Public Document Pack

Risk Committee of the Barbican Centre Board

Date: TUESDAY, 10 JUNE 2014

Time: 1.45pm

Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Deputy Catherine McGuinness (Chairman)
Deputy John Tomlinson (Deputy Chairman)
Lucy Frew
Brian McMaster (External Member)
Keith Salway (External Member)
Jeremy Simons

Enquiries: **Matthew Pitt**
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Lunch will be served in the Guildhall Club at 1pm

John Barradell
Town Clerk and Chief Executive

AGENDA

1. **APOLOGIES**

2. **DECLARATIONS BY MEMBERS OF ANY PERSONAL AND PREJUDICIAL INTERESTS IN RESPECT OF ITEMS ON THIS AGENDA**

3. **MINUTES**
   To approve the public minutes and non-public summary of the meeting held on 14 January 2014.

   For Decision
   (Pages 1 - 4)

4. **CITY CORPORATION RISK MANAGEMENT UPDATE**
   Report of the Chamberlain.

   Please note that Appendix 1 of this report, the City Corporation's Central Risk Register, has not been included with this item. The main reason for including this report for Members information are the changes to the Risk Management Strategy of the City Corporation highlighted in Appendices 2 and 3.

   For Information
   (Pages 5 - 70)

5. **INTERNAL AUDIT UPDATE**
   Report of the Chamberlain.

   For Information
   (Pages 71 - 82)

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

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

8. **EXCLUSION OF THE PUBLIC**
   MOTION – That under Section 100A 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 1, of Schedule 12A of the Local Government Act

   For Decision

9. **NON PUBLIC MINUTES**
   To approve the non-public minutes of the meeting held on 14 January 2014.

   For Decision
   (Pages 83 - 86)

10. **OUTSTANDING ACTIONS**
    Report of the Town Clerk.

    For Decision
    (Pages 87 - 88)

11. **RISK REGISTER UPDATE**
Report of the Chief Operating and Financial Officer.

For Information
(Pages 89 - 138)

12. **JUST JAM: FOLLOW UP**
Verbal update by the Director of Audiences and Development.

For Information

13. **DEMONSTRATIONS/PROTESTS AT THE BARBICAN CENTRE**
Report of the Chief Operating and Financial Officer.

For Information
(Pages 139 - 142)

14. **HEALTH AND SAFETY UPDATE**
Verbal update by the Operations and Buildings Director.

For Information

15. **DESIGNING 007: FIFTY YEARS OF BOND STYLE - EXHIBITION IN MOSCOW**
Report of the Chief Operating and Financial Officer.

For Information
(Pages 143 - 144)

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

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

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RISK COMMITTEE OF THE BARBICAN CENTRE BOARD

Tuesday, 14 January 2014

Minutes of the meeting of the Risk Committee of the Barbican Centre Board held at the Guildhall EC2 at 1.45pm

Present

Members:

Deputy John Tomlinson (Chairman)
Deputy Catherine McGuinness (Deputy Chairman)
Vivienne Littlechild
Brian McMaster (External Member)
Keith Salway (External Member)

Officers:

Matthew Pitt	-	Town Clerk's Department
Paul Nagle	-	Chamberlain's Department
Niki Cornwell	-	Barbican Centre
Michael Dick	-	Guildhall School of Music & Drama
David Duncan	-	Barbican Centre
Sandeep Dwesar	-	Barbican Centre
Leonora Thomson	-	Barbican Centre
Nicholas Triantafyllou	-	Barbican Centre
Nigel Walker	-	Barbican Centre

1. **APOLOGIES**
   Apologies were received from Stuart Fraser.

2. **DECLARATIONS BY MEMBERS OF ANY PERSONAL AND PREJUDICIAL INTERESTS IN RESPECT OF ITEMS ON THIS AGENDA**
   There were no declarations.

3. **MINUTES**
   The public minutes and summary of the meeting held on 14 October 2013 were approved.

4. **INTERNAL AUDIT UPDATE**
   The Committee received report of the Chamberlain providing members with an update on the progress of Internal Audit reviews undertaken at the Barbican Centre since October 2013.

   The Chairman requested that a full copy of the audit reports be brought to future meetings of the Committee.

   In response to a Member's question, the Security Manager at the Barbican Centre responded that it was not feasible or safe to conduct a full simulated evacuation of the building with members of the public present. He added that in respect of this, the Centre was no different from other major public centres; however a table top exercise was planned for the 4 February.

In response to a Member's question, the Chief Operating and Financial Officer confirmed that the management team at the Centre were working to ensure that employees completed the Fraud Awareness Training at the earliest opportunity.

5. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.

6. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There were no urgent items.

7. **EXCLUSION OF THE PUBLIC**
RESOLVED – That under Section 100A 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 1, of Schedule 12A of the Local Government Act

8. **NON PUBLIC MINUTES**
The non-public minutes of the meeting held on 14 October were approved.

9. **OUTSTANDING ACTIONS**
The Board considered a report of the Town Clerk.

10. **BARBICAN TICKETING/WEBSITE PROCUREMENT UPDATE**
The Committee received a report of the Director of Audiences and Development.

11. **RISK REGISTER UPDATE**
The Committee received a report of the Chief Operating and Financial Officer.

12. **DEBT MANAGEMENT REPORT**
The Board received a report of the Chief Operating and Financial Officer.

13. **NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.

14. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no urgent items.

The meeting closed at 4.04pm

Chairman

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Committee:	Date:
Audit and Risk Management Committee	13th May 2014
Subject: Risk Management Update	**Public**
Report of: Chamberlain	**For decision**

Summary

This report presents an update on the Corporate Risk Register and the new Risk Management Strategy. Since the last report there have been several changes to the Corporate risk register. Key changes have been highlighted below

- Risk reference codes have changed from SR to CR, to better reflect the change in name from the Strategic Risk register to the Corporate Risk register;
- Both resilience related risks (SR1 and SR13) have been merged, new reference CR1;
- Hampstead Heath risk has been expanded to capture the wider Pond Embankment failures, new reference CR11;
- Both finance risks (SR3 and SR14) have been merged, new reference CR14;
- New risks for Safeguarding (CR17) and Workforce Planning (CR18) have been added;
- Data protection risk has been revised to capture the wider information governance risk, new reference CR16; and
- SR4 (Planning Policy), SR5 (Flooding in the City) and SR6 (Project Risk) have been withdrawn as reported to the last Audit and Risk Management Committee in March 2014. It was recommended that these risks be managed at respective departmental levels.

Following wide consultation with Members, Chief Officers and Risk Coordinators the risk management strategy has been updated and now includes the new scoring criteria. An additional section looking forward to future developments of the strategy has been introduced and the opportunity risk matrix has been moved to that section because the feedback has been that risk management is not yet mature enough to move to managing opportunity risks. The updated version is attached for approval.

At the request of the Committee, a revised framework for the review of key departmental risks at the same time as seeking updates on Corporate Risks is being developed in consultation with the Chairman and Chief Officers. It is intended that a revised programme of risk review by the Committee will be introduced from September 2014.

Recommendations

Members are asked to

- note the changes and the content of the Corporate Risk Register (Para 4 and Appendix 1);
- approve the updated Risk Management Strategy, including the scoring criteria and the use of a Target Risk Score (Para 6 and Appendix 2);
- note the development for the programme of corporate and key departmental risk reviews (Para 5).

Main Report

Background

1. The Corporate risk register (previously known as the Strategic Risk register) was last reviewed by the Chief Officers Summit Group on 22nd April 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 risks, a reduction of 3 since last reported (Appendix 1).

Current Position

3. The Corporate Risk register is the new name for the Strategic Risk register. As a result the reference codes of the risk register has been updated to begin with CR instead of SR with the numbering of each risk remaining the same to ensure an appropriate audit trail.

4. Key updates to the Corporate risk register are summarised below:

   i. CR1 (Resilience Risk): Risk has been merged with SR13 (Public Order and Protest) and encapsulates the wider resilience related risks for the Corporation.

   ii. CR9 (Health and Safety): Health and Safety audits are being undertaken and once complete the control evaluation will be reduced to Green. Risk status remains at Amber.

   iii. CR11 (Pond Embankment Failures): Risk has been revised to capture a number of reservoirs where there is a risk to life in the event of a breach, currently three on Hampstead Heath and two at Epping Forest. Risk status remains at Red.

   iv. CR14 (Financial Viability Risk): Risk has been merged with SR3 (Financial Uncertainty) to capture the wider financial risk for the Corporation.

v. CR16 (Information Governance): Risk has been revised from the previous data protection focus to capture the wider information governance perspective, with the new risk owner being the Chamberlain.

vi. CR17 (Safeguarding): New risk added to the Corporate risk register.

vii. CR18 (Workforce planning): New risk added to the Corporate risk register.

viii. SR4 (Planning Policy), SR5 (Flooding in the City) and SR6 (Project Risk) have been withdrawn from the Corporate Risk register following approval at the last Audit and Risk Management Committee in March 2014. It was recommended that these risks be managed at respective departmental levels.

Risk Management Strategy (Appendix 2 and Appendix 3)

5. As part of the review process feedback was sought from all Members, Chief Officers and Risk Coordinators to provide commentary on the new Risk Management Strategy. As a result a few key changes were made, noted below:

i. Opportunity and threats sentences have been separated within the ‘Appetite for Risks’ section of the risk management policy statement (Page II, Appendix 2).

ii. Role of committee amended so that their position is set to oversee the risk management framework and not set or approve the Corporate Risks (Page 16 and Page 17, Appendix 2).

iii. The Opportunity risk framework has been moved to a future strategic development section within the strategy.

6. It is recommended that once the new risk management software is in place, the Gross Risk score is replaced with a Target risk score to emphasise that risks must be forward looking and actions to reduce the Net Risk are realistic. It is suggested the definition below is used:

   Target score: the optimum score for the risk in order for it to be manageable, taking account of the resources available and the ability of the Corporation to directly manage the risk once external factors are considered.

Cyclical Review of Corporate and Departmental Risks

7. Over the last two and half years, a structured approach to reviewing the City's strategic risks has been adopted. At the request of the Committee, a revised framework for the review of key departmental risks at the same time as seeking updates on Corporate Risks is being developed in consultation with the Chairman and Chief Officers. It is intended that a revised programme of risk review by the Committee will be introduced from September 2014. Further details of this programme will be provided to this Committee once the forward programme is agreed with the Chairman.

Conclusion

8. The Corporate Risk Register continues to be actively reviewed and updated by risk owners. Work is continuing to further improve the effectiveness of managing and reporting risks throughout the organisation.

Appendices

- Appendix 1 – Corporate risk register
- Appendix 2 – Risk Management Strategy – Final
- Appendix 3 – Risk Management Strategy – with tracked changes

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City of London Corporation

Risk Management Strategy

Version 2.0

Contents

Version History

This strategy builds on and replaces earlier versions of the risk management handbook and is intended to be a high level document that provides a framework to support the City Corporations statutory responsibility for managing risk.

It also allows the City to further strengthen and improve its approach to risk management enhancing its ability to deliver its corporate aims and objectives successfully.

The risk management strategy sets out key objectives across a three year rolling period but will be reviewed annually to ensure it remains fit for purpose.

Version control:

Date	Version Number	Comments
21/04/11	1.0	- Risk Management Handbook created
22/04/14	2.0	- Refreshed Risk Management Handbook and renamed as Risk Management Strategy

CITY OF LONDON CORPORATION'S
RISK MANAGEMENT POLICY STATEMENT

THE CITY OF LONDON CORPORATION (COL) RECOGNISES AND ACCEPTS ITS RESPONSIBILITY[1] TO MANAGE RISKS EFFECTIVELY IN A STRUCTURED MANNER IN ORDER TO ACHIEVE ITS OBJECTIVES AND ENHANCE THE VALUE OF SERVICES PROVIDED TO THE COMMUNITY.

In pursuit of this policy COL has adopted a risk management strategy that captures the following key objectives:

- Enables corporate, departmental and programme objectives to be achieved in the optimum way and to control risks and maximise opportunities which may impact on COL's success;
- COL recognises its responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation to add value to service delivery.
- Risk management is seen as an integral element of the Corporation culture;

These key objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines for risks and their controls at all levels;
- Ensuring that Members, Chief Officers, external regulators and the public at large can obtain necessary assurance that the Corporation is mitigating the risks of not achieving key priorities and managing opportunities to deliver more value to the community, and is thus complying with good corporate governance;
- Complying with relevant statutory requirements, e.g. the Bribery Act 2010, the Health and Safety at Work Act, the Local Government Act and more;
- Providing opportunities for shared learning on risk management across the Corporation and its strategic partners;
- Monitoring arrangements on an on-going basis.

APPETITE FOR RISK

City of London Corporation seeks to minimise unnecessary risk and manage residual risk to a level commensurate with its status as a public body so that:

i. **The risks have been properly identified and assessed;**
ii. **The risks will be appropriately managed, including the taking of appropriate actions and the regular review of risk(s);**

The City of London Corporation will also positively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that the potential benefits justify the level of risk to be taken.

APPROVED BY:

Alderman Nick Anstee	John Barradell
(Chairman of the Audit and Risk Management Committee)	(Town Clerk and Chief Executive)

[1]Accounts and Audit Regulations 2011

Approved on 4th March 2014

Chapter 1: Introduction

In a rapidly changing environment, with the effects of reduced public funding, the changing demographics and the continual demand on services, the City of London Corporation is faced with an unprecedented challenge to deliver its statutory obligations, provide high quality services, as well as manage the associated social and financial implications.

The interlocking challenges faced from budget pressures, supplier failures, security issues, and so on, has created a complex matrix of risks, all requiring some level of management.

Amongst these challenges however opportunity can also be created for those who are best placed to embrace, innovate, collaborate and manage new risks.

This strategy has been developed to provide guidance on the City's approach to managing both opportunities and threats within the business environment, and through adoption will help to create an environment which meets the needs of the City's citizens, partners and other key stakeholders.

Aligned with this we will aim to be an exemplar of good practice and we will continue to meet our statutory responsibility to have in place satisfactory arrangements for managing risks, as laid out under regulation 4 of the Accounts and Audit Regulations 2011:

"The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

Only by active management of risks will the City of London Corporation be able to meet its corporate objectives which in turn will enhance the value of services provided to the City.

What is risk and risk management?

The word 'risk' is a very common term used in everyday language and will be referred to by many professions from both the public and private sector. It is a concept which has grown from being used to describe a narrow field of risks which are to be avoided, to a wider, more holistic focussed world where importance is placed on how to manage risk rather than avoiding it.

The following definition for risk[2] has been adopted by the City of London Corporation:

"The effect of uncertainty on objectives"

Risk management is a business discipline that every working sector uses to achieve objectives in an efficient, effective and timely manner. Our risk management definition is[2]:

"The systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and implementing risk responses"

[2] OGC: Management of Risk

Purpose of this strategy

The City of London Corporation is a complex organisation, comprising a number of departments with very diverse operations. By adhering to this strategy, the City of London Corporation will be better placed to meet all its objectives in an efficient, effective and timely manner.

Every risk is linked to a business objective and this strategy will help enforce a proactive stance to managing these risks, ensuring that less time is spent reacting to situations and more time is spent taking advantage of opportunities.

Listed below are some of the benefits of successfully implementing this strategy:

- Ability to satisfy statutory requirements (under the Local Government Act 1999), government regulations (e.g. Corporate Manslaughter Act, Health and Safety at Work Act, Children's Act 2004, Care Bill 2014,and more) and compliance related matters (e.g. financial and contractual regulations, Bribery Act 2010, and more);
- Protecting and enhancing the City of London Corporation's reputation;
- Better management and partnership working with city partners, improving safeguards against financial loss and reducing chances of organisational failure;
- Increased innovation, value for money and visual improvements in service delivery;
- Improved ability to justify decisions being taken and reduced risk of mistakes, reducing complaints and improving customer satisfaction;
- Ensuring teams achieve goals and objectives, and increasing their competitiveness (against other organisations);
- Common understanding of risk management for consistency and ease of application;
- Improved assurance levels arising from audit and external inspections, providing confidence to customers that risks are being controlled;
- Effective resilience to changing environmental conditions, to protect key services.

Chapter 2: Managing risks

Why manage risks

Effective risk management is an on-going process with no overall end date as new risks (threats and opportunities) arise all the time.

The Corporation is fully committed to developing a culture where risk is appropriately and effectively managed for which the following benefits will be achieved:

- An increased focus on what needs to be done (and not done) to meet objectives;
- More effective allocation of resources reducing incidences of mistakes and providing greater control of costs – demonstrating value for money;
- Greater transparency in decision making and enhanced ability to justify actions taken;
- Improved resilience against sudden changes in the environment including, but not limited to, natural disasters and risks related to supplier failures;
- Reduction of the Corporation's insurance costs, in turn protecting the public purse;
- Improved safety for staff, partners and residents; and
- Minimised losses due to error or fraud across the Corporation.

Choosing whether to eliminate or innovate

Innovation by its very nature involves taking risks, and as a consequence, places greater demand on all of us to ensure that those risks are well managed.

One of the key aims of risk management is to ensure that the process supports innovation, not by preventing it - but rather helping to take well thought through risks that maximise the opportunities of success.

Good risk management is about being "risk aware" not "risk averse"!

Roles and Responsibilities

The City Corporation considers risk management to be an intrinsic part of the Corporation's system of corporate governance. It is recognised that for this to be effective it is vital that everybody within the Corporation understands the role they play in effective management of risk.

Tier	**Responsibility**
Court of Common Council	Overall accountability for risk management.
Audit and Risk Management Committee	Providing assurance to the Court on the effectiveness of the risk management framework and its application. The Chairman is the Member Risk Champion.
Service Committees	Oversee the significant risks faced by Departments in the delivery of their service responsibilities.
Chief Officers Group	Collective responsibility for management of Corporate risks.
Chief Officers Summit Group	Promoting, steering and monitoring risk management for the Corporation. The Chief Officers Summit Group oversees the strategic elements of risk management.
Business Support Director	Officer Risk Champion, promoting risk management and leading Senior Management engagement. The Business Support Director is the Chairman to the Risk Management Group and also attends the Audit and Risk Management Committee.
Risk Management Group	Promoting and embedding risk management, with key outcomes reported to the Chief Officers Summit Group. The Risk Management Group oversees the operational elements of risk management.
Head of Audit and Risk Management	Deputy Chairman of the Risk Management Group and provides assurance to the effectiveness of the internal control environment.
Risk and Assurance Manager	Provides risk management support and advice to the Corporation. Also responsible for promoting the consistent use of risk management, developing the risk framework and facilitation of the City of London's Corporate Risk Register.
Individual Chief Officers	Accountable for effective risk management within their department, reporting to their relevant service Committee(s) – this responsibility cannot be delegated.

Tier	Responsibility
Risk Owner	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Departmental Risk Coordinators	Promoting, facilitating and championing the implementation of risk management within their department.
Service/ Project Managers	Accountable for effective management of risk within their areas of responsibility.
Employees	Maintaining an awareness and understanding of key risks and management of these in day-to-day activities.

Outcomes of this strategy will be achieved by working closely with many key departments such as Health and Safety, Insurance, Corporate Performance & Business Development, Project Management, Contingency Planning and more.

The ultimate responsibility for risk management lies with the Court of Common Council and the Town Clerk, however, it must be stressed that **risk management is the responsibility of everyone working in, for and with the City of London Corporation.**

Chapter 3: The risk management process

Essentially risk management is the process by which risks are identified, evaluated, controlled and monitored at regular intervals. It is about managing resources wisely, evaluating courses of action to support decision-making, protecting clients from harm, safeguarding assets and the environment and protecting the Corporation's public image.

Whenever an activity takes place, there will be an outcome that will either lead to a success or failure. In undertaking the activity there will be a number of factors which needs to be right to determine whether the activity is a success or not, or to put it the other way round, there are a number of risk factors which, if they are not managed properly, will result in failure rather than success.

Risk Management is also a business planning tool designed to provide a methodical way for addressing risks. It is about:

- Identifying the objectives and what can go wrong;
- Acting to avoid it going wrong or to minimise the impact if it does;
- Realising opportunities and reducing threats.

The risk management cycle

The risk management process is broken down into five steps illustrated below:

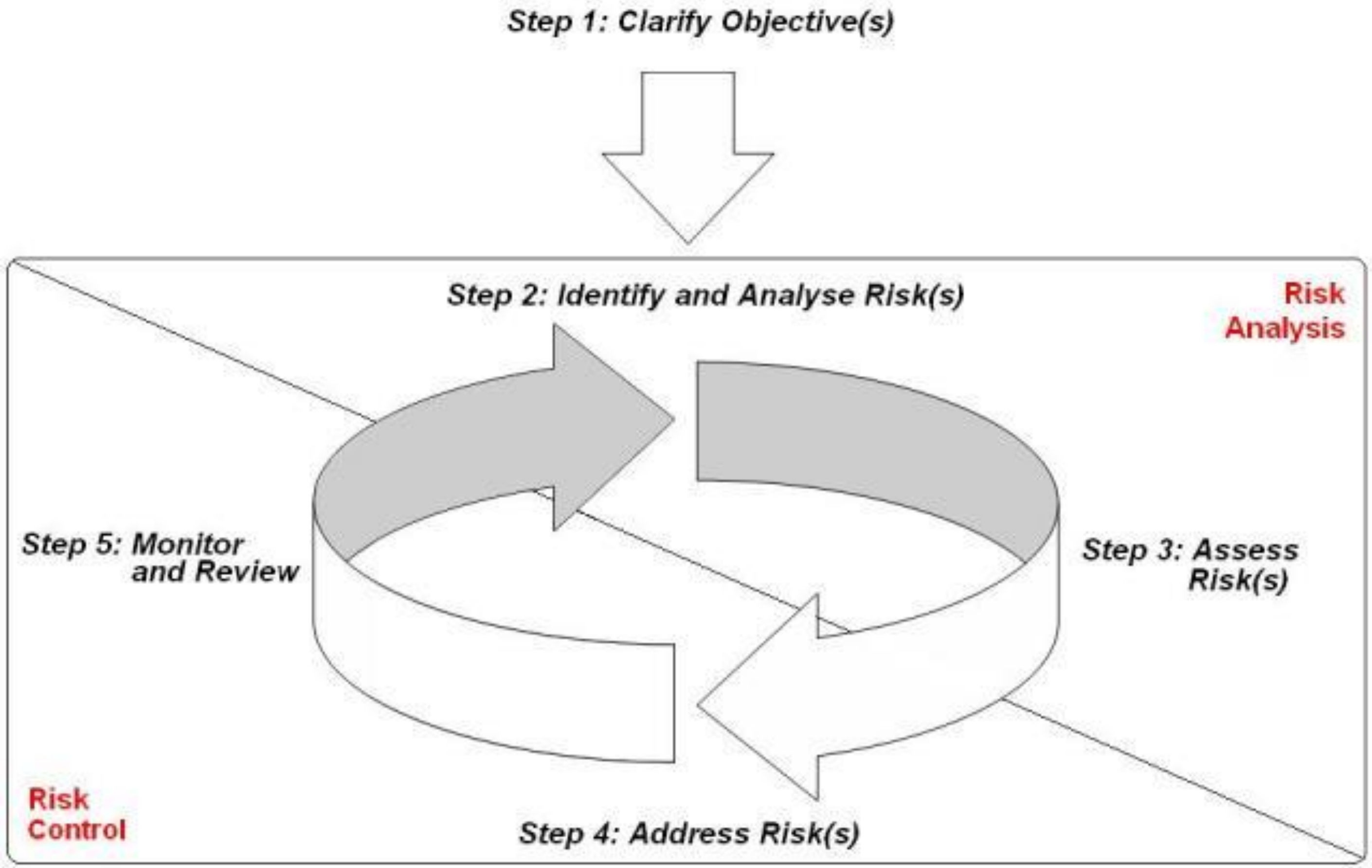

Figure 1: City of London's risk management cycle

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Step 1: Clarify Objectives

It is difficult to think about risks in isolation, so the first step is to be clear about the objectives and key deliverables. This part of the process requires information about the (planned) activity.

This will include an understanding of:

- The corporate/departmental/project objectives;
- The scope of the activity;
- The assumptions that have been made;
- The list of stakeholders; and
- How the activity sits within the corporate/departmental/project structure.

This includes:

- Making sure that everyone is clear about the relationship between the services and its wider environment;
- Identifying internal and external stakeholders;
- Understanding the Corporation and its capabilities, as well as its objectives and strategies that are in place to achieve them.

Note: Risks will always be linked to a Service, Departmental or Corporate objective.

Step 2: Identify and Analyse risks

The aim of this step is to identify the risks to the (planned) activity that may affect the achievement of the objective(s), which can either be positive or negative.

Consultation is required from different levels of management and staff members, and sometimes customers and stakeholders, asking the following questions:

- What might prevent the achievement of the stated objectives?
- Has it gone wrong before?
- Who should own this risk?
- When should we start managing this risk?

It is widely recommended to identify risks through workshops and/or training sessions. However, there are many other methods which can be used such as questionnaires, a Strengths - Weaknesses - Opportunities - Threats analysis, brainstorming sessions, and more.

During the identification stage the following information needs to be gathered:

- The description of the risk, in terms of Cause → Risk → Effect;
- The nature of the risk – for example, political, financial, reputation, and more; and
- The name of the individual taking responsibility for the risk (i.e. the risk owner).

Step 3: Assess Risks (4x4)

Every risk should be assessed to help determine how much attention is given to the particular event. This is done by ranking the risks with a set of scores determined by their individual likelihood and impact rating.

The City of London Corporation uses a 4 point scale and the multiple of the likelihood and impact gives us the risk score, which is used to determine the risk profile. See Appendix 1 for details on how risks should be scored.

The risk score is placed on the Risk matrix (Figure 2) and is used to help prioritise and assist risk owners in the actions they need to take to manage the risk.

		Impact			
	X	Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	Likely (4)	*4*	*8*	*16*	*32*
	Possible (3)	*3*	*6*	*12*	*24*
	Unlikely (2)	*2*	*4*	*8*	*16*
	Rare (1)	*1*	*2*	*4*	*8*

Figure 2: COL risk matrix

Step 5 highlights how often risks should be reviewed and Chapter 4 highlights how the risk scores are used for reporting purposes.

Step 4: Address Risks

Without this step, risk management would be no more than a bureaucratic process. Addressing risk involves taking practical steps to manage and control it.

Not all risks need to be dealt with in the same way. The common risk response outlined below should help in considering the range of options available when responding to risks.

Importantly, when agreeing actions to control risk, consideration is required on whether the actions themselves introduce new risks

Threat responses

When managing threats, the controls that are put in place should help to effectively reduce the risk to a manageable level. There are four approaches that can be taken when deciding on how to manage threats:

- **Reduce**: A selective application of management actions, by applying internal control to reduce either the likelihood or the impact, or both, designed to contain risk to accept levels, e.g. mitigation action, contingency planning and more;
- **Transfer**: Shifting part of the responsibility or burden for the loss to another party, e.g. through outsourcing, insurance, etc;
- **Avoid**: An informed decision not to become involved in a risk situation. This can be challenging as the City of London Corporation may not be able to avoid risks associated with its statutory functions;
- **Accept**: An informed decision to accept the likelihood and impact of a particular risk. For example, the ability to do anything about a risk may be limited, or the cost of taking any action may be disproportionate to the potential benefit.

Ownership of Risks and Controls

Having identified and defined the risks, it is essential that someone "owns" them (i.e. the risk owner). This is not the same as being responsible for carrying out the tasks or actions for the risk (i.e. the control owner). This is a critical part of the step as without a named individual it is unlikely that the risk will be managed.

Risk Owner

It is important that the risk owner, where possible, be:

- A person who has the ability to influence the outcome of the event, one way or another;
- A person who can be accountable for the delivery in the area where the risk would have an effect;
- A person who can take charge and lead nominated control owners.

From a departmental viewpoint, the risk owner should be a member of the department's management team.

Control Owner

Control owners are responsible for carrying out the tasks or actions for the risk, as assigned by the risk owner.

It is important to note that:

- Control owners can be different from the Risk owner;
- Control owners can be from a different department to the Risk owner;
- A risk may contain many controls, therefore many control owners, however only on an exceptional basis would one control be assigned to multiple risks.

Control owners can be any officer within the organisation, but must have an adequate reporting line to the Risk owner.

Step 5: Monitor and Review

Once risks have been identified and appropriate controls and action plans put in place to manage them, it is essential to routinely monitor their status. Risks change, due to many factors, and it is essential that they are periodically reviewed to capture any new events which may affect the delivery of our objectives.

As a guide, risks should be reviewed in management meetings using the following criteria:

Risk Type	Standard Review	Programmes, projects and partnerships
Red Threats	1-3 months	Monthly
Amber Threats	3 months	Monthly
Green Threats	6 months	Quarterly

Note: At least annually, each risk register should be reviewed in its entirety.

Chapter 4: Reporting risks

Reporting framework

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant officers and Members that adequate measures have been taken to manage risk.

Escalation of risks ensures that managers have a clearer picture on risks or potential issues facing service areas. This helps in the overall decision making process by allowing senior staff to allocate resources or review areas of concern.

Page 16 illustrates the reviewing and reporting framework to support this escalation and assurance process.

Role of Audit and Risk Management Committee

As set out in its formal terms of reference, 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.

Role of Other Committees and Departments

It is the role of each Service Committee and Department to maintain and act on its own risks, working closely with the Risk and Assurance Manager if need be. The criteria for escalating risks should be agreed by the relevant Service Committee and Chief Officer.

The Audit and Risk Management Committee will concentrate on monitoring the Corporate Risks faced by the City Corporation, and the measures taken to control the risk. The Audit and Risk Management Committee will also seek assurance regarding the effective operation of this framework at Committee level.

Review and Reporting Framework

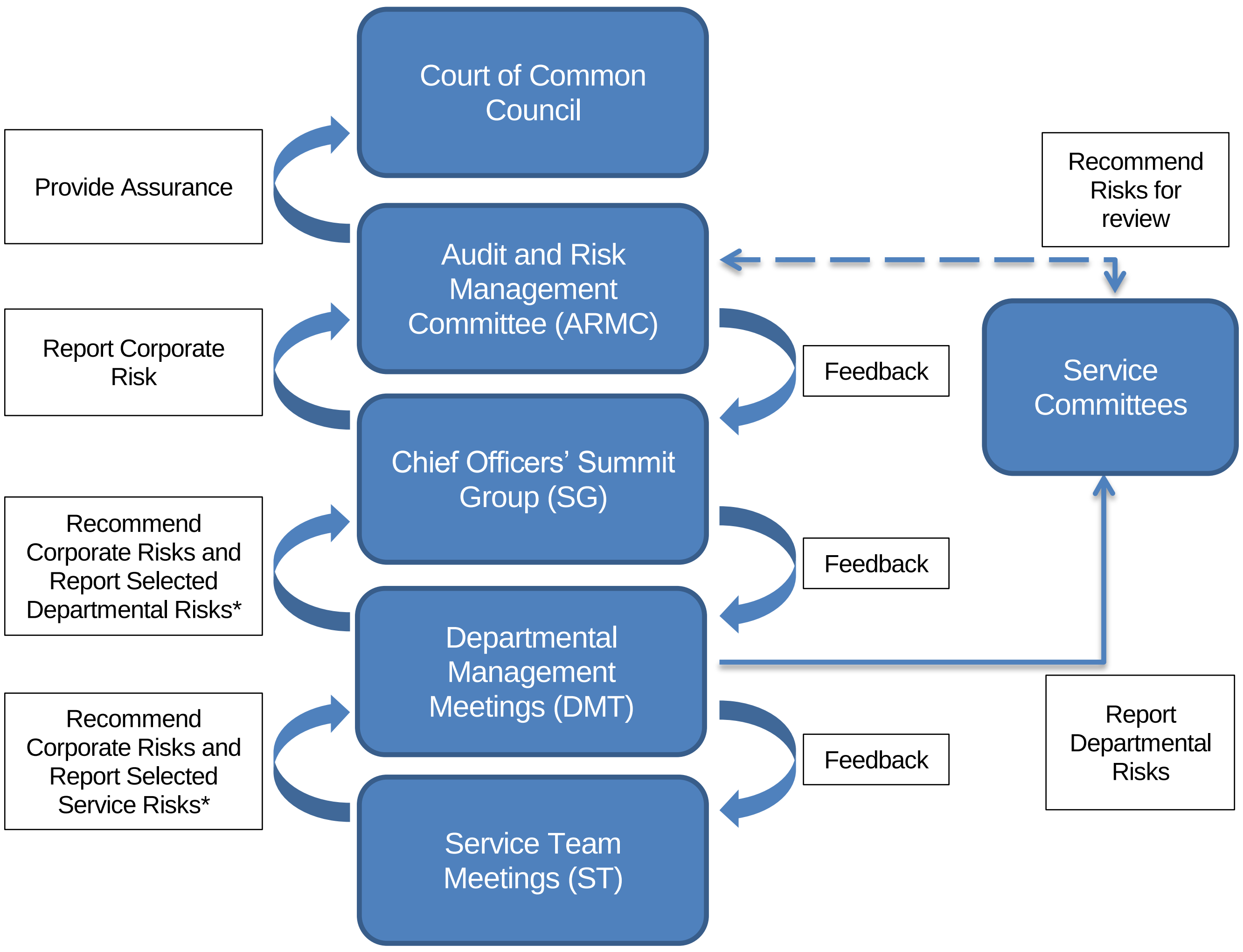
Risks will be escalated using a bottom up process depending on the risk score (i.e. Risk tolerance) and/or management recommendation.

Corporate Reviews will be undertaken either every two or three months.

Departmental Reviews should be adapted to suit the structure of each respective department, although as minimum should be done Quarterly.

Annual review of all risks should be undertaken as a minimum.

Reporting Criteria		
Corporate reviews	**ARMC**	Oversee Corporate risks
	SG	Identify Corporate/Departmental risks and review all Departmental risks of score 24 or more.
Departmental Reviews	**DMT's**	Identify Corporate/Departmental risks and review all Service Teams risks of score 16 or more
	ST's	Identify Corporate/Departmental risks and review all Service risks of score 6 or more
	Team meetings /121's	Identify potential Corporate/Departmental risks and review all current risks



*exception basis

Risk Registers

Key risk registers are listed below along with their escalation criteria (based on risk score).

Corporate Risk Register	The Corporate Risk Register is used to highlight and assure Members that key risks are being effectively managed. These risks are extracted from various areas of the Corporation's risk system as directed by the Members and approved by the Town Clerk and Chief Officers (See Glossary for definition of Corporate Risk).
Top Risk Register	This register flows out from the Departmental risk registers and is challenged and moderated quarterly by the Chief Officer's Summit Group (SG). Risks which are escalated here are those with a risk score of 24 or more.
Departmental risk register	This register flows out from the Service risk registers and is challenged and moderated quarterly by the Departmental Management Teams (DMT's). Risks which are escalated here are those with a risk score of 16 and above.
Service risk register	This register flows out from the Service area/Team risk registers and is challenged and moderated quarterly by the Service Team Meetings (ST's). Risks which are escalated here are those with risk score of 6 and above.
Programme and Project risk registers	Where it is considered appropriate, major partnerships, programmes and projects will produce and maintain their own risk registers. Risk to the programme/project should be recorded within Project Vision and managed through the corporate Project framework.

Challenging environment

There is a strong support framework in the City Corporation to challenge risks and to provide assistance to departments. Below lists some of the key groups which assist with this:

Audit and Risk Management Committee	On a periodic cycle each Corporate risk and a nominated Departmental risk register is challenged by Members of the Audit and Risk Management Committee. These sessions allow Chief Officers to demonstrate how risks are being managed and allow Members to directly question any areas of interest.
Chief Officers' Summit Group	Each quarter the Chief Officers' Summit Group review all the top risks for the Corporation (of score 24 and above) and challenge and moderate as necessary. Corporate risks are escalated by the Departmental Management Teams and upon approval are escalated to the Audit and Risk Management Committee.
Departmental Risk Coordinators	The risk coordinators provide advice and guidance on the application of the Risk Management Strategy, working closely with the Risk and Assurance Manager. They are the first point of call for risk related matters for their department providing operational support. The Risk Coordinators meet as a group on a 6 monthly basis with representatives from the City of London Police, Internal Audit, Health and Safety, Contingency Planning, Corporate Performance & Business Development and Insurance.

Chapter 5: Strategic Improvement

This strategy is based on strengthening and improving the City's approach to risk management, enhancing its ability to deliver its corporate aims and objectives successfully. It is recognised that to significantly improve the risk management capability and the maturity of the Corporation will be a journey requiring continuous review and improvement activity.

The Risk Management Strategy will be regularly reviewed. Further activities to enhance existing arrangements will be identified by reviewing emerging best practice and assessing their suitability for implementation in the context of the aims, objectives and organisational culture of the Corporation. Once assessed and agreed, further improvement activities will be implemented through the risk management improvement plan.

Below lists some of the key activities/projects which will assist in delivering the strategy.

Project / Task	**Brief summary**	**Target date / Frequency**
Introduce a Risk Management Information System	To procure an online risk register tool ensuring consistency, transparency and a clear audit trail for risks and controls.	Aug 2014
Improve skill set and Raise awareness of risk management	Create a suite of tools to raise awareness and assist officers in the management of risks.	Jan 2015
Review new framework	Review the risk maturity of the organisation on a yearly cycle.	Annual review
Introduce Opportunity Risk Management	Subject to the organisations risk maturity level, introduce the opportunity risk methodology and look to report opportunity risks.	Review in 2015/16

Glossary

Consistent understanding and application of language provides a sound basis for embedding risk management. To promote this consistency, the following key terms are defined:

Term	Definition
Cause	Definite events or sets of circumstances which exist in the department, programme/project, partnership or their environments, and which give rise to uncertainty. Causes themselves are not uncertain since they are facts or requirements.
Control Evaluation	A measure to determine how effective the controls are.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Controls	Measures taken to control the impact or likelihood of risks to an acceptable level.
Corporate risk	Strategic or Operational risks reported to the Audit and Risk Management Committee for assurance purposes. One or more of the following criteria must apply: ▪ The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities. ▪ A risk that has significant impact on multiple operations if realised. ▪ There are concerns over the adequacy of departmental arrangements for managing a specific risk. Corporate risks can also be those requested by the Audit and Risk Management Committee specifically.
Current / Net risk	The re-assessed level of risk taking in to account the existing controls.
Effect	Unplanned variations from objectives, either positive or negative, which would arise as a result of risks occurring. Effects are contingent events, unplanned potential future variations which will not occur unless risks happen.
Operational Risk	Risks arising from or relating to the execution of day-to-day operations and service delivery.

Term	Definition
Original / Gross risk	The assessed level of risk on the basis that no mitigating controls are in place.
Risk	The effect of uncertainty on objectives.
Risk Management	The systematic application of policies, procedures and practices to the tasks of identification, evaluation, and mitigation of issues that threaten the achievement of defined objectives.
Risk Owner	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Strategic risk	Risks arising from or relating to long term departmental objectives.
Target risk	The level at which the risk will be deemed as acceptable.

Appendix 1 - Risk scoring

Risk scoring is purely subjective. Perceptions of a risk will vary amongst individuals and hence it is better to score the risk collective than leave it to one person's judgement.

Definitions

1. **Original/Gross score**: the level of risk perceived before any mitigating actions/controls have been put in place.

2. **Current/Net score**: the level of risk currently perceived by the user/management, taking in-to account any controls.

3. **Target score**: the preferable score for the risk to be in order for it to be manageable, thinking in term of what resources are available, and the ability of the Corporation to directly manage the risk once external factors are considered.

Risk scoring method

Risks are scored in terms of likelihood and impact

→ Risk should be scored by first determining how likely it is to occur (**Likelihood**)

→ It should then be rated according to the worst case scenario if it should arise (**Impact**).

Likelihood scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

	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)

Impact scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

		Minor	**Serious**	**Major**	**Extreme**
		1	**2**	**4**	**8**
THREATS	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

Risk Matrix

The following chart shows the area the risk will fall in to dependant on its score, with red being the most severe and green being the least. The scores within the chart are multiples of the likelihood and impact.

e.g. (*Likelihood of*) **4 x** (*Impact of*) **4 =** (*Risk Score of*) **16**

Impact scores increase by a factor of 2, thus having greater weighting in comparison to the Likelihood scores.

		Impact			
	x	Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	Likely (4)	*4*	*8*	*16*	*32*
	Possible (3)	*3*	*6*	*12*	*24*
	Unlikely (2)	*2*	*4*	*8*	*16*
	Rare (1)	*1*	*2*	*4*	*8*

Figure 2: COL risk matrix

What the colours mean (as a guide):

- Red - Urgent action required to reduce rating
- Amber - Action required to maintain or reduce rating
- Green - Action required to maintain rating

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City of London Corporation

Risk Management Strategy

Version 2.0

Contents

Version History

This strategy builds on and replaces earlier versions of the risk management handbook and is intended to be a high level document that provides a framework to support the City Corporations statutory responsibility for managing risk.

It also allows the City to further strengthen and improve its approach to risk management enhancing its ability to deliver its corporate aims and objectives successfully.

The risk management strategy sets out key objectives across a three year rolling period but will be reviewed annually to ensure it remains fit for purpose.

Version control:

Date	Version Number	Comments
21/04/11	1.0	- Risk Management Handbook created
22/04/14	2.0	- Refreshed Risk Management Handbook and renamed as Risk Management Strategy

CITY OF LONDON CORPORATION'S

RISK MANAGEMENT POLICY STATEMENT

THE CITY OF LONDON CORPORATION (COL) RECOGNISES AND ACCEPTS ITS RESPONSIBILITY[1] TO MANAGE RISKS EFFECTIVELY IN A STRUCTURED MANNER IN ORDER TO ACHIEVE ITS OBJECTIVES AND ENHANCE THE VALUE OF SERVICES PROVIDED TO THE COMMUNITY.

In pursuit of this policy COL has adopted a risk management strategy that captures the following key objectives:

- Enables corporate, ~~strategic~~ departmental and programme objectives to be achieved in the optimum way and to control risks and maximise opportunities which may impact on COL's success;
- COL recognises its responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation to add value to service delivery.
- Risk management is seen as an integral element of the Corporation culture;

These key objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines for risks and their controls at all levels;
- Ensuring that Members, Chief Officers, external regulators and the public at large can obtain necessary assurance that the Corporation is mitigating the risks of not achieving key priorities and managing opportunities to deliver more value to the community, and is thus complying with good corporate governance;
- Complying with relevant statutory requirements, e.g. the ~~Anti-~~Bribery Act 2010, the Health and Safety at Work Act, the Local Government Act and more;
- Providing opportunities for shared learning on risk management across the Corporation and its strategic partners;
- Monitoring arrangements on an on-going basis.

APPETITE FOR RISK

City of London Corporation seeks to minimise unnecessary risk and manage residual risk to a level commensurate with its status as a public body so that:

~~**. However, the City of London Corporation will positively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that:**~~

i. The risks have been properly identified and assessed;

ii. The risks will be appropriately managed, including the taking of appropriate actions and the regular review of risk(s);

~~**ii.**~~

~~**iii. The potential benefits accruing to the City justify the level of risk to be taken.**~~

The City of London Corporation will also positively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that the potential benefits justify the level of risk to be taken.

APPROVED BY:

Alderman Nick Anstee

(Chairman of the Audit and Risk Management Committee)

John Barradell

(Town Clerk and Chief Executive)

[1] Accounts and Audit Regulations 2011

Approved on 4th March 2014

Chapter 1: Introduction

In a rapidly changing environment, with the effects of reduced public funding, the changing demographics and the continual demand on services, the City of London Corporation is faced with an unprecedented challenge to deliver its statutory obligations, provide high quality services, as well as manage the associated social and financial implications.

The interlocking challenges faced from budget pressures, supplier failures, security issues, and so on, has created a complex matrix of risks, all requiring some level of management.

Amongst these challenges however opportunity can also be created for those who are best placed to embrace, innovate, collaborate and manage new risks.

This strategy has been developed to provide guidance on the City's approach to managing both opportunities and threats within the business environment, and through adoption will help to create an environment which meets the needs of the City's citizens, partners and other key stakeholders.

Aligned with this we will aim to be an exemplar of good practice and we will continue to meet our statutory responsibility to have in place satisfactory arrangements for managing risks, as laid out under regulation 4 of the Accounts and Audit Regulations 2011:

"The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

Only by active management of risks will the City of London Corporation be able to meet its ~~strategic~~ corporate objectives which in turn will enhance the value of services provided to the City.

What is risk and risk management?

The word ‘risk’ is a very common term used in everyday language and will be referred to by many professions from both the public and private sector. It is a concept which has grown from being used to describe a narrow field of risks which are to be avoided, to a wider, more holistic focussed world where importance is placed on how to manage risk rather than avoiding it.

The following definition for risk[2] has been adopted by the City of London Corporation:

“The effect of uncertainty on objectives”

Risk management is a business discipline that every working sector uses to achieve objectives in an efficient, effective and timely manner. Our risk management definition is[2]:

“The systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and implementing risk responses”

[2] OGC: Management of Risk

Purpose of this strategy

The City of London Corporation is a complex organisation, comprising a number of departments with very diverse operations. By adhering to this strategy, the City of London Corporation will be better placed to meet all its objectives in an efficient, effective and timely manner.

Every risk is linked to a business objective and this strategy will help enforce a proactive stance to managing these risks, ensuring that less time is spent reacting to situations and more time is spent taking advantage of opportunities.

Listed below are some of the benefits of successfully implementing this strategy:

- Ability to satisfy statutory requirements (under the Local Government Act 1999), government regulations (e.g. Corporate Manslaughter Act, Health and Safety at Work Act, Children's Act 2004, Care Bill 2014,and more) and compliance related matters (e.g. financial and contractual regulations, Bribery Act 2010, ~~,~~ and more);
- Protecting and enhancing the City of London Corporation's reputation;
- Better management and partnership working with city partners, improving safeguards against financial loss and reducing chances of organisational failure;
- Increased innovation, value for money and visual improvements in service delivery;
- Improved ability to justify decisions being taken and reduced risk of mistakes, reducing complaints and improving customer satisfaction;
- Ensuring teams achieve goals and objectives, and increasing their competitiveness (against other organisations);
- Common understanding of risk management for consistency and ease of application~~across major projects and partners~~;~~;~~
- Improved assurance levels arising from audit and external inspections, providing confidence to customers that risks are being controlled;
- Effective resilience to changing environmental conditions, to protect key services.

Chapter 2: Managing risks

Why manage risks

Effective risk management is an on-going process with no overall end date as new risks (threats and opportunities) arise all the time.

The Corporation is fully committed to developing a culture where risk is appropriately and effectively managed for which the following benefits will be achieved:

- An increased focus on what needs to be done (and not done) to meet objectives;
- More effective allocation of resources reducing incidences of mistakes and providing greater control of costs – demonstrating value for money;
- ~~Common understanding of risk management across major projects and partners;~~
- Greater transparency in decision making and enhanced ability to justify actions taken;
- Improved resilience against sudden changes in the environment~~,~~ including, but not limited to, natural disasters and risks related to supplier failures;
- Reduction of the Corporation's insurance costs, in turn protecting the public purse;
- Improved safety for staff, partners and residents; and
- Minimised losses due to error or fraud across the Corporation.

Choosing whether to eliminate or innovate

Innovation by its very nature involves taking risks, and as a consequence, places greater demand on all of us to ensure that those risks are well managed.

One of the key aims of risk management is to ensure that the process supports innovation, not by preventing it - but rather helping to take well thought through risks that maximise the opportunities of success.

Good risk management is about being "risk aware" not "risk averse"!

Roles and Responsibilities

The City Corporation considers risk management to be an intrinsic part of the Corporation’s system of corporate governance. It is recognised that for this to be effective it is vital that everybody within the Corporation understands the role they play in effective management of risk.

Tier	Responsibility
Court of Common Council	Overall accountability for risk management.
Audit and Risk Management Committee	Providing assurance to the Court on the effectiveness of the risk management framework and its application. The Chairman is the Member Risk Champion.
Service Committees	Oversee the significant risks faced by Departments in the delivery of their service responsibilities.
Chief Officers Group	Collective responsibility for management of Corporate risks.
Chief Officers Summit Group	Promoting, steering and monitoring risk management for the Corporation. The Chief Officers Summit Group oversees the strategic elements of risk management.
Business Support Director	Officer Risk Champion, promoting risk management and leading Senior Management engagement. The Business Support Director is the Chairman to the Risk Management Group and also attends the Audit and Risk Management Committee.
Risk Management Group	Promoting and embedding risk management, with key outcomes reported to the Chief Officers Summit Group. The Risk Management Group oversees the operational elements of risk management.
Head of Audit and Risk Management	Deputy Chairman of the Risk Management Group and provides assurance to the effectiveness of the internal control environment.
Risk and Assurance Manager	Provides risk management support and advice to the Corporation. Also responsible for promoting the consistent use of risk management, developing the risk framework and facilitation of the City of London’s Corporate Risk Register.

Tier	Responsibility
Individual Chief Officers	Accountable for effective risk management within their department, reporting to their relevant service Committee(s) – this responsibility cannot be delegated.
Risk Owner	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Departmental Risk Coordinators	Promoting, facilitating and championing the implementation of risk management within their department.
Service/ Project Managers	Accountable for effective management of risk within their areas of responsibility.
Employees	Maintaining an awareness and understanding of key risks and management of these in day-to-day activities.

Outcomes of this strategy will be achieved by working closely with many key departments such as Health and Safety, Insurance, Corporate Performance & Business Development, Project Management, Contingency Planning and more.

The ultimate responsibility for risk management lies with the Court of Common Council and the Town Clerk, however, it must be stressed that **risk management is the responsibility of everyone working in, for and with the City of London Corporation.**

Chapter 3: The risk management process

Essentially risk management is the process by which risks are identified, evaluated, controlled and monitored at regular intervals. It is about managing resources wisely, evaluating courses of action to support decision-making, protecting clients from harm, safeguarding assets and the environment and protecting the Corporation's public image.

Whenever an activity takes place, there will be an outcome that will either lead to a success or failure. In undertaking the activity there will be a number of factors which needs to be right to determine whether the activity is a success or not, or to put it the other way round, there are a number of risk factors which, if they are not managed properly, will result in failure rather than success.

Risk Management is also a business planning tool designed to provide a methodical way for addressing risks. It is about:

- Identifying the objectives and what can go wrong;
- Acting to avoid it going wrong or to minimise the impact if it does;
- Realising opportunities and reducing threats.

The risk management cycle

The risk management process is broken down into five steps illustrated below:

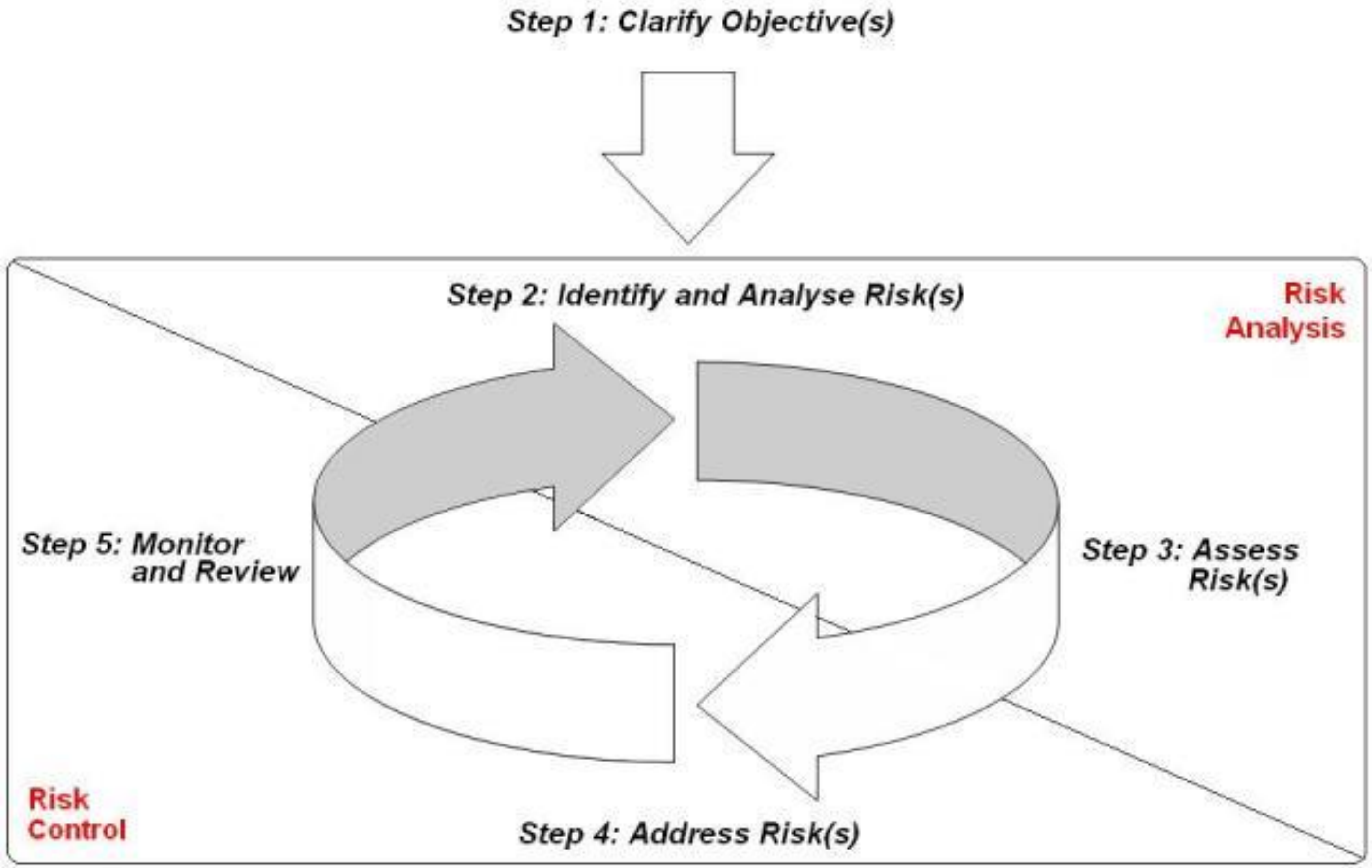


Figure 1: City of London's risk management cycle

Step 1: Clarify Objectives

It is difficult to think about risks in isolation, so the first step is to be clear about the objectives and key deliverables. This part of the process requires information about the (planned) activity.

This will include an understanding of:

- The corporate/departmental/project objectives;
- The scope of the activity;
- The assumptions that have been made;
- The list of stakeholders; and
- How the activity sits within the corporate/departmental/project structure.

This includes:

- Making sure that everyone is clear about the relationship between the services and its wider environment;
- Identifying internal and external stakeholders;
- Understanding the Corporation and its capabilities, as well as its objectives and strategies that are in place to achieve them.

- **Note:** Risks will always be linked to a Service, Departmental or Corporate objective.

Step 2: Identify and Analyse risks

The aim of this step is to identify the risks to the (planned) activity that may affect the achievement of the objective(s), which can either be positive or negative.

Consultation is required from different levels of management and staff members, and sometimes customers and stakeholders, asking the following questions:

- What might prevent the achievement of the stated objectives?
- Has it gone wrong before?
- Who should own this risk?
- When should we start managing this risk?

It is widely recommended to identify risks through workshops and/or training sessions. However, there are many other methods which can be used such as questionnaires, a Strengths - Weaknesses - Opportunities - Threats analysis, brainstorming sessions, and more.

During the identification stage the following information needs to be gathered:

- The description of the risk, in terms of Cause → Risk → Effect;
- The nature of the risk – for example, political, financial, reputation, and more; and
- The name of the individual taking responsibility for the risk (i.e. the risk owner).

Step 3: Assess Risks (4x4)

Every risk should be assessed to help determine how much attention is given to the particular event. This is done by ranking the risks with a set of scores determined by their individual likelihood and impact rating.

The City of London Corporation uses a 4 point scale and the multiple of the likelihood and impact gives us the risk score, which is used to determine the risk profile. See Appendix 1 for details on how risks should be scored.

The risk score is placed on the Risk matrix (Figure 2 ~~and~~) and is used to help prioritise ~~risks~~ and assist risk owners in the actions they need to take to manage the ~~either reduce the score (for threats) or increase the score (for opportunities).~~ risk.

~~Chapter 4 highlights how the risk scores are also used for reporting purposes using red/amber/green for threats and gold/silver/bronze for opportunities.~~

Likelihood \ Impact (X)	Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likely (4)	4	8	16	32
Possible (3)	3	6	12	24
Unlikely (2)	2	4	8	16
Rare (1)	1	2	4	8

Figure 2: ~~City's~~ COL risk matrix~~ces~~

Step 5 highlights how often risks should be reviewed and Chapter 4 highlights how the risk scores are used for reporting purposes.

Step 4: Address Risks

Without this step, risk management would be no more than a bureaucratic process. Addressing risk involves taking practical steps to manage and control it.

Not all risks need to be dealt with in the same way. The common risk response outlined below should help in considering the range of options available when responding to risks.

Importantly, when agreeing actions to control risk, consideration is required on whether the actions themselves introduce new risks

Threat responses

When managing threats, the controls that are put in place should help to effectively reduce the risk to a manageable level. There are four approaches that can be taken when deciding on how to manage threats:

- **Reduce**: A selective application of management actions, by applying internal control to reduce either the likelihood or the impact, or both, designed to contain risk to accept levels, e.g. mitigation action, contingency planning and more;~~.~~
- **Transfer**: Shifting part of the responsibility or burden for the loss to another party, e.g. through outsourcing, insurance, etc;
- **Avoid**: An informed decision not to become involved in a risk situation. This can be challenging as the City of London Corporation may not be able to avoid risks associated with its statutory functions;
- **Accept**: An informed decision to accept the likelihood and impact of a particular risk. For example, the ability to do anything about a risk may be limited, or the cost of taking any action may be disproportionate to the potential benefit.~~;~~

~~Opportunity responses~~

~~**Managing opportunities is aimed at improving one or more objectives in such a way that the cost and implications of the response actions improve or enhance the overall outcome. There are three approaches which can be taken when deciding on how to manage opportunities:**~~

- ~~Ignore**: Choosing to ignore the opportunity if the resource cost of seizing it cannot be justified. A basic cost benefit analysis could be done to determine if the opportunity is worth pursuing;**~~
- ~~Exploit**: Identifying and seizing multiple benefits. Refers to changing an activity's scope, supplier or specification to achieve a beneficial outcome without changing the objectives or specification;**~~
- ~~Share**: application of pain/gain formula where both parties share the gain (with pre-agreed limits) if the cost is less or share the pain if cost exceeds. By description, this method of treatment can also be used for threats, e.g. partnership arrangements.**~~

~~Risk~~ Ownership of Risks and Controls

Having identified and defined the risks, it is essential that someone "owns" them (i.e. the risk owner). This is not the same as being responsible for carrying out the tasks or actions for the risk (i.e. the control owner). This is a critical part of the step as without a named individual it is unlikely that the risk will be managed.

Risk Owner

It is important that the risk owner, where possible, be:

- A person who has the ability to influence the outcome of the event, one way or another;
- A person who can be accountable for the delivery in the area where the risk would have an effect;
- A person who can take charge and lead nominated control owners.

From a departmental viewpoint, the risk owner should be a member of the department's management team.

Control Owner

Control owners are responsible for carrying out the tasks or actions for the risk, as assigned by the risk owner.

It is important to note that:

- Control owners can be different from the Risk owner;
- Control owners can be from a different department to the Risk owner;
- A risk may contain many controls, therefore many control owners, however only on an exceptional basis would one control be assigned to multiple risks.

-Control owners can be any officer within the organisation, but must have an adequate reporting line to the Risk owner.

Step 5: Monitor and Review

Once risks have been identified and appropriate controls and action plans put in place to manage them, it is essential to routinely monitor their status. Risks change, due to many factors, and it is essential that they are periodically reviewed to capture any new events which may affect the delivery of our objectives.

As a guide, risks should be reviewed in management meetings using the following criteria:

Risk Type	Standard Review	Programmes, projects and partnerships
Red Threats	1-3 months	Monthly
Amber Threats	3 months	Monthly
Green Threats	6 months	Quarterly

Note: At least annually, each risk register should be reviewed in its entirety.

Chapter 4: Reporting risks

Reporting framework

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant officers and Members that adequate measures have been taken to manage risk.

Escalation of risks ensures that managers have a clearer picture on risks or potential issues facing service areas. This helps in the overall decision making process by allowing senior staff to allocate resources or review areas of concern.

Page 16 illustrates the reviewing and reporting framework to support this escalation and assurance process.

Role of Audit and Risk Management Committee

As set out in its formal terms of reference, the Audit and Risk Management Committee is responsible ~~for setting and approval, as well as~~ monitoring and overseeing the City Corporation's risk management strategy and ~~for ensuring that the framework in place is fit for purpose.~~ 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.

Role of Other Committees and Departments

It is the role of each Service Committee and Department to maintain and act on its own risks, working closely with the Risk and Assurance Manager if need be. The criteria for escalating risks should be agreed by the relevant Service Committee and Chief Officer.

The Audit and Risk Management Committee will concentrate on monitoring the Corporate Risks faced by the City Corporation, and the measures taken to control the risk. The Audit and Risk Management Committee will also seek assurance regarding the effective operation of this framework at Committee level.

Review and Reporting Framework

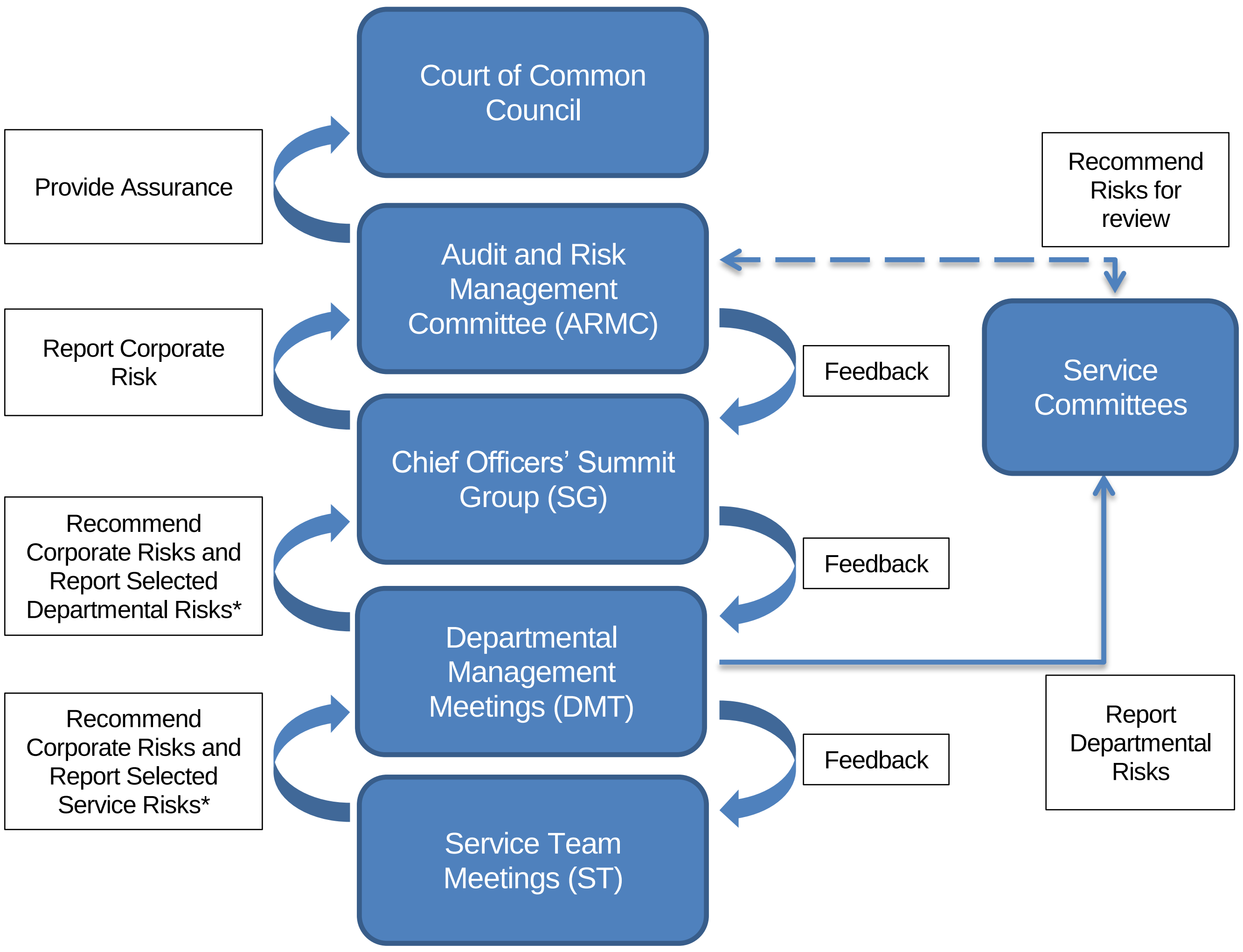
Risks will be escalated using a bottom up process depending on the risk score (i.e. Risk tolerance) and/or management recommendation.

Corporate Reviews will be undertaken either every two or three months.

Departmental Reviews should be adapted to suit the structure of each respective department, although as minimum should be done Quarterly.

Annual review of all risks should be undertaken as a minimum.

Reporting Criteria		
Corporate reviews	**ARMC**	~~Approve~~ Oversee Corporate risks
	SG	Identify Corporate/Departmental risks and review all Departmental risks of score 24 or more.
Departmental Reviews	**DMT's**	Identify Corporate/Departmental risks and review all Service Teams risks of score 16 or more
	ST's	Identify Corporate/Departmental risks and review all Service risks of score 6 or more
	Team meetings /121's	Identify potential Corporate/Departmental risks and review all current risks



exception basis

Risk Registers

Key risk registers are listed below along with their escalation criteria (based on risk score).

Corporate Risk Register	The Corporate Risk Register is used to highlight and assure Members that key risks are being effectively managed. These risks are extracted from various areas of the Corporation's risk system as directed by the Members and approved by the Town Clerk and Chief Officers~~.~~ (See Glossary for definition of Corporate Risk).
Top Risk Register	This register flows out from the Departmental risk registers and is challenged and moderated quarterly by the Chief Officer's Summit Group (SG). Risks which are escalated here are those with a risk score of 24 or more.
Departmental risk register	This register flows out from the Service risk registers and is challenged and moderated quarterly by the Departmental Management Teams (DMT's). Risks which are escalated here are those with a risk score of 16 and above.
Service risk register	This register flows out from the Service area/Team risk registers and is challenged and moderated quarterly by the Service Team Meetings (ST's). Risks which are escalated here are those with risk score of 6 and above.
Programme and Project risk registers	Where it is considered appropriate, major partnerships, programmes and projects will produce and maintain their own risk registers. Risk to the programme/project should be recorded within Project Vision and managed through the corporate Project framework.

Challenging environment

There is a strong support framework in the City Corporation to challenge risks and to provide assistance to departments. Below lists some of the key groups which assist with this:

Audit and Risk Management Committee	On a periodic cycle each Corporate risk and a nominated Departmental risk register is challenged by Members of the Audit and Risk Management Committee. These sessions allow Chief Officers to demonstrate how risks are being managed and allow Members to directly question any areas of interest.
Chief Officers' Summit Group	Each quarter the Chief Officers' Summit Group review all the top risks for the Corporation (of score 24 and above) and challenge and moderate as necessary. Corporate risks are escalated by the Departmental Management Teams and upon approval are escalated to the Audit and Risk Management Committee.
Departmental Risk Coordinators	The risk coordinators provide advice and guidance on the application of the Risk Management Strategy, working closely with the Risk and Assurance Manager. They are the first point of call for risk related matters for their department providing operational support. The Risk Coordinators meet as a group on a 6 monthly basis with representatives from the City of London Police, Internal Audit, Health and Safety, Contingency Planning, Corporate Performance & Business Development and Insurance.

Chapter 5: Strategic Improvement

This strategy is based on strengthening and improving the City's approach to risk management, enhancing its ability to deliver its corporate aims and objectives successfully. It is recognised that to significantly improve the risk management capability and the maturity of the Corporation will be a journey requiring continuous review and improvement activity.

The Risk Management Strategy will be regularly reviewed. Further activities to enhance existing arrangements will be identified by reviewing emerging best practice and assessing their suitability for implementation in the context of the aims, objectives and organisational culture of the Corporation. Once assessed and agreed, further improvement activities will be implemented through the risk management improvement plan.

Below lists some of the key activities/projects which will assist in delivering the strategy.

Project / Task	**Brief summary**	**Target date / Frequency**
Introduce a Risk Management Information System	To procure an online risk register tool ensuring consistency, transparency and a clear audit trail for risks and controls.	Aug 2014
Improve skill set and Raise awareness of risk management	Create a suite of tools to raise awareness and assist officers in the management of risks.	Jan 2015
Review new framework	Review the risk maturity of the organisation on a yearly cycle.	Annual review
Introduce Opportunity Risk Management	Subject to the organisations risk maturity level, introduce the opportunity risk methodology and look to report opportunity risks.	Review in 2015/16

Glossary

Consistent understanding and application of language provides a sound basis for embedding risk management. To promote this consistency, the following key terms are defined:

Term	Definition
Cause	Definite events or sets of circumstances which exist in the department, programme/project, partnership or their environments, and which give rise to uncertainty. Causes themselves are not uncertain since they are facts or requirements.
Control Evaluation	A measure to determine how effective the controls are.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Controls	Measures taken to control the impact or likelihood of risks to an acceptable level.
Corporate risk	Strategic or Operational risks reported to the Audit and Risk Management Committee for assurance purposes. One or more of the following criteria must apply: ▪ The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities. ▪ A risk that has significant impact on multiple operations if realised. ▪ There are concerns over the adequacy of departmental arrangements for managing a specific risk. Corporate risks can also be those requested by the Audit and Risk Management Committee specifically.
Current / Net risk	The re-assessed level of risk taking in to account the existing controls.
Effect	Unplanned variations from objectives, either positive or negative, which would arise as a result of risks occurring. Effects are contingent events, unplanned potential future variations which will not occur unless risks happen.
Operational Risk	Risks arising from or relating to the execution of day-to-day operations and service delivery.

Term	Definition
Original / Gross risk	The assessed level of risk on the basis that no mitigating controls are in place.
Risk	The effect of uncertainty on objectives.
Risk Management	The systematic application of policies, procedures and practices to the tasks of identification, evaluation, and mitigation of issues that threaten the achievement of defined objectives.
Risk Owner	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Strategic risk	Risks arising from or relating to long term departmental objectives.
Target risk	The level at which the risk will be deemed as acceptable.

Appendix 1 - Risk scoring

Risk scoring is purely subjective. Perceptions of a risk will vary amongst individuals and hence it is better to score the risk collective than leave it to one person's judgement.

Definitions

1. **Original/Gross score**: the level of risk perceived before any mitigating actions/controls have been put in place.

2. **Current/Net score**: the level of risk currently perceived by the user/management, taking in-to account any controls.

3. **Target score**: the preferable score for the risk to be in order for it to be manageable, thinking in term of what resources are available, and the ability of the Corporation to directly manage the risk once external factors are considered.

Risk scoring method

Risks are scored in terms of likelihood and impact

→ Risk should be scored by first determining how likely it is to occur (**Likelihood**)

→ It should then be rated according to the worst case scenario if it should arise (**Impact**).

Likelihood scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

	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)

Impact scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

		Minor	Serious	Major	Extreme
		1	**2**	**4**	**8**
THREATS	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

Risk Matrix

The following chart shows the area the risk will fall in to dependant on its score, with red being the most severe and green being the least. The scores within the chart are multiples of the likelihood and impact.

e.g. (*Likelihood of*) **4 x** (*Impact of*) **4 =** (*Risk Score of*) **16**

Impact scores increase by a factor of 2, thus having greater weighting in comparison to the Likelihood scores.

		Impact			
	X	Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	Likely (4)	4	8	16	32
	Possible (3)	3	6	12	24
	Unlikely (2)	2	4	8	16
	Rare (1)	1	2	4	8

Figure 2: COL risk matrix

What the colours mean (as a guide):

- Red - Urgent action required to reduce rating
- Amber - Action required to maintain or reduce rating
- Green - Action required to maintain rating

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Committee:	Date:
Risk Committee of the Barbican Centre Board	10 June 2014
Subject: Internal Audit Update Report	**Public**
Report of: The Chamberlain	**For Information**

Summary

The purpose of this report is to provide your Committee with an update on the progress of Internal Audit reviews undertaken at the Barbican Centre since the last report made in January 2014.

Since the last Committee update report the review of Variation Orders and Change Control Procedures has been finalised. In addition, one spot check reviews: Debt Management has been completed.

There were two Internal Audit staff vacancies during 2013/14 and it has been necessary to undertake higher risk reviews, including significant investigation work at the expense of lower priority work. Commencement of the bulk of the 2013/14 Internal Audit Plan has been deferred until Quarter 1 of 2014/15. (Schedule of Internal Audit Work 2013/14 - Appendix 1). Additional contractor resources have been retained for the next 3 months in excess of establishment, to enable completion of this planned review work.

<u>Project Variation Orders and Change Control Procedures</u> – Overall Amber Assurance – 3 Amber priority recommendations

As a result of this review Internal Audit recommended a further area for inclusion within the Barbican Centre's cost monitoring guidance to set out the requirement that significant project changes (whether resulting in additional or omitted work) should be subject to approval by Members prior to the corresponding variation order being issued to the contractor, as per the City's project procedure.

In respect of the documentation of contract variations on individual projects, a number of areas for improvement were identified which will reduce the risk that inaccuracies in interim valuations / final accounts go undetected. In addition, the precise basis for the pricing of variations was not always clear.
Three Amber rated recommendations were made and Barbican Centre Management have given assurances that these were implemented by 31st May 2014.

This report also includes the Internal Audit Plan Schedule for 2014/15. (Appendix 3)

Recommendation

- Members are asked to note the outcome from recent internal audit work and progress against the internal audit planned work.

Main Report

Background

1. This report includes a summary of the status of all 2013/14 reviews (Appendix 1) and a schedule of planned Internal Audit work 2014/15 (Appendix 2). It also includes an update on the progress made in implementing Internal Audit recommendations resulting from 2013/14 work completed by the end of April 2014.

Internal Audit Plan 2013/14 Progress

2. Since the last Committee update report, the review of Variation Orders and Change Control Procedures has been completed. Overall moderate amber assurance level was confirmed. Two full reviews: International Enterprises and Value Framework, included within the 2013/14 Barbican Centre Internal Audit Plan are scheduled for completion by 30th June 2014.

3. There were three spot check reviews in the 2013/14 Internal Audit work schedule for 2013/14. One of these: Cash Security, was completed in June 2013 and details of the outcome included within the October 2013 update report to your Committee. A spot check of Debt Management has been completed to draft management letter stage; and the remaining Expense Claims spot check will be completed by 30th June 2014. (Schedule of Internal Audit Work 2013/14 Appendix 1).

4. It has been necessary to defer until Quarter 1 of 2014/15 the remaining 2014/15 Internal Audit work planned for the Centre. This is due to two vacant posts, which have now been filled, a further Senior Auditor vacancy that has arisen since the last update report, and undertaking higher risk work in other City departments.

Variation Orders and Change Control Procedures

5. This review sought to obtain reasonable assurance that there is an adequate control framework in place to ensure that contract variations are valid, properly recorded, subject to appropriate authorisation and that the valuation of variations is carried out in accordance with contract conditions.

6. The following projects were reviewed in forming an opinion on the adequacy of the control framework;
    - Concert Hall Backstage Refurbishment (Phase 1 – Wolfson) (c£700k)
    - Replacement of Barbican Theatre Systems (c£700k)
    - General Redecorations (c£100k)

7. Adequate guidance notes have been established in respect of variation orders, covering most of the areas expected; they have been communicated to all relevant Officers. Internal Audit recommended a further area for inclusion

within the Barbican Centre's cost monitoring guidance to set out the requirement that significant project changes (whether resulting in additional or omitted work) should be subject to approval by Members prior to the corresponding variation order being issued to the contractor, as per the City's project procedure.

8. Variations are generally properly recorded, through the issue of clear, sequentially numbered written variation orders by the Supervising Officer / Project Manager. Only valid variations and changes are made to the previously agreed works as instructed by the Project Manager / Supervising Officer.

9. In each of the three projects reviewed, variations amounted to less than 10% of the total tender sum (Concert Hall Backstage Refurbishment 8%, Replacement of Barbican Theatre Systems 2%, and General Redecorations 8%) which is considered reasonable.

10. The review of a sample of thirteen variations across the three projects found that overall variations are being priced (by the Quantity Surveyor or equivalent) in line with contract conditions and that the Barbican Centre was receiving adequate value for money in respect of these. However, there were two instances (15% of variations sampled) where it was not possible to determine the precise basis for the pricing of variations. An amber recommendation was agreed to remind Quantity Surveyors, or equivalent, of the requirement to fully document the basis upon which all variations are priced. The variations reviewed were appropriately approved by relevant Project Managers.

11. In respect of the documentation of contract variations on individual projects, a number of areas for improvement were identified which will reduce the risk that inaccuracies in interim valuations / final accounts go undetected (e.g. for the Concert Hall Backstage Refurbishment, the project Final Account did not separately record the value of some omitted items and five instances were identified where the value of omitted items was netted off against the value of corresponding additions). An amber recommendation has been agreed to improve the clarity of variations within project documentation.

12. Three Amber rated recommendations were agreed with Barbican Centre management and it has been verbally confirmed that there were all implemented by 31st May 2014.

Recommendations	Red	Amber	Green	Total
Number Made:	**0**	**3**	**0**	**3**
Number Accepted:	**0**	**3**	**0**	**3**

Follow-up Reviews

13. Six follow-up reviews have been undertaken since the January 2014 update report (see table one below). All recommendations for these reviews had been implemented (31 recommendations in total). The remaining two follow-up reviews will be undertaken during 2014/15. Verbal assurances have been obtained that the three Amber recommendations resulting from the Variation Orders and Change Control Procedures Review were implemented by 31st May 2014 as agreed.

Table One: Follow-up reviews to 31st March 2014

Audit Review	Recommendations				Follow-up Date
	Red	**Amber**	**Green**	**Total**	
Income Collection & Banking (all sources)	0	0	2	2	February 2014
Retail Outlets	0	4	2	6	March 2014
Commercial Income & Expenditure (inc. Artifax)	0	0	4	4	March 2014
Stocks and Stores	0	0	17	17	TBC
Box Office Processes	0	0	3	3	February 2014
Cost Monitoring	0	0	3	3	January 2014
Annual IS Security & Strategy	0	3	3	6	November 2014
Variation Orders	0	3	0	3	TBC
Construction Design Management (Health & Safety in projects)	2	3	5		February 2014
Total Agreed	2	13	39	54	

Internal Audit Scheduled Plan 2014/15

14. The Internal Audit Scheduled Plan 2014/15 details are contained in Appendix 2. The plan includes four full assurance reviews: Control Self-Assessment (CSA) – Extensions of time on projects; CSA –Interim Valuations on projects;

Box Office (Income Target Setting and monitoring); Budget Setting/Financial Management. There are also two mini-assurance reviews: Annual Business Continuity Management System and ICT review. There will also be follow-up reviews of audits from the 2013/14 audit plan.

Full Reviews

CSA – EXTENSIONS OF TIME (15 days)

This review will use Certified Self Assessment to consider the level of compliance with contractual and project management requirements

CSA – INTERIM VALUATIONS (15 days)

This review will use Certified Self Assessment to consider the level of compliance with contractual and project management requirements.

BOX OFFICE (INCOME TARGET SETTING AND MONITORING) (15 days)

This audit review will examine the process for determining how productions are priced so that costs can be recovered and audiences will be attracted to purchase tickets. It will examine the relationship between the target income to be achieved and the scope that the Centre has for setting prices in a competitive environment. Monitoring of income targets will also be examined.

BUDGET SETTING/FINANCIAL MANAGEMENT) (10 days)

The purpose of this review is to ascertain how the Barbican Centre sets a budget that is flexible at a time of economic uncertainty and addresses the commercial, artistic and educational aspects of the Centre’s programme. It will also examine budget monitoring and the accuracy of financial performance reporting.

Mini-Assurance Reviews

Annual Business Continuity Management System and 2013 review follow-up (7 days)

Standard BCMS review (includes organisational structure, polices, planning activities, responsibilities, procedures and resources) based on previous comprehensive baseline audit. Undertaken at the request of Barbican Risk committee.

Annual ICT review + 2013 review follow-up 4 days
Standard ICT review (Strategy, Security and Operational) based on a previous comprehensive baseline audit. Undertaken at the request of Barbican Risk committee.

Conclusion

15. A review of the Barbican Centre Variation Orders and Change Control Procedures has provided a moderate assurance conclusion, with three amber priority recommendations were agreed for implementation by 31st May 2014.

16. Due to Internal Audit staff vacancies and higher risk work in other City departments, it has been necessary to defer two full reviews and two spot check reviews until Quarter 1 of 2014/15. Account has been taken in this decision of the overall view that the control and risk environment at the Centre is sound, and previous recent coverage of internal audit work.

Background Papers:

Appendix 1 - Schedule of Internal Audit Work 2013/14
Appendix 2 - Schedule of Internal Audit Work 2014/15

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Appendix 1

Scheduled Work Internal Audit Plan 2013/14

				Recommendations			
Project	**Planned Days**	**Planned Completion Date**	**Current Stage**	**Total Red**	**Total Amber**	**Total Green**	**Total**
Variation Orders and Change Control Procedures (Barbican Centre) This review will examine the method by which project variations are notified, authorised and controlled, and the effectiveness of change control reporting arrangements.	20	31st March 2014	Completed	-	3	-	3
Value Framework Assessment of the process, methodology and software employed to measure customer satisfaction with event programming.	15	30th June 2014	Not started	-	-	-	-
Barbican Centre – International Enterprise The activities of this initiative will be examined with emphasis on governance, operational controls and measurement of outcomes.	10	30th June 2014	Not started	-	-	-	-

Business Continuity Review	15	31st January 2014	Complete	-	1	9	10
				Recommendations			
Project	**Planned Days**	**Planned/ Actual Completion Date**	**Current Stage**	**Total Red**	**Total Amber**	**Total Green**	**Total**
Spot Check Reviews Debt Management (including CBIS AR) Probity check of debt levels and recovery action.	5	30th May 2014	Draft Management Letter	-	-	4	4
Expense Claims (including staff hospitality) Probity check of a sample of claims submitted by staff.	5	30th June 2014	Fieldwork	-	-	-	-
ICT – Annual review	5	31st July 2013	Complete		3	3	6
Cash Security (Petty Cash/Floats/Safes) Probity check of cash holdings against agreed sums, security arrangements and reconciliations.	5	30th June 2013	Completed	-	2	-	2

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Appendix 2

Scheduled Work Internal Audit Plan 2014/15

				Recommendations			
Project	**Planned Days**	**Planned Completion Date**	**Current Stage**	**Total Red**	**Total Amber**	**Total Green**	**Total**
Full Reviews CSA – EXTENSIONS OF TIME This review will use Certified Self Assessment to consider the level of compliance with contractual requirements.	15	31st March 2015	Not started				
CSA – INTERIM VALUATIONS This review will use Certified Self Assessment to consider the level of compliance with contractual requirements.	15	31st March 2015	Not started				
BOX OFFICE (INCOME TARGET SETTING AND MONITORING) This audit review will examine the process for determining how productions are priced so that costs can be recovered and audiences will be attracted to purchase tickets. It will examine the relationship between the target income to be achieved and the scope that the Centre has for setting prices in a competitive environment. Monitoring of income targets will also be examined.	15	30th September 2014	Not started				

				Recommendations			
Project	**Planned Days**	**Planned Completion Date**	**Current Stage**	**Total Red**	**Total Amber**	**Total Green**	**Total**
BUDGET SETTING/FINANCIAL MANAGEMENT) The purpose of this review is to ascertain how the Barbican Centre sets a budget that is flexible at a time of economic uncertainty and addresses the commercial, artistic and educational aspects of the Centres programme. It will also examine budget monitoring and the accuracy of financial performance reporting.	10	31st December 2014	Not started				
Mini – Assurance Reviews Annual BusContMangtSystem + 2013 review follow-up Standard BCMS review (includes organisational structure, polices, planning activities, responsibilities, procedures and resources) based on previous comprehensive baseline audit. Undertaken at the request of Barbican Risk committee.	7	31st December 2014	Not started				

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 9

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