Main Report

Background

1. This report provides Members with a summary of our investigation case-load and outcomes since our last report to Committee in May 2014, along with a trend analysis against fraud investigation work carried out in the two previous reporting years. It also details the anti-fraud work currently being undertaken by the team.

Proactive Anti-Fraud Activity

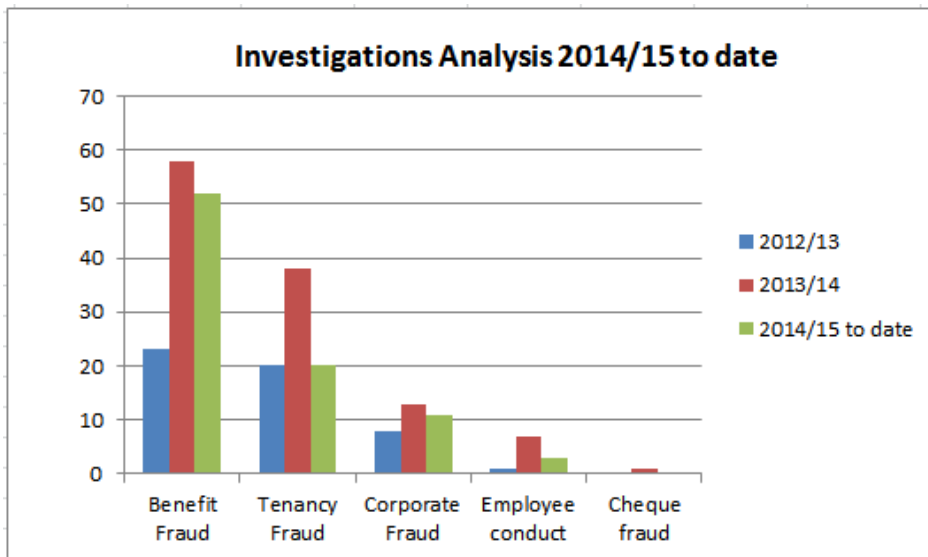
2. Document & Fraud Awareness - Two interactive document and fraud awareness training sessions, delivered by the City's Fraud Investigator and a colleague from the UK Borders Agency were held on 20th May 2014, these were attended by officers from HR, the City's Housing Department and the Housing Benefit team. The sessions focused on how to detect fraudulent or counterfeit identity documents, and advised on what to do if fraud is suspected. Excellent feedback was received, and further sessions are being considered (subject to the availability of our UKBA colleague) later this year.
3. Member Development Session – A fraud awareness session for Members was delivered on 23rd June 2014, featuring an introduction to fraud in local Government, the City's response to fraud, and current fraud threats affecting the City Corporation. The presentation slides are available to Members who were unable to attend.
4. National Fraud Initiative (NFI) – Preparation is underway for the 2014/15 NFI exercise, with the Senior Investigator continuing to co-ordinate the City Corporation and the City of London Police participation in this valuable data matching exercise. Twelve data-sets will be uploaded to the Audit Commission on the 6th October 2014. The output will be available for investigation from 29th January 2015.

Single Fraud Investigation Service (SFIS)

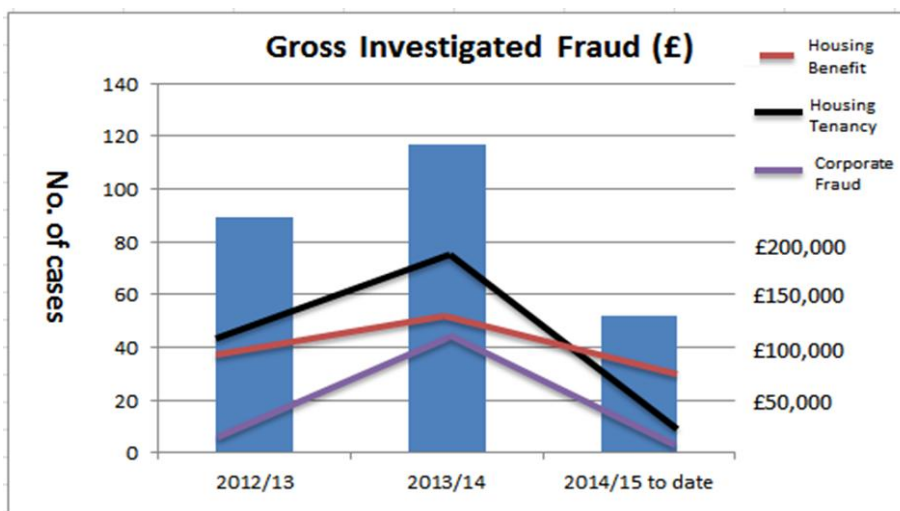
5. Members were advised at this Committee in May 2014 that the responsibility for investigating housing benefit fraud would be transferring to the Department for Work & Pensions (DWP) under the Single Fraud Investigation Service (SFIS). This transfer will take place on the 1st December 2014. A start-up meeting was held with officers from the DWP on 17th July 2014, during which an overview of how SFIS will operate post implementation was provided, along with further information concerning the transfer of live investigation cases from the City of London to the SFIS.
6. Three further workshops have been agreed for 3rd September 2014 to cover more detail about the operation between the City and the SFIS. We are still to see the national service level agreement for SFIS and future joint working protocol. A verbal update will be given at your meeting.

Investigation Activity Summary

7. The following graphs summarise our investigation activity for the 2014/15 reporting year to date. The first shows the number of cases referred to the Investigation Team in the year, the number of cases closed and number of cases subject to investigation across all types of fraud. The Corporate Fraud bar is amended from previous graphs provided to this Committee, and relates to cases of theft, grant fraud and procurement fraud.



8. The second graph shows a trend analysis of the gross number of cases investigated during the current reporting year to date, against the previous two years. This shows all fraud types, along with the value of frauds detected for both housing benefit and housing tenancy investigations. We have additionally added the value of Corporate Fraud investigations, where these can be quantified, however, as previously advised, these are usually more problematic to quantify, owing to the nature of the offences committed.



9. Detailed housing benefit fraud and housing tenancy fraud caseload reports are contained in Appendix 1 to this report.

Housing Tenancy Fraud

10. Following a referral from an Estates Officer at the City's Middlesex Street estate, an investigation found that a City of London social housing tenant was sub-letting his property for financial gain, in breach of his tenancy terms and conditions. The tenant was interviewed under caution, where he made full admissions to sub-letting offences. Possession has now been returned to the City of London, whilst a file is being prepared for submission to the Comptroller and City Solicitor for consideration of criminal action.

Corporate Fraud

11. A report was received in April 2014, from the Superintendent of the Cemetery and Crematorium concerning a suspected theft of 50 litres of diesel (approximate value £70). Anonymous allegations received via the City's whistleblowing channels were also received relating to this theft and also concerning the misuse of procurement cards, and corporate contracts for the purchasing of certain goods, along with breaches of City of London Corporation policy and procedures at the Cemetery and Crematorium.
12. An Internal Audit investigation was undertaken. The allegation concerning the theft of diesel was confirmed. Financial regulations were not followed in a timely manner because the matter was not reported to Internal Audit, or the Chief Officer, until after a decision on disciplinary action was taken. Our enquiries found that the appropriate HR, Business Partner was consulted on the matter, and the theft was dealt with by local management by means of a written warning. Internal Audit also reviewed the other areas highlighted in the anonymous letters, and although no fraud or further thefts were found, we identified a number of areas for improvement in control.
13. Two amber and five green recommendations have been agreed for full implementation by the end of December 2014. HR have raised awareness across all HR Business Partners and HR advisors on the need to ensure potential Fraud issues are immediately referred to Internal Audit, as required by Financial Regulations. Management have also agreed to computerise fuel stock and utilisation records to improve the accuracy and speed of recording fuel use, and introduce a greater level of separation of duties by the end of October 2014. Further green priority recommendations were agreed to improve control over fuel usage monitoring, collection of income from the donation box, improving controls over the scrap metal recycling contract, and reviewing the use of procurement cards with City Procurement for the purchase of replacement equipment and parts.

CIPFA Counter Fraud Centre

14. CIPFA have recently launched a new Counter Fraud Unit, taking the lead on counter fraud and corruption for local government, producing best practice guidance, including updating the CIPFA Red Book and Fighting Fraud Locally, and providing accredited anti-fraud training. We will review the guidance and best practice documentation arising from the CIPFA Counter Fraud Centre, taking appropriate action, and will advise Members accordingly.

Conclusion

15. Internal Audit continues to provide a valuable anti-fraud and investigation service across the City Corporation. The responsibility for investigating housing benefit fraud transfers to the Department for Work & Pensions on 1st December 2014; three workshops have been arranged for early September to develop the arrangements for the transfer of this work.

Appendices

Appendix 1: Housing Benefit Fraud & Housing Tenancy Fraud Caseload

Contact: Chris Keesing Chris.keesing@cityoflondon.gov.uk 020 7332 1278

Appendix 1 – Housing Benefit Fraud & Housing Tenancy Fraud Caseload as at 06/08/2014

Housing Benefit Fraud

Housing Benefit Fraud Case Referrals	April 2014 – Date	April 2013 – March 2014	April 2012 – March 2013
Referrals Received in current year	8	37	32
Cases carried over from previous years ¹	15	21	20
Total	23	58	52
Comprising			
Cases currently under investigation	8	7	12
Cases referred to DWP solicitors	2	2	1
Cases referred to City Solicitors	1	3	1
Cases subject to benefit entitlement re-assessment	0	1	6
Cases subject to Admin Penalty Action	0	2	1
Total number of live cases ²	11	15	21
Successful prosecutions	1	3	5
Successful Cautions	1	5	2
Successful Admin Penalties	2	5	2
Cases where fraud proven but no further action taken	4	5	4
Cases closed with no further action	4	25	18
Total number of closed cases	12	43	31
Total	23	58	52
Total value of HB/ CTB overpayments relating to the investigated cases detailed above ³	£78,385	£128,002	£93,211

Notes:

¹ Previous year's data shows the position at year end, and is provided for comparative purposes. Cases carried over from previous years do not represent live cases in the current reporting year.

² Total claim base approximately 1100 individuals

³ Total value of benefit payments per annum circa £5.7m

Appendix 1 – Housing Benefit Fraud & Housing Tenancy Fraud Caseload as at 06/08/2014

Housing Tenancy Fraud

Housing Tenancy Fraud Case Referrals	April 2014 to Date		April 2013 to March 2014		April 2012 to March 2013
Referrals received in current year	6		28		9
Cases carried over from previous years ¹	14		10		11
Total	20		38		20
Cases currently under investigation					
Cases currently under investigation	9		11		9
Cases closed with no further action	6		13		4
Cases with Comptroller & City Solicitor	2		3		1
Cases where possession pending	0		0		0
Cases where possession order granted	0		0		0
Cases where successful possession gained ²	1		10		6
Cases where successful prosecution action taken	1				
Cases where fraudulent application identified	1		1		0
Total	20		38		20
Value where successful possession gained ³					
	£18,000		£180,000		£108,000

Notes:

¹ Previous year's data shows the position at year end, and is provided for comparative purposes. Cases carried over from previous years do not represent live cases in the current reporting year.

² Cases where successful possession has been gained will be considered for criminal action where suitable, and where offences committed are serious enough to warrant proceedings under the Prevention of Social Housing Fraud Act 2013 and/ or the Fraud Act 2006.

³ Successful possession gained value of £18,000 per property sourced from Audit Commission value of national average temporary accommodation costs to Local Authorities for one family.

Committee:	Date:
Audit and Risk Management Committee Housing Management & Almshouses Sub Committee	9 th September 2014 25 th September 2014
Subject: Social Housing Tenancy Fraud Anti-Fraud & Prosecution Policy. Delegated Authority to Authorise Proceedings	Public
Report of: Chamberlain	For Information
<p>Summary</p> <p>The City of London owns and manages in excess of 1900 social housing properties across the City of London and in six London Boroughs. City of London social housing is highly sought after and desirable to fraudsters, who can make substantial profits from unlawful sub-letting, owing to its quality and location.</p> <p>The investigation of social housing tenancy fraud is undertaken by Internal Audit. In the past three reporting years 20 properties have been recovered as a direct result of investigations undertaken by this team.</p> <p>No specific delegation to Officers currently exists to authorise prosecution proceedings where social housing fraud has been identified. The Comptroller & City Solicitor has a blanket delegation to issue proceedings that are in the interests of the City of London Corporation, which has been exercised in recent cases. The Chamberlain's Business Support Director and the Head of Audit & Risk Management hold a delegated authority to authorise criminal proceedings in housing benefit fraud matters, it is proposed that these same officers are given delegated authority to authorise criminal proceedings where social housing tenancy fraud is identified.</p> <p>A Social Housing Tenancy Anti-Fraud & Prosecution Policy has been developed, setting out our response to tackling social housing fraud, and the actions that may be taken where social housing tenancy fraud is identified.</p> <p>This Policy and proposed delegation is being presented to the following Committees for information:</p> <ol style="list-style-type: none"> 1. Audit & Risk Management Committee 2. Housing Management & Almshouses Sub Committee <p>The Policy and proposed delegation will be presented to the Community & Children's Services Committee for decision on 10th October 2014.</p> <p>Recommendations</p> <p>Members are asked to:</p> <p>Support and recommend for decision to the Community and Children's Services Committee the Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy and the proposed delegation to officers to authorise criminal proceedings where social housing tenancy fraud is identified.</p>	

Main Report

Background

1. The City of London Corporation owns and manages in excess of 1900 social housing properties across the City of London and in six London Boroughs - Hackney, Islington, Southwark, Tower Hamlets, Lewisham and Lambeth. Social housing is provided to eligible persons in need that could otherwise have difficulty in affording private rents or home purchase. Social housing rents in London are substantially lower than those charged for similar properties in the private sector.
2. Social Housing provided by the City of London Corporation is highly sought after, owing to the location and quality of the housing provided; this makes the City's social housing desirable to fraudsters, who can make substantial profits from sub-letting.
3. Social housing fraud investigations relate to offences including illegal sub-letting, dishonest applications for social housing, failure to use as sole or principle residence, and right to buy discount fraud.
4. In October 2013, the Prevention of Social Housing Fraud Act came in to force; this Act criminalised unlawful sub-letting, and gave additional powers to Local Authority Investigators to gather evidence from financial institutions to investigate social housing tenancy fraud, likewise it introduced unlawful profit orders, meaning tenants that sub-let their properties can be ordered to pay any profits they make to the local authority.
5. The City of London Corporation is committed to taking robust action against those that seek to abuse the social housing it provides.

Current Position

6. The investigation of social housing tenancy fraud is undertaken by the Anti-fraud & Investigation team, part of the Chamberlain's Internal Audit section. This team have been successful in identifying and returning possession of social housing that has either been obtained by deception, or illegally sub-let. The following table details the number of social housing tenancy fraud investigations undertaken over the past three reporting years.

	April 2011 to March 2012	April 2012 to March 2013	April 2013 to March 2014
No. of referrals received in year	21	20	38
No. of properties recovered in year	4	6	10
Value*	£72,000	£108,000	£180,000

*Value based on Audit Commission estimates of £18,000 per sub-let property

7. The City of London Corporation secured its first social housing tenancy fraud, criminal prosecution at the Old Bailey in April 2014, resulting in a former City of London social housing tenant being sentenced to two years imprisonment for dishonestly obtaining a social housing property using counterfeit Portuguese passports.
8. The Comptroller & City Solicitor will take appropriate civil and criminal action in social housing fraud cases, as appropriate and in line with the evidential test and the public interest test.
9. There is currently no specific delegation to Officers to authorise prosecution proceedings where social housing fraud has been identified. The Comptroller & City Solicitor has a blanket delegation to issue proceedings that are in the interests of the City of London Corporation, this has been the process used to proceed with criminal action in recent cases. Likewise, there is no specific social housing tenancy fraud prosecution Policy.
10. The City of London Corporation will utilise appropriate legislation including the Fraud Act 2006, and the Protection of Social Housing Fraud Act 2013, to prosecute, and pursue the criminal gains made by those tenants that seek to benefit from illegally sub-letting the social housing awarded to them by the City of London Corporation.

Proposal

11. The Head of Audit & Risk Management and the Business Support Director currently have delegated authority to authorise criminal proceedings in housing benefit fraud investigations; it is proposed that both postholders are also given delegated authority to authorise criminal proceedings in social housing fraud investigations.
12. The proposed delegation brings the decision making for criminal action in social housing tenancy fraud investigations, in line with criminal action in housing benefit fraud investigations. This proposal is supported by the Housing Service Director.
13. In order to support our robust approach to tackling social housing tenancy fraud, a Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy has been developed. The key objectives of this Policy are to:
 - i. Underpin the City's zero-tolerance approach to housing fraud, seeking possession orders, prosecution and restitutionary payment (unlawful profit orders, under the provisions of Prevention of Social Housing Fraud Act 2013) in all appropriate cases;
 - ii. Proactively prevent fraudulent activity;
 - iii. Raise awareness amongst staff and the public about tenancy fraud and what that means;
 - iv. Encourage staff, residents and members of the public to report suspected cases of tenancy fraud to the City of London Corporation;
 - v. To deal efficiently and effectively with reports and allegations of social housing tenancy fraud; and

- vi. Work in partnership with Registered Providers (Housing Associations) to share information, data and resources, where appropriate
14. This Policy has been reviewed by the Business Support Director and the Comptroller & City Solicitor, and reflects the current legislative powers available for dealing with social housing tenancy fraud.

Conclusions

15. The proposed Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy sets-out and strengthens the City’s response to tackling social housing tenancy fraud across its housing estates.
16. It is essential that the City of London has the ability to take criminal prosecution action where social housing tenancy fraud has been identified; the proposed delegation of powers brings the authorisation process for social housing tenancy fraud in-line with an existing delegation for housing benefit fraud offences.

Appendices

Appendix 1: Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy

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City of London Corporation

Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy

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1. Introduction

1.1 This policy outlines the City of London Corporation's approach to dealing with social housing tenancy fraud.

2. Background

2.1 The City of London Corporation owns and manages in excess of 1900 social housing properties across the City of London and in six other London Boroughs - Hackney, Islington, Southwark, Tower Hamlets, Lambeth and Lewisham. Social housing is provided to eligible persons, in need that could otherwise have difficulty in affording private rents or home purchase. Social housing rents charged by the City of London Corporation are substantially lower than those charged for similar properties in the private sector.

2.2 Since April 2013, those applying for Social Housing with The City of London Corporation require a one year connection in terms of residency or employment (minimum 16 hours per week) in The City of London, to be eligible. Prior to this there was no residency or employment criteria to be eligible to apply for Social Housing with the City of London Corporation, but those who applied without such a connection to The City of London, would be awarded a lower housing priority as part of the choice based lettings process operated by the City of London Corporation.

2.3 Social Housing provided by The City of London Corporation is highly sought after, owing to the location and quality of the housing provided; this makes the City's social housing desirable to fraudsters, who can make substantial profits from sub-letting.

2.4 The National Fraud Authority, Annual Fraud Indicator (June 2013) estimates that the cost of social housing tenancy fraud to Local Authorities across the UK amounts to £845m annually, with at least 5% of social housing properties in major City's either obtained fraudulently or subject to illegal sub-letting.

2.5 In October 2013, the Prevention of Social Housing Fraud Act came in to force; this Act criminalised unlawful sub-letting, and gave additional powers to Local Authorities to investigate social housing tenancy fraud. The City of London Corporation is committed to taking robust action against those that seek to abuse the social housing it provides.

3. Policy Aims & Objectives

3.1 The City of London Corporation is committed to tackling social housing fraud across its housing estates. The City of London Corporation will tackle unlawful subletting and tenancy misuse promptly and effectively, to ensure its housing stock is used by those with legitimate housing need.

3.2 The key objectives of the tenancy fraud policy are to;

- i. Underpin the City's zero-tolerance approach to housing fraud, seeking possession orders, prosecution and restitutionary payment (unlawful profit orders, under the provisions of Prevention of Social Housing Fraud Act 2013) in all appropriate cases;
- ii. Proactively prevent fraudulent activity;



- iii. Raise awareness amongst staff and the public about tenancy fraud and what that means;
- iv. Encourage staff, residents and members of the public to report suspected cases of tenancy fraud to the City of London Corporation;
- v. To deal efficiently and effectively with reports and allegations of social housing tenancy fraud; and
- vi. Work in partnership with Registered Providers (Housing Associations) to share information, data and resources, where appropriate

4. What is tenancy fraud?

4.1 Tenancy fraud or misuse can present itself in various forms and can occur at any stage during the course of a tenancy.

4.2 The following list is not exhaustive, but does include the main types of tenancy misuse:

- i. Illegal sub-letting of the whole property, whether for financial gain or otherwise;
- ii. Obtaining social housing by deception, by providing false or misleading information;
- iii. Making a fraudulent application for social housing, by providing false or misleading information;
- iv. Fraudulent Right to Buy (RTB) applications;
- v. Fraudulent succession of tenancy;
- vi. Unlawful assignment of a social housing tenancy to another; and
- vii. Key selling – where the tenant leaves the property and passes on the keys in return for a one off lump sum payment or favour.

4.3 In many instances unlawful subletting generates lucrative profits for individuals or organised groups. It is therefore essential that the City of London Corporation can demonstrate that those occupying its housing are those who have properly demonstrated their need for such accommodation.

Please note – tenancy misuse does not refer to cases where tenant(s) have taken in a lodger or sublet part of their property with the City Corporation's prior written consent.

5. Impact of tenancy fraud

5.1 Failure to tackle social housing tenancy fraud has a number of effects on the City Corporation, its tenants, and its residents. These are;

- i. that the City's housing stock is not put to best use;
- ii. increased waiting times for prospective tenants and existing tenants wishing to move;
- iii. an increased risk of disrepair and damage to the property due to a reluctance to report repairs or accept improvements, and from modifications to make the property more suitable to sub-let;
- iv. increased risk of criminal damage or anti-social behaviour;
- v. added difficulties gaining access to carry out maintenance repairs or gas servicing;
- vi. the unlawful sub-tenant(s) who may not be aware of their status can be vulnerable to being charged increased rents and deposits and are at risk of unlawful evictions and homelessness;
- vii. impact on resources due to the costs of investigation and court proceedings; and
- viii. risk to the City's reputation from failure to tackle social housing tenancy fraud.



6. What is the City of London Corporation doing to combat tenancy fraud?

6.1 The City of London Corporation undertakes a range of measures to combat tenancy fraud. These are listed below:

Awareness – the City of London Corporation highlights the consequences of tenancy fraud and the methods with which it can be reported via its website and tenant engagement, such as estates newsletters and Your Homes magazine.

When making an application – Prior to a potential tenant being accepted onto the City's waiting list identity, address and financial checks will be carried out to verify the information provided by the applicant(s) is correct.

Prior to the offer of a tenancy – Before a tenancy is allocated, the City carries out a series of identification and verification checks to ensure that the prospective tenant and their family household/circumstances are what they say they are. Proof of essential data is required, such as birth certificates, passports, immigration papers or driving licences. The City reserves the right to verify these documents with external organisations.

At the start of the tenancy - The City endeavours at all times to ensure the right people are allocated suitable housing that meets their housing need. Housing Allocations staff are aware of the potential for social housing tenancy fraud and the importance of the robust application process for preventing tenancies being obtained by deception.

Tenancy inspection visits – A programme of tenancy inspection visits, will see all tenants visited on a periodic basis; such visits are designed to capture data required on household members for wider purposes (such as overcrowding), to ascertain whether any repairs or maintenance is required, and to identify possible sub-letting.

Responding to reports – The City of London Corporation takes all reports of alleged tenancy fraud seriously and will undertake appropriate investigation activity in order to establish the facts.

Publicity campaign - The City of London Corporation will undertake periodic publicity campaigns to raise awareness with residents and the public that they are able to report suspected cases of tenancy fraud (anonymously if they wish). Where appropriate, and as a result of a successful investigation, the City will issue press releases in individual cases where publicity is deemed to be within the public interest.

Court action – Where there is deemed to be sufficient evidence of social housing tenancy fraud, the City of London Corporation will pursue cases through the Civil and/or Criminal Courts as appropriate. The check-list at **Appendix A** to this Policy will be utilised to assist in the decision to instigate criminal proceedings. Civil proceedings will be instigated on instruction from the Director of Housing or his representative.

National Fraud Initiative (NFI) – the City of London Corporation participates fully in the Audit Commission's NFI and submits data bi-annually to be matched against private and other public sector bodies to highlight instances where data provided by one party matches that held by another, indicating possible cases of social housing tenancy fraud.



Pro-active Fraud Drives – The City of London Corporation undertakes pro-active fraud drives in partnership with public and private sector organisations, in order to identify social housing tenancy fraud.

Registered Social Landlord liaison – where appropriate, the City of London Corporation works with Registered Social Landlords to jointly tackle tenancy fraud and share information.

Staff involvement in fraud – the City of London Corporation takes a zero-tolerance approach to employees found to have been involved in social housing tenancy fraud. The City of London Corporation will deal with such matters in-line with its Corporate Anti-fraud and Corruption Strategy.

Reporting a Concern – the City of London Corporation actively encourages people to report social housing tenancy fraud, and maintains a dedicated fraud hotline – 020 7332 3663, and email address – raiseyourconcern@cityoflondon.gov.uk to enable people to effectively raise their concerns.

7. Legislation & Legal Proceedings

7.1 The Comptroller & City Solicitors Department is responsible for identifying and recommending the most suitable legislation under which to instigate proceedings. The following legislation will be considered in cases of Social Housing Tenancy Fraud:

- a. Fraud Act 2006
- b. Prevention of Social Housing Fraud Act 2013
- c. Housing Act 1985
- d. Housing Act 1988
- e. Theft Act 1968
- f. Proceeds of Crime Act 2002

7.2 The decision on whether to instigate prosecution proceedings will be taken by an Officer of the City of London Corporation, with an appropriate delegation of powers; this includes the Head of Audit & Risk Management and the Business Support Director.

8. What factors will the City of London Corporation consider when deciding whether or not to institute criminal proceedings?

8.1 The City of London Corporation will normally consider instituting criminal proceedings where there is sufficient evidence to prove that there has been a social housing tenancy fraud.

8.2 Each case will be reviewed and considered for criminal proceedings on its own merits.

8.3 When considering whether a case is suitable for criminal proceedings the City of London Corporation will take into account the following:

- i. The seriousness of the offence(s) committed;
- ii. The duration of the fraud;
- iii. The number of false statements;
- iv. Whether counterfeit documents were produced/furnished;
- v. Whether the tenant has a beneficial interest in any other property;
- vi. Whether the fraud was premeditated;



- vii. The level of deception;
- viii. The tenants financial circumstances;
- ix. The tenants housing need;
- x. The criminal benefit (how much money has been made from the fraud);
- xi. Whether any similar offences have been committed in the past;
- xii. The outcome from any interview under caution;
- xiii. Any civil proceedings taken against the tenant to recover the tenancy, and the nature of such proceedings; and
- xiv. Whether criminal proceedings are in the public interest.

8.4 The City of London Corporation will likewise take into account matters which may mitigate the seriousness of the offence(s) committed.

8.5 Any decision as to whether or not to prosecute will also take into account the Code of Conduct for Crown Prosecutors as well as the policy matters set out above.

9. Governance

9.1 The Audit & Risk Management Committee review the City's activities for tackling and investigating all types of fraud, including social housing fraud, this Committee receives quarterly Anti-fraud & Investigation up-date reports detailing the City's work in this area.

10. Review

10.1 This Policy will be reviewed by 31st March 2016, or sooner should there be any significant changes to legislation or Policy.

Version No.	Date	Comment	Author
1	27/03/2014	1 st Draft Complete	Chris Keesing
1.1	01/04/2014	Updated following HARM review -minor changes	Chris Keesing
1.2	03/04/2014	Updated following C&CS review – minor amendments	Chris Keesing
1.3	08/04/2014	Updated following review by Business Support Director	Chris Keesing



11. Appendix A – Criminal Prosecution Checklist

	Yes	No
Is there evidence to support housing tenancy fraud?		
Does the evidence available support criminal action?		
Has civil action been instigated to recover the tenancy?		
Has the tenant voluntarily returned possession of the property to the City of London Corporation?		
Has the tenant voluntarily offered or agreed to return possession of the property to the City of London Corporation?		
Has the tenant been dishonest in his/ her dealings with the City of London Corporation?		
Have false statements been made on the housing application form, housing census form, tenancy inspection form, or any other documents provided in support of a tenants housing application or the maintenance of their tenancy?		
Have multiple false statements been made?		
Have fraudulent or counterfeit documents been provided in support of an application for social housing or during the course of a tenancy with the City of London Corporation?		
Has a false statement(s) made by the tenant applicant given him/ her a pecuniary advantage for social housing with the City of London Corporation over others?		
Have breaches of the City of London's Housing Allocation Policy been considered as part of this case?		
Has the tenant/ applicant got recourse to public funds?		
Has a PACE compliant Interview Under Caution been undertaken?		
Was the suspect represented legally?		
Has the tenant admitted dishonesty at Interview Under Caution?		
Has the tenant admitted any offence or breach of their tenancy conditions?		
Is the suspect aware of the consequences of providing false information?		
Is prosecution action consistent with action taken in other similar cases?		
Was the tenant suffering any form of oppression, victimisation or abuse that led him or her to make a false statement?		
Has the tenant made a profit from unlawful sub-letting?		
Do we have evidence of any profit made from unlawful sub-letting?		
Will we be seeking an unlawful profit order?		
Is criminal prosecution action in the public interest?		
Has the evidence been exhibited and produced fully and correctly by the case investigator?		
Have disclosure schedules been produced and checked?		
Has a case summary been produced?		
Has the case been reviewed by the Senior Investigator – is their consideration and recommendation noted?		
Have any other offences been identified as part of this investigation, such as Housing Benefit or Council Tax Reduction fraud?		

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Audit and Risk Management

Work Programme 2014

Date	Items
4 November	<ul style="list-style-type: none"> • Internal Audit Planning for 2015/16 • Cash Handling and Banking Investigation follow up • Corporate and Departmental Risk Reviews • Internal Audit Charter • Audited 2013/14 City's Cash and City's Cash Trust Funds Financial Statements together with Moore Stephens report thereon • Committee Effectiveness Review <p>Risk Management Challenge Session</p> <ul style="list-style-type: none"> - Town Clerks (including update on CR1: Resilience, CR2: Supporting the Business City, CR8: Reputation and CR9 Health & Safety) - Remembrancers (including update on CR10: Adverse Political Developments)
8 December	<ul style="list-style-type: none"> • Deloitte's Annual Audit Letter on the City Fund and Pension Fund Financial Statements • Deloitte's annual audit plan for City Fund Financial Statements including agreement of the audit fee • Deloitte's annual audit plan for the Pension Fund Financial Statements including agreement of the audit fee • Moore Stephens - annual audit plan for the Non Local Authority Funds including agreement of the audit fee • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update <p>Risk Management Challenge Session</p> <ul style="list-style-type: none"> - Barbican - GSMD - Markets & Consumer Protection

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Audit and Risk Management Work Programme 2015

Date	Items
24 February	<ul style="list-style-type: none"> • Fraud Awareness Training Update • Risk Management Update • Annual Governance Statement – methodology • 2015/16 Internal audit plan <p>Risk Management Challenge Sessions</p> <ul style="list-style-type: none"> - City Surveyors - Open Spaces (including Revised Risk CR11: Pond Failures) - Culture, Heritage & Libraries
28 April	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal Audit recommendations follow-up report • Investigation Update report <p>Risk Management Challenge Sessions</p> <ul style="list-style-type: none"> - Comptroller & City Solicitor - Built Environment - Mansion House
2 June	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update • Head of Internal Audit Opinion and Annual report • HMIC Police Inspections Summary report • Annual Governance Statement – 2013/14 • Private Member meeting with Head of Internal Audit <p>Risk Management Challenge sessions</p> <ul style="list-style-type: none"> - Communities & Children Services (including update on CR17: Safeguarding) - City of London Boys School

	<ul style="list-style-type: none"> - City of London Girls School - City of London Freemans School
20 July	<ul style="list-style-type: none"> • Audited 2014/15 City Fund and Pension Fund Financial Statements together with Deloitte's report thereon • Audited 2014/15 Bridge House Estates and Sundry Trusts Financial Statements together with Deloitte's report thereon • Audited 2014/15 City's Cash and City's Cash Trust Funds Financial Statements together with Moore Stephens report thereon
17 September	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Investigations Update report • Risk Management Update + Risk Management Challenge Session (tbc)
3 November	<ul style="list-style-type: none"> • Deloitte's Annual Audit Letter on the City Fund and Pension Fund Financial Statements • Deloitte's annual audit plan for City Fund Financial Statements including agreement of the audit fee • Deloitte's annual audit plan for the Pension Fund Financial Statements including agreement of the audit fee • Moore Stephens - annual audit plan for the Non Local Authority Funds including agreement of the audit fee • Internal Audit Planning 2016/17 • Risk Management Update + Risk management Challenge Session (tbc)

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