Audit and Risk Management Committee

Date: TUESDAY, 28 APRIL 2015

Time: 1.45 pm

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

Members: *Membership to be confirmed at the Court of Common Council on 23rd April 2015*

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

Together with two Members to be appointed by the Court of Common Council on 23rd April 2015.

Enquiries: Julie Mayer
tel. no.: 020 7332 1410
julie.mayer@cityoflondon.gov.uk

Lunch will be served in the Guildhall Club at 1pm
NB: Part of this meeting could be the subject of audio or video recording

John Barradell
Town Clerk and Chief Executive

AGENDA
Part 1 - Public Agenda

1. **APOLOGIES**

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

3. **ORDER OF THE COURT OF COMMON COUNCIL**
   Order of the Court of Common Council, of 23rd April 2015, appointing the Audit and Risk Management Committee and setting out its Terms of Reference – *to follow*.

   For Information

4. **ELECTION OF CHAIRMAN**
   To elect a Chairman pursuant to Standing Order No 29.

   For Decision

5. **ELECTION OF DEPUTY CHAIRMAN**
   To elect a Deputy Chairman pursuant to Standing Order No 30.

   For Decision

6. **MINUTES OF THE PREVIOUS MEETING**
   To agree the public minutes and non-public summary of the meeting held on 24 February 2015.

   For Decision
   (Pages 1 - 8)

7. **OUTSTANDING ACTIONS OF THE COMMITTEE**
   Report of the Town Clerk.

   For Information
   (Pages 9 - 10)

8. **COMMITTEE WORK PROGRAMME**
   Report of the Town Clerk.

   For Information
   (Pages 11 - 12)

9. **THE PONDS PROJECT: MANAGING RISK**
   A presentation from the Departments of Open Spaces and the Built Environment.

   For Discussion

10. **RISK MANAGEMENT UPDATE**
    Report of the Chamberlain.

    For Information
    (Pages 13 - 26)

11. **MEMBERS BRIEFINGS REPORTING ARRANGEMENTS**
    Head of Internal Audit and Risk Management.

    For Decision
    (Pages 27 - 38)

12. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT**
    Report of the Head of Internal Audit and Risk Management.

    For Information
    (Pages 39 - 46)

13. **INTERNAL AUDIT UPDATE REPORT**
    Report of the Head of Internal Audit and Risk Management.

    For Information
    (Pages 47 - 66)

14. **INTERNAL AUDIT INVESTIGATIONS UPDATE REPORT**
Report of the Chamberlain.
Please note there is a non-public appendix to this report at Agenda Item 18.

For Information
(Pages 67 - 74)

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

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

17. **EXCLUSION OF THE PUBLIC**

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

For Decision

Part 2 - Non-Public Agenda

18. **INTERNAL AUDIT INVESTIGATIONS UPDATE REPORT - CYBER FRAUD**
Report of the Chamberlain (*non-public Appendix to Agenda Item 14*).

For Information
(Pages 75 - 78)

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

20. **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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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 24 February 2015

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Tuesday, 24 February 2015 at 1.45 pm

Present

Members:
Alderman Nick Anstee (Chairman)
Nigel Challis (Deputy Chairman)
Alderman Charles Bowman
Kenneth Ludlam (External Member)

Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-Officio Member)
Hugh Morris (Ex-Officio Member)
Graeme Smith

In Attendance

Officers:
Peter Kane	Chamberlain
Neil Davies	Town Clerk's Department
Julie Mayer	Town Clerk's Department
Simon Murrells	Town Clerk's Department
Paul Dudley	Chamberlain's Department
Caroline Al-Beyerty	Chamberlain's Department
Michael Cogher	Comptroller and City Solicitor
Heather Bygrave	External Auditor, Deloitte
Chris Harris	Head of Internal Audit and Risk Management
Chris Keesing	Chamberlain's Department
Nick Bennett	External Auditor, Moore Stephens

1. **APOLOGIES**
    Apologies were received from Roger Chadwick, Rev. Dr. Martin Dudley, Jamie Ingham Clark, Oliver Lodge and Ian Luder.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
    Mr Jeremy Mayhew declared a general, non-pecuniary interest in respect of Agenda Item 10 (Deloitte's Annual Audit Plan for City Fund) as he is a Trustee of Crossrail (nominated by the City of London Corporation).

3. **MINUTES OF THE PREVIOUS MEETING**
    The minutes and non-public summary of the meeting held on 8th December 2014 were approved.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**
The Committee received its outstanding actions list and noted the following updates:

Hampstead Heath
The Planning Application was approved in January and the project was progressing well. The Chamberlain advised that, as this project was an example of good risk management practice, Members would receive a case study report at a future meeting.

CR18 – Workforce Planning
The Director of HR had confirmed that the recent flexible retirement of a Chief Officer had been at zero cost to the City of London Corporation as the officer had reached pensionable age and was entitled to take a full pension. As he would be working for 3 days a week in the interim, in the short term there would be a saving. Members also noted that, in the future, if there were additional cost, then the case would automatically be referred to the Establishment Committee. Members agreed that this item could be removed from the outstanding actions list.

CR16 – Information Security
A league table of departmental compliance in respect of completion of the on-line information security courses would be tabled at the next meeting.

Committee Satisfaction Survey
The next survey would take place next at the beginning of 2016 and the Committee would receive a further report on the method and style of the questionnaire.

Overtime and Holiday pay
- The Financial Services Director advised that officers were not proposing to make a provision in the accounts for 2014/15. Members noted that, under EU law, workers were entitled to four weeks' holiday pay a year but there were no details as to how it should be calculated. Up until now, the UK government interpreted the EU Working Time Directive as stating that holiday pay should be at an employee's basic rate of pay, which means any additional payments for regular overtime were not included. As a result, most employers have not included regular overtime in their calculation of holiday pay. The tribunal ruling suggested that the government and UK companies have been interpreting the EU directive wrongly.

- The Comptroller and City Solicitor advised that the Government would introduce the regulations from 1st July 2015 and would limit the timescale for making claims and arrears payments. It was expected that essential and voluntary overtime would be treated differently. With the assurance that the Chamberlain and Comptroller and City Solicitor would keep the matter under review, Members were content that this could be removed from the outstanding actions list.

Terms of Reference

The Chamberlain advised that a Chief Officer Risk Management Group had been established by the Summit Group. Its terms of reference would be to challenge and scrutinise corporate and top departmental risks, in detail, before they were reported to the Audit & Risk Management Committee.

Members were reminded that the Committee's Terms of Reference gave them 'monitoring and oversight' of the items on the Corporate Risk Register. The new Head of Internal Audit, who is very experienced in the workings of other local authorities, advised Members that, in practice, Audit and Risk Management Committees worked with Chief Officers to resolve any differences of opinion but Members retained the right to hold officers to account, if necessary. Given this clarity and the extra assurance of the new Chief Officer Risk Management Group, the Chairman and Members were content for this item to be removed from the outstanding actions list.

RESOLVED, that:

The Committees outstanding actions list and the updates set out above be noted.

5. **ANTI-FRAUD AWARENESS TRAINING UPDATE**

The Committee received a report of the Chamberlain, which provided an update in respect of anti-fraud awareness training. Members were concerned at the low performance in some areas and expected 100% compliance by the time the Committee met again on 28th April 2015. Members were reminded of some of the reasons as to why 100% might not be consistently achieved.

RESOLVED, that:

In the event of non-compliance, i.e. failure to achieve full completion for the on-line anti-fraud training course by 28th April 2015, the Chief Officers concerned attend the Committee in order to account for their performance.

6. **PRO-ACTIVE ANTI-FRAUD PLANS, AND BENCHMARKING: CIPFA CODE OF PRACTICE; MANAGING THE RISK OF FRAUD & CORRUPTION**

The Committee received a report of the Chamberlain in respect of the Pro-Active Anti-Fraud Plans. In response to a question about cyber fraud, the Head of Internal Audit advised that he would review available guidance on best practice from the Internal Audit Industry and would adjust the programme as necessary. Members also noted the new skills requirement across both IS and Internal Audit teams, which had not been required historically and were pleased at the pro-active approach set out in the report. The Chairman and Members agreed that this matter was worthy of further exploration as part of the next Anti-fraud report to the Committee.

RESOLVED, that:

1. The pro-active anti-fraud plans for 2015/16, 2016/17 and 2017/18 be approved.

2. Benchmarking against the CIPFA code of practice 'Managing the Risk of Fraud & Corruption' be noted.

3. The proposed statement for inclusion in the Annual Governance report, with regard to the City's response to fraud & corruption (as detailed in the CIPFA code of practice 'Managing the Risk of Fraud & Corruption') be agreed.

4. The next iteration of this report explore pro-active anti-cyber fraud plans in greater detail.

7. **RISK MANAGEMENT UPDATE**
The Committee received the regular Risk Management update report of the Chamberlain. Members noted that CR14 – Financial Viability, would be green once the Court of Common Council had set the Budget in March. Since the agenda had been published, CR9 – Health and Safety, had also turned green.

In order to provide clarity about 'gross' and 'net' risks; the Chamberlain explained that all risks were now presented as net (after current mitigation) and no longer referred to as gross. Further reports would also show target risk dates.

The Chairman and Members confirmed that it had not been their intention to put Risk Registers on *every* Service Committee meeting agenda and that robust quarterly reports would suffice, with the red risks highlighted. The Chairman also encouraged Members of the Audit and Risk Management Committee to be vigilant when attending other Committees and facilitate debate about the risk registers, when necessary. The Chairman also accepted that there was a possibility of risk management reports being 'nodded through', if they appeared too frequently. The Chairman suggested that they should be early on public agendas; i.e. after the minutes.

RESOLVED, that:
The progress on risk management and the arrangements for reviewing risk registers at Grand Committees, as set out above, be noted.

8. **ANNUAL GOVERNANCE STATEMENT - METHODOLOGY**
The Committee considered a joint report of the Town Clerk and the Chamberlain in respect of the methodology of the Annual Governance Statement (AGS). Members discussed whether two copies would be required when the Committee approved the AGS in June. It was generally agreed that provided the copy presented to the Committee showed last year's approved AGS, with the updates and amendments for 2014/15 shown clearly in track changes, this would suffice. The track changes would then be accepted and the final agreed version would be published as a 'final' and not 'final showing mark-up'. Members did not make any suggestions for additional areas to be included in the AGS.

RESOLVED, that:

1. The proposals in this report for the production and presentation of the Annual Governance Statement for 2014/15 be agreed.

2. The Committee receive one copy of the AGS in June; i.e., last year's approved AGS, with the updates and amendments for 2014/15 shown clearly in track changes.

9. **2015/16 INTERNAL AUDIT PLAN**
The Committee considered a report of the Head of Internal Audit and Risk Management, which set out the 2015/16 Internal Audit Plan. In response to questions about the changes to management arrangements, following the year-long internal secondment of the previous Head of Internal Audit and Risk Management, the new Head of Service explained that, he would be responsible for fulfilling all the functions of the role and would be available to members and officers, as needed, supported by a new Senior Audit Manager.

Members noted that local authorities worked well with this level of resource and the City of London Corporation would benefit from the New Head of Internal Audit and Risk Management's wide experience of good practice elsewhere. The new Senior Audit Manager was also highly experienced and would be responsible for operational and frontline service delivery. The Chamberlain would retain the overall management responsibility for internal audit and confirmed that the arrangements were working extremely well.

The Head of Internal Audit then set out his perception of the service, following his first two months in post. Mr Harris was pleased to be working with a strong team, with a high skill level, who enjoyed good working relationships with senior managers. He was very happy with quality assurance, the service was meeting professional standards and there was scope for even higher performance by sharpening delivery, directing more focus to green recommendations (which might be overlooked) and more timely completion of audit reports. The new Head of Internal Audit and his Senior Manager would be providing extra support to the team for emerging risks. The Committee were satisfied and thanked the Head of Internal Audit and Risk Management for his explanation.

Members suggested that the report before them, whilst very detailed at the top level, could benefit from more background information and the Head of Internal Audit and Risk Management agreed to provide a briefing to Members, showing how the previous programme reported to Members, mapped to the current programme.

RESOLVED, that:
1. The 2015/6 Audit Plan be agreed.

2. Future reports take the format as requested above; i.e. with more background information, aligned to the top level detail.

10. **DELOITTE'S ANNUAL AUDIT PLAN FOR CITY FUND**
The Committee received Deloitte's Annual Audit Plan for City Fund. The External Auditor was in attendance and Members noted that the funding gap for the City Police was likely to be concluded before the summer recess but it might be after the Audit and Risk Management Committee meeting in July,

which recommended the sign off of the accounts. Members noted that the disclosure of the Crossrail commitment was still under review.

RESOLVED, that:
Deloitte's Annual Audit Plan for City Fund (Year ending 31 March 2015) be noted.

11. **DELOITTE'S ANNUAL AUDIT PLAN FOR THE PENSION FUND**
The Committee received Deloitte's Annual Audit Plan for the Pension Fund. Members noted that the Audit Commission appoint Auditors to our local authority functions/statements, i.e., City Fund and the Pension Fund. The 2014/15 Audit would be the final one undertaken by Deloitte before the move to BDO, under the final two years of the Audit Commission regime.

RESOLVED, that:
Deloitte's Annual Audit Plan for the Pension fund (year ending 31 March 2015) be noted.

12. **COMMITTEE WORK PROGRAMME**
The Committee received its workplan for 2015/16 and asked if it could be moved higher up on future agendas, i.e. directly after the minutes and outstanding actions list.

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

14. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
The Chamberlain was heard in respect of the Oracle upgrade. Members noted that this was progressing well, despite a small glitch, which required an amendment to the programme code. Officers advised that the current system would run in tandem until May and there were two back up plans in the event of failure.

15. **EXCLUSION OF THE PUBLIC**

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

16. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
The non-public minutes of the meeting held on 8th December 2014 were approved.

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

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

The meeting ended at 3.15 pm

Chairman

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julie.mayer@cityoflondon.gov.uk**

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- April 2015

	Item	Action	Officer responsible	Progress updates/target
1	**International Centre for Financial Regulation** **(added Dec 2012)**	Chamberlain advised Members to await the outcome of the police report, before taking a view about risk assurance implications.	Peter Kane	An individual has been charged, court hearing date has been re-scheduled to the 3rd June 2015. The Committee will receive an update on the outcome of the Trial.
2	**Internal Audit Peer Review** **(added 4.3.14)**	Once all the Peer Reviews had been published, officers would look at benchmarking results with London Boroughs.	Chris Harris	Next report to Committee in March or June 2015.
3	**Anti Fraud on-line training course (added 9.9.14)**	In the event of non-compliance, i.e. failure to achieve full completion for the on-line anti-fraud training course by 28th April 2015, the Chief Officers concerned attend the Committee in order to account for their performance.	Peter Kane/ Chris Keesing	An updated note in respect of completion of the on-line training will be tabled at the April meeting.
4	**Hampstead Heath (added 9.9.14)**	An issue report will be presented to Hampstead Heath, Highgate Wood and Queens Park in November and Projects Sub and Audit and Risk Management Committees in December. The issue report indicates that, although the site preparation works may not start until February 2015, this is not anticipated to impact on final completion date.	Esther Sumner/Paul Dudley	The Planning Application was approved in January and the project was progressing well. The Chamberlain advised that, as this project was an example of good risk management practice, Members would receive a case study report at a future meeting.

17 April 2015

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- April 2015

	Item	Action	Officer responsible	Progress updates/target
5	**CR16 – Information Security (added 9.9.14)**	Members asked for three monthly updates on the training programme with effect from January 2015 and for the next report on Risk Management to include a further update on implementing the policy; with target dates for risk mitigation and for the relevant officer to be present.	Peter Kane	A date for achieving the target risk has been set as January 2016. An updated note in respect of completion of the on-line training will be tabled at the April meeting.
6	**Committee Satisfaction Survey** **(added 4.11.14)**	One of the Members offered to provide a pro-forma used within their place of business and Members agreed that input into future questions would be helpful.	Neil Davies	The next survey would take place next at the beginning of 2016 and the Committee would receive a further report on the method and style of the questionnaire in November 2015.
7	**Anti-fraud Investigations (added 8.12.14)**	Provide a cost analysis of recovery action as part of the next report.	Chris Keesing	April 2015.

17 April 2015

Audit and Risk Management
Work Programme 2015
(Updates are shown in italics)

Date	Items
2 June	• Internal Audit Progress Report • Internal audit recommendations follow-up report • Risk Management Update • Head of Internal Audit Opinion and Annual report • HMIC Police Inspections Summary report • Annual Governance Statement – 2014/15 • Private Member meeting with Head of Internal Audit *Risk Challenge sessions:* • *Open Spaces* • *Built Environment*
20 July	• Audited 2014/15 City Fund and Pension Fund Financial Statements together with Deloitte's report thereon • Audited 2014/15 Bridge House Estates and Sundry Trusts Financial Statements together with Deloitte's report thereon • Audited 2014/15 City's Cash and City's Cash Trust Funds Financial Statements together with Moore Stephens report thereon *Risk Challenge session:* *Community and Children's Services*
17 September	• Internal Audit Progress Report • Internal audit recommendations follow-up report • Investigations Update report • Risk Management Update *Risk Challenge Session:* *City Surveyors*
3 November	• Deloitte's Annual Audit Letter on the City Fund and Pension Fund Financial Statements • Moore Stephens - annual audit plan for the Non Local Authority Funds including agreement of the audit fee • Internal Audit Planning 2016/17

	• *Committee Effectiveness Survey – method and style of questionnaire*
	Risk Challenge Session:
	Comptroller and City Solicitor
26 January 2016	• Internal Audit Progress Report
	• Internal audit recommendations follow-up report
	• Investigations Update report
	• Risk Management Update
	Risk Challenge Sessions:
	• ***Boys' School***
	• ***Girls' School***
	• ***City of London Freemens' School***
8th March 2016	***Risk Challenge Session:***
	• ***Culture, Heritage and Libraries***
	• ***Mansion House***
14th June 2016	***Risk Challenge Session:***
	• ***Chamberlain***

Committee(s):	Date(s):
Audit and Risk Management Committee	28 April 2015
Subject: Risk Management Update	**Public**
Report of: Chamberlain	**For Information**

Summary

This report presents an update on the Corporate risk register and progress on the implementing the Covalent Risk Management Information System.

All Corporate risks have been reviewed by Chief Officers in accordance with the established risk review procedure.

The Corporate risk register contains ten risks. One of these risks has changed in risk score (CR14 reduced) since the last risk update to the Committee on 24 February 2015. No new risks have been identified for escalation on to the Corporate risk register.

Departments have commenced recording their corporate (and top departmental risks) on to the Covalent Risk Management Information System and are all now using the 4 x 4 risk scoring matrix. The attached Corporate risk register summary report, showing risks in current score order, has been generated using this risk system.

Recommendations

Members are asked to:

- Review the Corporate risk register (see para 4 and appendix 1)
- Note that the Chief Officer Risk Management Group (CORMG) will be undertaking a "root and branch" review of the existing Corporate risks in June 2015
- Note that the Covalent Risk Management Information System is now operational.

Main Report

Background

1. The Corporate risk register was last reviewed by the Summit Group on the 13 April 2015 and the Audit and Risk Management Committee on 24 February 2015.

2. In accordance with the established risk framework, each risk has been reviewed (and where appropriate risk descriptions revised) by the responsible risk owner.

3. A Corporate risk register summary report is attached as appendix 1 providing details on each risk, a brief update and where appropriate a target risk date (see para 11.1). (Note: Target date is the date by when the target risk score should be achieved).

Corporate Risk updates

4. There are ten corporate risks of which one is red and nine are amber. The table below shows the ten corporate risks in <u>current risk</u> score order.

Risk no	Risk title	Score	Risk
CR10	Hampstead Heath Ponds	16	Red
CR08	Reputational risk	12	Amber
CR09	Health and Safety Risk	12	Amber
CR14	Funding Reduction	12	Amber
CR17	Safeguarding	8	Amber
CR01	Resilience Risk	8	Amber
CR02	Supporting the Business City	8	Amber
CR10	Adverse Political Developments	8	Amber
CR16	Information Security	6	Amber
CR18	Workforce Planning	6	Amber

5. One risk has changed in risk score since the February 2015. A brief update is set out below:

> 5.1 CR14 (Funding reduction) – The risk score has decreased from red 16 to amber 12. The financial strategy already addresses this risk for City Fund. Following the service based review and inclusion of these savings in budget estimates, the City Fund (non-Police) remains in balance or close to breakeven across the period. Savings begin to be reflected in the budget for 2015/16, approved by the Court, with full impact by end of 2017/18. There are risks around the implementation of the saving proposals and the achievement of savings will be monitored by the Efficiency and Performance Sub Committee on a regular basis. As savings proposals are implemented, this risk will ultimately reduce further to GREEN. For City Fund (Police), deficits are forecast across the period with draw down of reserves. The Commissioner is currently drawing up saving proposals that will be available before the summer recess.

6. The new Chief Officer Risk Management Group (CORMG) will be taking a "root and branch" review of the existing Corporate risks, at its first face to face meeting, in June 2015. It will also seek to provide the Audit and Risk Management Committee with an assessment of the effectiveness of the mitigation actions being taken to manage Corporate risks.

Top Departmental Red Risk register

7. As part of the risk framework it was agreed that not all significant risks require escalation to the Corporate risk register, however they can still be significant for the respective department. As a consequence all departmental red risks have been included in a top departmental red risk register.

8. There are eleven Top departmental red risks on this register (April 2015) compared with nine reported to the Summit Group in January 2015.

9. The risk concerning air quality (Risk no MCP-EH001 – formerly MCP6) in which members of the Audit and Risk Management Committee have shown particular interest, will be reviewed by the Chief Officer Risk Management Group (CORMG) in June 2015.

Covalent Risk Management Information System

10. This system is now operational. Departments have added their corporate and top departmental red risks on to the system. Other lower level rated business risks are being added over the next few weeks.

11. The Group are asked to note that:

    11.1 Corporate risks - target risk dates. Five Corporate risks have identified target risk dates (i.e. the date by when the target risk score should be achieved). The remaining five corporate risks have the same current and target score indicating that it is unlikely that they can be reduced any further. No target dates have been set for these risks.

Conclusion

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

Appendices:
  • **APPENDIX 1** Corporate Risk Register Summary

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Contact:
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Corporate Risk Register Summary   Appendix 1

Report date: 8 April 2015

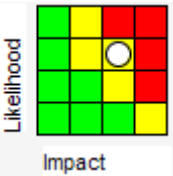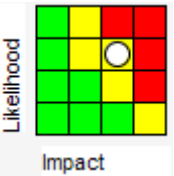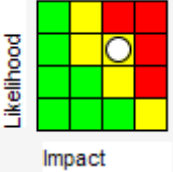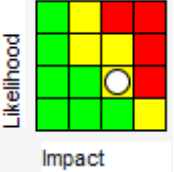## Total number of risks = 10 (Red 1, Amber 9)

Risk No, Title, Department, Risk Owner	Description (Cause, Event, Effect)	Current Risk Score		Risk /Mitigation update	Target Risk Score		Target date	Risk Trend
CR11 Hampstead Heath Ponds – overtopping leading to dam failure Director of Open Spaces Sue Ireland	**Cause:** The earth dams on Hampstead Heath are vulnerable to erosion caused by overtopping **Event:** Severe rainfall event which causes erosion which results in breach, leading to failure of one or more dams **Impact:** Loss of life within the downstream community and disruption to property and infrastructure		16	The Ponds Project is starting on site in mid–April 2015. The remaining headline risks to implementation are adjoining landowners, potential for protest and managing health & safety on site. The Project Board continues to meet monthly to manage the project and risks.		8	31–Oct–2016	↔

Corporate Risk Register Summary

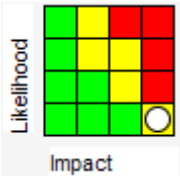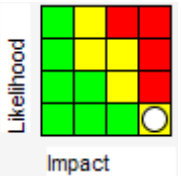| Risk No, Title, Department, Risk Owner	Description (Cause, Event, Effect)	Current Risk Score		Risk /Mitigation update	Target Risk Score		Target date	Risk Trend
CR08 **Reputational risk** Town Clerk's John Barradell	**Cause** – External factors/ action or internal management failure that impacts the reputation of the City Corporation **Event** – an action or event involving the City Corporation that attracts adverse publicity or attention **Effect** – Damage to the reputation of the City Corporation		12	Issues affecting the corporate reputation of the City Corporation arise on a weekly basis and are dealt with by the appropriate teams in Public Relations Office PRO has , for example, dealt with the publicity surrounding: • The Hampstead Heath Hydrology project. • Transparency and accountability for City's Cash. • Performance of the City schools. • The proposal for a new London concert hall.		12		↔

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Corporate Risk Register Summary

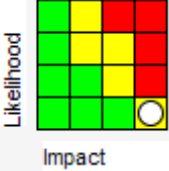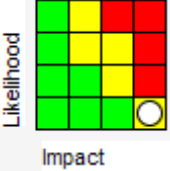| Risk No, Title, Department, Risk Owner	Description (Cause, Event, Effect)	Current Risk Score		Risk /Mitigation update	Target Risk Score		Target date	Risk Trend
CR09 **Health and Safety Risk** Town Clerk's John Barradell	**Cause** – Safety is treated as a low priority by the organisation, lack of training of staff and managers, management complacency, poor supervision and management **Event** – Statutory regulations and internal procedures relating to Health and Safety breached and/or not complied with. **Effect** – Possible enforcement action/ fine/prosecution by HSE, Employees/visitors/contractors may be harmed/injured, Possible civil insurance claim, Costs to the Corporation, Adverse publicity /damage to reputation, Rectification costs		12	Key actions in place/in progress; • Policy in place to meet legal requirement • H&S Plans being developed and working groups in operation in all departments • Top Health and safety risks being reported – further work on content improvement planned • Accidents & Near Misses being reported & investigated via a new system		8	31–Mar–2016	↔

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Corporate Risk Register Summary

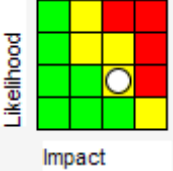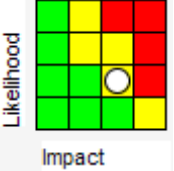| Risk No, Title, Department Risk Owner	Description (Cause, Event, Effect)	Current Risk Score		Risk /Mitigation update	Target Risk Score		Target date	Risk Trend
CR14 **Funding Reduction** Chamberlain's Peter Kane	**Cause**: Reduced funding from Central Government. **Event**: Reduced funding available to the City Corporation. **Effect**: City Corporation will be unable to maintain a balanced budget and healthy reserves in City Fund, significantly impacting on service delivery levels.		12	The financial strategy already addresses this risk for City Fund. Following the service based review and inclusion of these savings in budget estimates, the City Fund (non-Police) remains in balance or close to breakeven across the period. Savings begin to be reflected in the budget for 2015/16, approved by the Court, with full impact by end 2017/18. There are risks around the implementation of the saving proposals and the achievement of savings will be monitored by the Efficiency and Performance Sub Committee on a regular basis. As savings proposals are implemented, this risk will ultimately reduce further to GREEN. For City Fund (Police), deficits are forecast across the period with draw down of reserves. The Commissioner is currently drawing up saving proposals that will be available before the summer recess.		4	31-Mar-2018	

Corporate Risk Register Summary

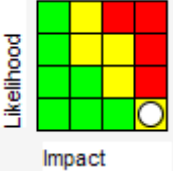| Risk No, Title, Department, Risk Owner	Description (Cause, Event, Effect)	Current Risk Score		Risk /Mitigation update	Target Risk Score		Target date	Risk Trend
CR17 **Safeguarding** Department of Community & Children's Services Ade Adetosoye	**Cause:** Not providing appropriate training to staff, not providing effective management and supervision, poor case management **Event:** Failure to deliver actions under the City of London' safeguarding policy. social workers and other staff not taking appropriate action if notified of a safeguarding issue **Effect:** Physical or mental harm suffered by a child or adult at risk, damage to the City of London's reputation, possible legal action, investigation by CQC and or Ofsted		8	The evaluation of the Notice the Signs campaign to raise awareness of safeguarding completed during 2014/15 has been finalised. A number of further actions have been identified to be completed during 2015/16. These include • Raising awareness of the Local Authority Designated Officer role • Implement recommendations from the Safeguarding and Children Looked After review • Ensure level 1to 3 safeguarding training is delivered to all Community and Children's service staff • Introduce Level 1mandatory safeguarding training for all City of London staff • Undertake an externally led audit of adult safeguarding to identify service improvement This risk is unlikely to be reduced any further. Processes are in place, such as quality assurance and performance monitoring to ensure staffs are aware of and comply with procedures.		8		⬌

Corporate Risk Register Summary

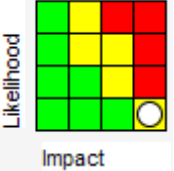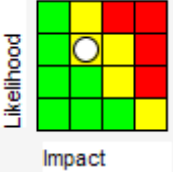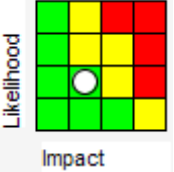| Risk No, Title, Department, Risk Owner	Description (Cause, Event, Effect)	Current Risk Score		Risk /Mitigation update	Target Risk Score		Target date	Risk Trend
CR01 **Resilience Risk** Town Clerk's John Barradell Page 22	**Caus**e – Lack of appropriate planning, leadership and coordination **Event** – Emergency situation related to terrorism or other serious event/major incident is not managed effectively **Effect** – Major disruption to City business, failure to support the community, assist in business recovery		8	Key actions current in progress: • A closer working relationship between the City of London Police and the City of London Corporation has been developed. • A large scale multiagency exercise has been arranged and will be held in the latter part of 2015. • All departmental business continuity plans are to be assessed in May, with a report on the findings submitted to the Summit Group in May/June.		8		↔

Corporate Risk Register Summary

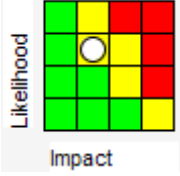| Risk No, Title, Department, Risk Owner	Description (Cause, Event, Effect)	Current Risk Score		Risk /Mitigation update	Target Risk Score		Target date	Risk Trend
CR02 **Supporting the Business City** Town Clerk's John Barradell	**Cause** – Failure to defend and promote the competitiveness of the business City. **Event** – City loses its position as the world leader in international financial services. **Effect** – Reduction in business activity in the City, lower income for and industry engagement with the City of London Corporation		8	At any given time there are a number of issues that could undermine the City's position as a world leader in international financial and business services, and these are tackled with a supporting programme of work to minimise the overall current risk on an on-going basis. For this reason the 'target' risk is not time-bound and is unlikely to be lower than the 'current' risk. Specific issues will be refreshed at each review with appropriate mitigation actions.		8		↔

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Corporate Risk Register Summary

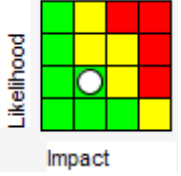| Risk No, Title, Department, Risk Owner	Description (Cause, Event, Effect)	Current Risk Score		Risk /Mitigation update	Target Risk Score		Target date	Risk Trend
CR10 **Adverse Political Developments** Remembrancer's Paul Double	**Cause:** External political developments undermining the City of London Corporation. **Event:** Issues involving financial services that make the City Corporation vulnerable to adverse comments; proposals made for the devolution from Central Government of responsibilities for public services that call into question the justification for the separate administration of the Square Mile. **Effect:** Functions of City Corporation and boundaries of the City adversely affected.		8	There has been close engagement with those responsible for developing proposals to enable the devolution of responsibilities while safeguarding the City. Constant attention is given to the form of legislation affecting the City. Continued promotion of the good work of the City Corporation among opinion-formers particularly in Parliament and Central Government so that the City Corporation is seen to remain relevant and "doing a good job" for London and the nation .		8		↔

Corporate Risk Register Summary

Risk No, Title, Department, Risk Owner	Description (Cause, Event, Effect)	Current Risk Score		Risk /Mitigation update	Target Risk Score		Target date	Risk Trend
CR16 **Information Security** Chamberlain's Graham Bell (SIRO)	**Cause**: Officer/ Member mishandling of information. **Event**: Loss or mishandling of personal or commercial information. **Expected to Change**: TBC (risk will remain, but current risk expected to reduce). **Effect**: Harm to individuals, a breach of legislation such as the Data Protection Act 1988. Incur a monetary penalty of up to £500,000. Compliance enforcement action. Corruption of data. Significant reputational damage.		6	Mandatory training – 'Data Protection' and 'Responsible for Information' is in progress across the Corporation. Managers are closely monitoring compliance.		4	31–Jan–2016	↔

Corporate Risk Register Summary

Risk No, Title, Department, Risk Owner	Description (Cause, Event, Effect)	Current Risk Score		Risk /Mitigation update	Target Risk Score		Target date	Risk Trend
CR18 **Workforce Planning** Town Clerk's Chrissie Morgan	**Cause** – A combination of changes to economic, legislative environment or employment market **Event** – Critical loss of capacity in business critical roles, impacting our ability to achieve our strategic aims/service provision **Effect** – Inability to recruit and retain business critical staff		6	A formal workforce planning structure that reports on workforce plans, staff development plans and business improvement plan to the Workforce Planning Steering Group and the Summit Group has been introduced A detailed improvement plan is being drawn up to ensure that the findings of the recent IIP review are implemented An employee development plan is on target to be delivered by the end of 2016		4	31–Mar–2017	↔

Committee(s)	Dated:
Audit and Risk Management Committee	28 April 2015
Subject: Members Briefings Reporting Arrangements	**Public**
Report of: Head of Internal Audit and Risk Management	**For Decision**

Summary

To provide information on the assurance reviews performed by internal audit, members' briefings are provided to the members of the Audit and Risk Management Committee, as well as the Chairman and Deputy Chairman of relevant committees to which the review may relate.

Production and dissemination of briefings is a separate process managed by the internal audit management and the Chamberlain. To align the dissemination with the current year's corporate and thematic internal audit approach and to assist in streamlining and making processes more efficient, the Head of Internal Audit and Risk Management proposes that a summary document be provided monthly of all finalised assurance reviews to members of the Audit and Risk Management Committee, as well as the Chairmen and Deputy Chairmen of other committees. An example of the proposed summary report that includes all members' briefings that would have been reported separately since January 2015 is attached as an appendix.

Recommendation(s)

Members are asked to:

- agree the proposed format of a members' briefing summary report that will be distributed monthly to members of the Audit and Risk Management Committee and the Chairmen and Deputy Chairmen of all other committees.

Main Report

Background

1. The Head of Internal Audit and Risk Management provides members' briefings on assurance reviews that have been finalised to members of the Audit and Risk Management Committee and relevant Chairman and Deputy Chairman of the committee to which the review relates.

Current Position

2. Individual members' briefings have been produced on an ad hoc basis and disseminated to various members dependent on the coverage of the review.
3. The internal audit plan 2015/16 coverage includes larger corporate wide and thematic reviews, which will result in a number of departments and institutions being included in the scope. Therefore, members' briefings will need to be disseminated more widely across committee Chairmen and Deputy Chairmen.

Options

4. Introduction of a monthly members' briefing summary that is also disseminated to Chairmen and Deputy Chairmen of all other committees provides: regular communication with the members and wider oversight of the findings in internal audit reports; reduces the administration resource to issue and receive individual briefings; and aligns reporting with the coverage in the 2015/16 plan.

5. Alternatively the committee may wish to continue to receive individual briefing reports under the current arrangements.

Proposals

6. A monthly members briefing summary report is disseminated to members of the Audit and Risk Management Committee and Chairmen and Deputy Chairmen of all other committees (excluding sub committees).

Appendices

- Appendix 1 – Summary of members briefings

Chris Harris
Head of Internal Audit and Risk Management

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This document provides a summary of all the assurance reviews that have been finalised since January 2015. This document replaces the individual member briefings that have been provided. Further details regarding the RED and AMBER assurance reviews are included in the April 2015 Audit and Risk Committee report.

Title: City of London Police – Telecommunications PBX[1] Resilience	Assurance Opinion: RED	Recommendations		
		Red	**Amber**	**Green**
The objectives of the original review were concerned with PBX fraud but during the course of the review a serious issue emerged regarding the PBX resilience. As such the report was divided on that basis with an assurance level and recommendations given to each specific area (i.e. PBX Fraud and PBX Resilience). See below for results of fraud review. The issues raised included only one member of staff being responsible for this area, thus being single point of failure. Audit was informed that there is documentation to assist when that member of staff is not present, but such documentation lacked formalisation. In addition, there was no 'out of hours' support regarding both the Force's Personnel and that of third party support/maintenance providers. Further, there is no remote access facility at any time regarding both staff and third parties. These issues were known to the Force's IT team and this has been the accepted position for many years. This could leave the Force in an exposed position (e.g. unable to receive public telephone calls) should the PBX system fail. It is understood there are contingency measures including the Metropolitan Police facility at Croydon via CAD messages, however, it is not believed this position has been formally considered and signed off at the highest level. All recommendations were accepted by the City of London Police in association with the City of London Chief Information Officer and Agilisys and will be implemented by December 2015.		3	1	0

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[1] A PBX is often referred to as the switchboard, although its complexity and functions belie this simple description. The PBX is a multi-user, multi-application, fault tolerant and real time computer providing a private telephone network used within an organisation for users to share a certain number of outside lines.

Title: City of London Police – IT Disaster Recovery	Assurance Opinion: RED	Recommendations		
		Red	**Amber**	**Green**
The objectives of the review were to establish and evaluate the IT DR plan including documentation processes training, testing, invocation and post incident procedure. Planned audit work was limited due to the lack of available of information and documentation. Discussions with the Force Chief Information Officer confirmed that limited formal DR procedures or facilities were in place. As a result only one red recommendation was made relating to the need to consider the ICT Disaster Recovery arrangements as critical and establish a plan to address the absence of such arrangements. The situation was recognised by the Force Chief Information Officer and management. From the 1st December 2014 the Force joined the Agilisys contract to provide a managed service for the majority of the IT Systems, excluding Impact Levels 4 and above. The move to a managed service will implement significant changes to the Force IT Systems, including a resilient infrastructure and network, with associated formal processes to manage both daily activities and Disaster Recovery The timing of this review gave an insight into the position of the Force ICT DR prior to the managed service implementation. The remediation of risks to service and DR is a high priority for the managed service, however a major DR incidence would have no regard for changes planned. The one red recommendation was accepted by City of London/Agilisys and the Force and will be fully implemented by December 2015. A follow up review by internal audit is scheduled in July 2015 to report on the progress made to improve DR arrangements.		1	0	0

Title: Markets and Consumer Protection – Trading Standards	Assurance Opinion: AMBER	Recommendations		
		Red	**Amber**	**Green**
The review sought to evaluate the arrangements in place to ensure that the City of London fulfils its statutory responsibilities regarding Trading Standards, ensuring a fair and safe trading environment for consumers and business alike. A number of opportunities were identified to improve control in respect of complaint and case management, some of which surround the system used by the team. Full audit testing of complaints management could not be performed due to missing information and poor quality management information generated from the Northgate M3 system,		0	2	5

which partly results from issues with automatic notifications from the Citizens Advice Bureau. Management also conceded that there are occasionally 'glitches' in report generation whereby records appear incomplete. We understand that the use of additional software (Crimson Investigation Management) is being considered to further facilitate case management.

Performance monitoring arrangements were not adequate. One KPI existed for the service which, whilst it relates to critical work, could be more accurately described as an objective for which delivery is not entirely within the team's control. We understand that management have consulted with regulators and local authorities in order to determine meaningful performance indicators focused on outcomes rather than outputs but that nothing suitable has been identified. Whilst we acknowledge the rationale behind an outcome-based approach, the importance of outputs should not be ignored; target setting, monitoring and measuring of team activities are essential as they enable the service to demonstrate that resources are being used in an appropriate and efficient manner. We noted that the Corporate Performance and Development Team has agreed to provide support to Trading Standards to assist in developing performance measures for 2015/16.

All recommendations were agreed by management, with the two amber recommendations being implemented by 15 April 2015.

Title: Town Clerks – Data Protection and Freedom of Information	Assurance Opinion: GREEN	Recommendations		
		Red	Amber	Green
The scope of the audit review was to ensure that; staff are aware of and receive training on Data Protection (DP) and Freedom of Information (FOI) requirements; relevant policies, procedures and guidance are in place; good practice is demonstrated in respect of data security, retention and disposal; monitoring takes place to ensure compliance with DP and FOI requirements; information request fees and charges are properly applied; and information is provided for a valid reason, is in the correct format and timely. We found the systems and controls supporting the City's arrangements for DP and FOI to be satisfactory. Although some areas for improvement have been identified, we also noted many areas of good practice. Two amber recommendations were raised relating to staff undertaking mandatory training and secondly that the Senior Information Risk Officer provides a summary of the decisions taken to evidence the rationale for the decisions made, Given the scope and scale of the legislation in these two areas and the burden it places upon local authorities, the		0	2	6

City has managed to establish a good framework, particularly in light of the relatively small resource overseeing DP and FOI. A key element in delivery has been the establishing of an Access to Information Network (AIN). This consists of reps in each department who work with the Information Officer to ensure compliance in matters regarding FOI and DP. Our review found this to be an effective set up, encouraging local ownership of such issues and helping to embed processes at a departmental level.

All recommendations were agreed by management, with the amber recommendations being implemented immediately.

Title: City of London Police – Telecommunications PBX Fraud[2]	Assurance Opinion: GREEN	Recommendations		
		Red	Amber	Green
The objectives of the review were to firstly raise awareness of the fraud to management generally. Secondly, to conduct an assurance fact finding questionnaire exercise followed by discussion to establish if 'good practice' had been implemented. The PBX areas covered included; responsibility, configuration, third parties support, maintenance, access controls, physical security, monitoring and fraud awareness. Two amber recommendations raised concerned comprehensive monitoring of PBX logs on a daily basis and clarity on third party alerts. All recommendations were accepted by City of London Police in association with the City of London and Agilisys and will be implemented by December 2015.		0	2	5

Title: City of London Police – Business Continuity Management	Assurance Opinion: GREEN	Recommendations		
		Red	Amber	Green
The objectives of the review were to establish and assess the assurance level regarding, core functions, leadership/governance, documentation, processes, invocation and post incident procedure. The review was		0	1	5

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[2] The fraud occurs when an external hacker gains access to the switchboard. The criminal then profits in two main ways, making a high volume of calls to premium rate numbers to which they are affiliated and selling calls via dialling international numbers through the compromised switchboard.

concerned exclusively with the Force's own internal Business Continuity Management System (BCMS) not the Force's role as a Category 1 Responder under the Civil Contingencies Act.

In respect of 'core functions' the Force has identified and approved core functions with the BCMS and as such they are referred to (e.g. Control Room and Custody) on a regular basis within the various BC groups. In terms of Leadership and Governance the Force has very good arrangements in terms of command structure and reporting. Documentation of the BCMS was found to be of a mixed quality. There has been extensive work regarding Risk (e.g. Performance Dashboard) and other BCMS issues. One amber recommendation has been made regarding the lack of a single depository for access to business continuity plans and information. This issue is known to the Force and it is in the process of being addressed. An amber recommendation was made as this area represents a fundamental building block of the Force's BCMS.

All recommendations were accepted by the Force with the implementation to be determined at the next Force BC meeting on 30 April, however, within a six month period.

Title: City of London Police - Police Officer's Pension	Assurance Opinion: GREEN	Recommendations		
		Red	Amber	Green
Audit testing was undertaken in the following areas: examination of a sample of pension payments to ensure that these had been correctly calculated in accordance with the Government's Police Pension Scheme; that there is adequate separation of duties between the preparation of pension calculations and the checking of their accuracy; and, that a routine exercise is undertaken to ensure that pensions are only paid to those entitled i.e. that the Pensions Office has been informed of all pension recipients' deaths. Sample testing of records and discussions with Pensions Office staff established that there are satisfactory controls over the calculation and payment of pensions. In addition, there are adequate supervisory checks performed on pension calculations, which are evidenced by signature. The Pensions Office receives monthly reports from a data matching bureau contracted to provide details of all pensioners registered deaths, which may not have been reported by executors. Life certificates are sent to overseas pensioners for completion, since details of registered deaths available from United Kingdom records.		0	0	0

Title: Agilisys Service Desk	Assurance Opinion: GREEN	Recommendations		
		Red	Amber	Green
This review assessed the Agilisys Service Desk (SD) function performance. The SD is performing the required duties and this is confirmed from the reports detailing monthly performance which is presented to the performance and monitoring board. However, the end user perception is that the service received is not equal to the previous in-house service received. The areas of weakness centred on lack of communication, the time taken to resolve issues, and incorrect redirection of calls by front-line staff to the back office resolver teams. In addition users perceived a lack of staffing resource when a physical presence is required to resolve an issue. One amber recommendation was made to improve the knowledge of SD staff of non-standard areas. All recommendations were agreed to be implemented by June 2015.		0	1	4

Title: Agilisys Managed Services	Assurance Opinion: GREEN	Recommendations		
		Red	Amber	Green
The purpose of the review was to assess the achievement of the business case, effectiveness of contract performance and relationship management, and progress of the seven improvement projects. Agilisys were found to be providing an adequate service and have successfully implemented the majority of the improvement projects. All recommendations made were accepted by the Chief Information Officer and will be fully implemented by June 2015.		0	0	5

Title: Chamberlain's City Procurement – Centralised Purchase Ordering and Invoice Payment	Assurance Opinion: GREEN	Recommendations		
		Red	Amber	Green
The objectives of this review were: to determine whether invoices are paid: on time; for the correct amount; to the correct creditor; and VAT treated correctly; to establish whether the number of non-order invoices are monitored and ascertain why purchase orders are not being raised; to ascertain whether a record of all invoices is maintained so		0	0	6

Members Briefing produced by Head of Internal Audit & Risk on 14 April 2015

that any unpaid invoices can be identified; to establish whether duplicate invoices payments are highlighted and payments made are recovered; and, to assess the adequacy of performance information produced to manage and report on the performance of the Accounts Payable function for accuracy, reliability and timeliness.

There are satisfactory controls over the processing of invoices, since the parameters for the correct processing of invoices are built into the CBIS Accounts Payable (AP) system.

All recommendations raised were agreed to be implemented by 30 April 2015.

Title: Open Space – West Ham Park Nurseries	Assurance Opinion: GREEN	Recommendations		
		Red	Amber	Green
This review looked to ascertain and evaluate the adequacy of procedures for procuring supplies and services to ensure compliance with corporate policies and financial regulations, as well as the issuing and processing requests for plants and floral decorations and control over stock. It also evaluated processes for recorded and collecting income, as well as monitoring arrears and budget monitoring. There were adequate internal controls over the procurement of supplies and services with a good division of duties, and adherence to the City's corporate policies and directives and Financial Regulations. Controls over processing and issuing requests for supplies of plants and floral decorations, as well as controls over stocks were operating effectively. Furthermore, controls over income collection and the monitoring of invoice payments were satisfactory. The Nursery's price list, however, had not been reviewed since 2012/13 and the pricing strategy would benefit from a benchmarking exercise with other similar suppliers. The recommendation raised in relation to this has been agreed and will be implemented by end June 2015.		0	0	1

Title: Community and Children's Services – Interim Valuation (CSA[3])	Assurance Opinion: N/A[4]	Recommendations		
		Red	Amber	Green
Internal audit sought to obtain assurance that an adequate control environment is in place to confirm the completeness and accuracy of contract interim valuations prior to payment in respect of major projects. The controls in place were found to be generally satisfactory but some clear areas for improvement were identified. In particular, there was a lack of senior management review of Interim Certificates issued by both internal staff and external consultants. All recommendations raised were agreed by management and planned to be implemented by December 2014.		0	1	2

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[3] Control Self-Assessment
[4] No assurance opinion provided as a result of the self-assessment. However, for comparison purposes this area would receive a 'green' assurance opinion.

Assurance levels

Category	Definition
Nil Assurance 'Dark Red'	There are fundamental weaknesses in the control environment which jeopardise the achievement of system objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited Assurance 'Red'	There are a number of significant control weaknesses and/or a lack of compliance which could put the achievement of system objectives at risk and result in error, fraud, loss or reputational damage.
Moderate Assurance 'Amber'	An adequate control framework is in place but there are weaknesses and/or a lack of compliance which may put some system objectives at risk.
Substantial Assurance 'Green'	There is a sound control environment with risks to system objectives being reasonably managed. Any deficiencies identified are not cause for major concern.

Recommendation Categorisations

Priority	Definition	Timescale for taking action
Red - 1	A serious issue for the attention of senior management and reporting to the appropriate Committee Chairman. Action should be initiated immediately to manage risk to an acceptable level	Less than 1 month or more urgently as appropriate
Amber - 2	A key issue where management action is required to manage exposure to significant risks, action should be initiated quickly to mitigate the risk.	Less than 3 months
Green - 3	An issue where action is desirable and should help to strengthen the overall control environment and mitigate risk.	Less than 6 months

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Committee:		Date:
Audit & Risk Management Committee		28 April 2015
Subject: Internal Audit Recommendations Follow-up		**Public**
Report of: Head of Audit and Risk Management		**For Information**

Summary

This report provides an update on the implementation of audit recommendations by management since the last follow-up report to the Audit & Risk Management Committee on 8th December 2014.

Two formal follow-up exercises have been concluded since the December Committee with 76% of recommendations fully implemented at the time of follow up; an overview of these is provided at **Appendix 1**.

Cumulative performance in the implementation of audit recommendations over the last 24 months has been monitored with 86% of audit recommendations confirmed as implemented when formal audit follow-ups were undertaken; the percentage implementation remains the same as it was at the time of the December update report. Where red and amber priority recommendations were still to be implemented at the time of audit follow-up, further updates have been sought from management to confirm timescales for resolution and these are outlined within this report

Management status updates on all open red and amber actions are provided in **Appendix 2**. There are 16 live amber priority recommendations at the time of reporting, two of which relate to historic audits (i.e. 2013/14 or earlier).

The current position as at the end of March 2015 is that in addition to the amber open actions which are outlined in Appendix 2, there are 186 open green priority actions.

Members are asked to:

- Note the recommendations follow-up report; and

- Note performance in the implementation of recommendations.

Main Report

Formal Audit Follow-ups

1. Details of the two formal audit review follow ups concluded since the December 2014 report to the Committee are set out in **Appendix 1**, along with comments where internal audit recommendations were yet to be implemented.

2. It should be noted that the Open Spaces Forest Centres exercise was a second follow-up, undertaken because the degree of implementation of audit recommendations at the time of the initial follow-up was unsatisfactory. The

recent check identified that only 61% of recommendations had been implemented but the Chief Officer has since advised that further progress has been made in implementation since audit testing in late 2014 / early 2015. It is intended that evidence will be obtained of implementation before the outstanding recommendations are closed down on the Internal Audit management software.

3. As at the middle of March 2015, cumulative performance in the implementation of audit recommendations when formal audit follow-ups were undertaken, over the last 24 months, is as follows:-

Implementation at time of audit follow-up (last 2 years)	Red	Amber	Green	Total
Recommendations Agreed	11	83	200	294
Recommendations Implemented	11	73	168	252
% implemented	100%	88%	84%	86%

Leaving 42 recommendations as not implemented.

4. Formal follow-up activity since the last update to this Committee identified one amber priority recommendation which remained live at the time of testing; this was related to the Forest Centres exercise. The Chief Officer concerned has since advised that the recommendation has been implemented and as such this is not included within the live amber priority issues report at **Appendix 2**.

Red and Amber Priority Recommendations Status

5. In addition to the formal audit follow-up process, internal audit obtains status updates from recommendation owners on a quarterly basis for any open red or amber priority recommendations. The outcomes from these status checks are reported in **Appendix 2** and summarised in the following table.

6. With the exception of reports recently finalised, there are currently no open red priority actions as these are nearly always implemented before or very soon after internal audit work is finalised. Similarly good performance in the prompt implementation of amber recommendations following the agreement of internal audit reports is reducing the number of open amber priority recommendations that require monitoring. There are currently 16 live amber priority recommendations. Provided below are the details of the two amber priority recommendations where the revised target dates exceed by 12 months the original agreed date are as follows:-

- Open Spaces -Chingford Golf Course (2010 Audit): the recommendation to market test the management contract, last undertaken in 2001, was delayed initially pending developments and option appraisal relating to the future of the site. The Director of Open Spaces has advised that following the Head of Visitor Services taking up the post (9 March 2015), a fundamental review of the future of the golf course is being undertaken as part of Open Spaces

Service Based Review work. The Senior Management Team will be considering an Opportunity Outline on 13th April with delivery of an options paper planned by August. Options to be considered may include closure, a new contract, outsourcing, cost recovery and this will need to be presented to Members in the autumn for decision. The Open Spaces Director is expecting to deliver a resolution within 12 months.

- Markets and Consumer Protection – Car Parks (2012 Audit): implementation of the recommendation to address the poor quality of management information available from the car park barrier system at Smithfield was initially delayed by an extension of the off-street car park management contract with APCOA until 31st March 2015. Barrier equipment replacement will take place by 1st April 2016 until new contract arrangements.

Implementation of recommendations according to agreed timescales

7. Recommendation owners continue to be subject to challenge by Internal Audit where any slippage in implementation occurs; this is to ensure that revised timescales are only agreed in exceptional circumstances. There is a strong focus on the agreement of realistic implementation dates when audit reviews are being finalised and this is reflected in the generally high level of implementation at the time of formal follow-up exercises. Delay in implementation is often attributable to recommendations being linked to larger change programmes, for example system / equipment upgrade, contract award, strategy development.

8. As reported earlier in this update report, there are a small number of longstanding amber priority recommendations where there have been several revisions to original timescales. Client liaison is on-going in these areas to ensure that Internal Audit continue to be kept informed of matters affecting the progress of implementation.

9. Formal follow ups are scheduled across the year to assess and verify that recommendations have been implemented.

Conclusion

10. There is a very high level of acceptance of internal audit recommendations and generally good communication with clients in respect of the progress of recommendations implementation, particularly related to high priority items. There remain a small number of historic amber priority recommendations (i.e. 2013/14 or earlier) where original agreed timescales have not been achieved and where revised implementation dates have either been agreed with Internal Audit or are in the process of being agreed.

Appendices

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

Audit Follow-ups December 2014 to March 2015					Recommendations Agreed				Recommendations Implemented				Appendix 1
Department	Audit Review	Main Report Finalised	Follow up Date	Original Assurance level	R	A	G	Tot	R	A	G	Tot	Exception Comments
Open Spaces	Forest Centres	01/11/2010 ch to confirm date	Feb-15	Amber	0	1	22	23	0	0	14	14	A total of 24 recommendations were made at the time of the original audit, one of which (green priority) has since been superseded. This second follow-up exercise identified that the amber priority recommendation relating to the introduction of comprehensive stock records (goods for resale) is outstanding. We have not been able to provide assurance that all stock is accounted for. The Director of Open Spaces advised in March 2015 that the new Epos till system records stock movement and can produce reports although staff had not yet tested this at the time of writing. We have been advised that improved information is expected for stock ordering following implementation of the Epos system and that best sellers and stagnant stock will be highlighted. We have also been advised that a stock log book has been introduced. A further follow-up is planned to obtain evidence of implementation.
Community and Children's Services	Individual Budgets	Feb-13	Mar-15	Amber	0	4	10	14	0	4	10	14	A total of 15 recommendations were made at the time of the original audit, one of which (green priority) has since been superseded. Alternative mitigation was accepted in respect of one green priority recommendation; this has been classed as implemented for the purposes of this analysis.
				Totals	**0**	**5**	**32**	**37**	**0**	**4**	**24**	**28**	

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Department	Audit Review	Main Report Finalised	Assurance level	R	A	Comments	On target to Orig Date	Revised Dates agreed	Revised to be agreed	1 to 3 mths	4 to 6 mths	7 to 12 mths	12 mths plus	<3 mths	3 - 6 mths	> 6 mths
						Audit Actions Status - based on Management reports - as at 20/11/2014 / Open Red & Amber	**Open Red & Amber Actions**			**Revised target date compared to original date (for live reds / ambers)**				**Planned Implementation date**		
Open Spaces	Chingford Golf Course	Aug-10	Amber	0	1	The outstanding amber priority recommendation relates to the arrangements for management of the Golf Course, not tendered for some years. The Director of Open Spaces has advised that following the Head of Visitor Services taking up the post (9 March 2015), a fundamental review of the future of the golf course is being undertaken as part of Open Spaces Service Based Review work. The Senior Management Team will be considering an Opportunity Outline on 13th April with delivery of an options paper planned by August. Options to be considered may include closure, a new contract, outsourcing, cost recovery and this will need to be presented to Members in the autumn for decision. The Open Spaces Director is expecting to deliver a resolution within 12 months.		1					1			1
Markets and Consumer Protection	Markets Car Parks	Apr-12	Green	0	1	One amber priority recommendation is outstanding in respect of addressing the poor quality of management information available from the car park barrier system at Smithfield. Implementation of the recommendation to address the poor quality of management information available from the car park barrier system at Smithfield was initially delayed by extension of the off-street car park management contract with APCOA until 31st March 2015. Barrier equipment replacement will take place by 1st April 2016 as part of new contract arrangements.		1					1			1
Community and Children's Services	Holloway Estate Investigation	May-14	N/A		1	This amber priority recommendation relates to the lack of CCTV at the Holloway Estate Office, which has hampered identification of the individual responsible for the suspected theft of a Blackberry and cash from the site safe. We were originally advised that the installation of CCTV was to form part of the capital programme of works for 2014/15. We have since been notified that this has been made part of a project to install and upgrade CCTV on a number of estates with a view to obtaining better value by packaging the work into one contract. As a result the work has been rescheduled and as per the Asset Management Plan it will now be carried out in 2015/16.		1				1				1
Town Clerk's	Public Relations Office	Jul-14	Green	0	1	This amber priority recommendation relates to the progression of discussions between the PRO and City Procurement regarding print services, continuing to consult them in instances where the value of the expenditure is expected to exceed the thresholds where competitive quotes or tender are required. A major corporate revamp of print services procurement has delayed full implementation of this recommendation and a revised target date of the end of 2015/16 has been agreed in light of the Marketing and PR Category Board's proposed 3-phased approach, as follows: Phase 1 – offers a short term solution allowing the consolidation of a supplier base of several hundred providers to a select list of suppliers to be agreed by the board (at next meeting in April), which will be published on the intranet. Phase 2 – an open tender process will provide a compliant mid-term solution with the aim of awarding contracts before the end of the financial year 15/16 to a limited number of providers for a period of several years, delivering the required level of diversity, service and efficiencies across the organisation. Phase 3 – a wider review of the Print and other Marketing & PR sub categories, including Design, Advertising / Media Buying, Document Management / Mailing, PR and Marketing with a view to developing suitable sourcing strategies, offering a longer term approach to the category as a whole.		1				1				1
Town Clerk's	Policy & Resources Committee Grants	Oct-14	N/A	0	1	The outstanding amber priority recommendation relates to the development and roll-out of monitoring and reporting procedures in respect of financial support awarded by the Policy and Resources Committee. Guidance has been produced and it is understood that this is due to be presented to the Committee on the 30th April 2015.		1		1				1		
Open Spaces	Fleet Management	Feb-14	Green	0	1	The outstanding amber priority recommendation relates to the development of a departmental strategy for fleet management. It is understood that this will be undertaken by the departmental Transport Coordinating Group through the 2015/16 financial year. The strategy will include performance indicators and a formal vehicle replacement policy.	1									1
Town Clerk's	Data Quality	Aug-14	Green	0	1	The outstanding amber priority recommendation relates to the need for all departments to ensure that they undertake the policy requirement to provide an annual Chief Officer data quality assurance statement. It is understood from the Head of Corporate Performance and Development that this recommendation has been partially implemented. Emails have yet to be sent to all departments reminding them of this responsibility, the timing of this was pushed back to coincide with the preparation of year-end reports which is where such statements would be expected to be.		1			1			1		
Community and Children's Services	Estate Offices	Nov-14	N/A	0	1	There has been slippage in implementation of the recommendation to discontinue acceptance of cash for shed storage and car parking as chip and pin machines are yet to be rolled out at relevant sites. A revised target date has been agreed to allow further time for agreement of the lease for the terminals.		1			1			1		

Audit Actions Status - based on Management reports - as at 20/11/2014				Open Red & Amber			Open Red & Amber Actions				Revised target date compared to original date (for live reds / ambers)				Planned Implementation date		
Chamberlains	Assisted Purchasing	Nov-14	Amber	0	1	The outstanding recommendation related to the improvement of performance monitoring is understood to be on target for implementation by 30th April 2015. It is understood that all City Procurement metrics will be refreshed to show simple tracking of performance against targets and that the metrics suggested by Internal Audit will be considered for inclusion.	1								1		
Markets and Consumer Protection	Spitalfields Car Parks	Oct-14	N/A	0	1	The outstanding recommendation related to documentation of the review (and rationale) of car park pricing at New Spitalfields Market is understood to be on target for implementation by 31st December 2015. The timing was determined to allow current lease negotiations to be concluded.	1										1
Markets and Consumer Protection	Local Contract Management	Mar-15	Amber	0	2	The two outstanding amber priority recommendations relate to the undertaking of market testing in respect of a small number of services provided to Smithfield and Billingsgate Market. Both recommendations are understood to be on target for implementation by 30/04/15 and 30/06/15 respectively.	2								1	1	
Culture Heritage and Libraries	Art Gallery Shop	Mar-15	N/A	0	2	The two outstanding recommendations relate to the reconciliation of income banked to CBIS and performance of a year-end reconciliation of stock in hand. A revised target date of 30/04/15 has been agreed for both recommendations.		2			2				2		
Culture Heritage and Libraries	Keats House - Income and Expenditure	Mar-15	N/A	0	2	Revised target dates have been agreed in respect of the two outstanding recommendations related to the maintenance of central records for income (venue hire) and reconciliation of till income to CBIS, as well as strengthening control over use of the till. A revised target implementation date has been agreed for both recommendations of 30/04/15.		2			2				2		
Total				0	16		5	11	0	0	5	2	2	2	9	1	6

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Committee(s)	Dated:
Audit and Risk Management Committee	28 April 2015
Subject: Internal Audit Update Report	**Public**
Report of: Head of Internal Audit and Risk Management	**For Information**

Summary

This report provides an update on internal audit activity since the Committee met on 8th December 2014. This report sets out the independent opinion of the Head of Internal Audit in relation to the adequacy and effectiveness of the control environment for those areas of internal audit work concluded since the last update report to Committee.

The outcomes from the 12 full and mini assurance audit reviews finalised since the last update are reported and significant risk issues highlighted. Three finalised audit reviews resulted in Red or Amber assurance ratings, which indicate there are significant audit findings that require mitigation and focused action by management. These being; City Police – IT PBX Resilience (Red Assurance); City Police – IT Disaster Recovery (Red Assurance); and Market & Consumer Protection - Trading Standards (Amber Assurance).

As at the end of March 2015, completion of the 2014/15 internal audit plan is at 90% which meets the expected 90% completion rate as per the target.

A good level of performance is being maintained by the internal audit function, however, improvement is needed to ensure reports are consistently issued in a timely manner. Furthermore, we need to work with management to ensure that responses to draft reports are received by the target deadlines.

Recommendation(s)

Members are asked to note the update report.

Main Report

Background

1. This report provides an update on internal audit activity since the Committee met on 8th December 2014. It sets out the independent opinion of the Head of Internal Audit in relation to the adequacy and effectiveness of the control environment for those areas of internal audit work concluded since the last update report to Committee.

Current Position

2. Since the last update report to the Audit and Risk management Committee on 8th December 2014, twelve full and mini assurance audit reviews have been finalised. Three of these reviews resulted in Red or Amber assurances. Further details of these reports are provided in **Appendix 1**.

3. In addition to the Red and Amber reports a further nine internal audit reviews identified in **Appendix 2** have been finalised and reported with a green assurance rating.

Audit Work Delivery

4. Completion of the 2014/15 audit plan to draft report stage was 90% at the end of March which matches the performance target.

5. It has been concluded that 100% of the plan that will be delivered by the end of April 2015, in advance of providing the Head of Internal Audit Annual Opinion.

Internal Audit Section Performance

6. In summary, the performance levels of implementing audit recommendations as assessed by formal follow up reviews have been maintained. Performance of delivering draft and final reports has fallen short of targeted time from completion of fieldwork to an extent. This is as a result of; the focus on delivering the internal audit plan and, therefore not prioritising the tracking of responses to draft reports and turning around final reports; as well as a small number of reports requiring a higher level of engagement with management to address weaknesses identified. This will be addressed during the delivery of the 2015/16 plan by centralising monitoring records, which will provide a more robust tracking and report finalisation process. Furthermore, this performance indicator will become two going forward to report on response time taken by management and the time taken by internal audit to finalise reports. Satisfaction survey results remain positive, although there is an intention to encourage more auditees to provide feedback by developing a survey that can be completed electronically. A summary of the performance against the Internal Audit Key Performance Indicators can be found at **Appendix 3**.

Internal Audit Programme

7. Members at the last meeting also requested a mapping exercise be performed to demonstrate how the proposed 2015/16 coverage reported at the November 2014 committee mapped to the agreed internal audit plan presented at the February 2015 committee. The results can be found at **Appendix 4.**

Conclusion

8. Internal audit's opinion of the City's overall internal control environment is that it remains adequate and effective although some areas of the financial and operational framework do need focused improvement by management as identified in Red or Amber reports highlighted to the Committee during the course of the year.

Appendices

- Appendix 1 – Details of red and amber assurance review
- Appendix 2 – Finalised internal audit green assurance reviews
- Appendix 3 – Internal audit function performance
- Appendix 4 – Mapping exercise

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Appendix 1 – Details of Red and Amber Assurance Internal Audit Reviews:

These include reviews where an overall red or amber assurance opinion has been provided and management responses have been received and therefore the report is considered to be finalised, however the list excludes 'spot check' reviews.

Both the police reviews have been reported to the Police Performance and Resource Management Sub Committee in March 2015.

Audit Title: **City Police – IT PBX Resilience (Red Assurance)** Recommendations: Red – 3 Amber – 1
Audit Scope and Background: A PBX is often referred to as the switchboard, although its complexity and functions go beyond this. The PBX is a multi-user, multi-application, fault tolerant and real time computer being a private telephone network used within an enterprise for users to share a certain number of outside lines. The audit objectives were concerned with PBX fraud, which received a green assurance opinion, but during the course of the review a serious issue emerged regarding the PBX resilience. As such a second report was produced relating to PBX resilience.
Audit Findings: There is only one member of staff responsible for this area and while audit have been informed there is documentation to assist when that member of staff is not present this represents a 'single point of failure'. In addition, there is no 'out of hours' support covering the Force's personnel and that of third party support/maintenance provider. Further, there is no remote access facility at any time regarding both staff and third parties. These issues are known to the IT team and this has been the accepted position for many years. This could leave the Force in an exposed position (e.g. unable to take public telephone calls) should the PBX system fail. It is understood there are contingency measures including the Metropolitan Police facility at Croydon via Computer Aided Dispatch (CAD) messages, however, it is not believed this position has been formally considered and signed off at the highest level. These issues have been discussed with the Force and an Agilysis representative and it is hoped an appropriate resilience level can be achieved. It needs to be recognised, however, that the overall City Police/Agilisys transition is planned over at least a six months period. The urgency of the situation needs to be determined and prioritised within that planned transition. Risk: The Force may be unable to take calls and deal with emergencies.
Management Response: All recommendations were agreed to be implemented by December 2015. At the signing of the change control to extend the managed service in December 2014 this position significantly improved, with the Police able to access the broader support resources available from Agilisys. There are, however, resources gaps to be filled and this situation will continue to improve as we implement the (Information Technology Infrastructure Library (ITIL) and Infrastructure as a Service (IAAS) projects during 2015.

Audit Title: **City Police – IT Disaster Recovery (Red Assurance)**

Recommendations:
Red - 1

Audit Scope and Background:

For clarity the definition of BCMS within this review is taken from the Business Continuity Management System (BCMS) international standard (ISO 22301) which reads 'being part of the overall management system that establishes, implements, operates, monitors, reviews, maintains and improves business continuity'. The management system includes organisational structure, polices, planning activities, responsibilities, procedures and resources.

It was agreed that two reports would be produced one for overall BCMS and a specific review of the IT Disaster Recovery Plan, this report is concerned with the latter. The BCMS review received a green assurance opinion.

The IT Disaster Recovery Plan was to be benchmarked against several criteria including ISO 22301.

Audit Findings:

Planned audit work was limited due to the lack of available Force staff resource to provide information, documentation and answer questions. Discussions with the Force Chief Information Officer (CIO) have confirmed that limited formal DR procedures or facilities are in place.

This report therefore offers conclusions based on the limited information available. These would indicate that there are absences or significant deficiencies across the 8 objectives of this review.

The Force does have a number of solid structures, processes and procedures regarding their BCMS which accord generally with ISO 22301, ACPO and other requirements. However, with regard to ICT DR limited evidence was available to assess the position and what evidence was gathered was not reassuring.

Risk:
The Force may not be operational in the event of a disaster as officers and staff are unaware of what the recovery process should be.

Management Response:

The findings of this report and the need to urgently improve the position are agreed. Work has been underway during 2014 to implement a managed service for the Police which will address these deficiencies.

The Police transition process started on the 1st of Dec and will be complete by December 2015. Incremental improvements will occur throughout this project and will be reported to the Police Governance structure

Consequently, an interim follow up review has been requested for July 2015 to independently assess and report on the progress made.

Audit Title: **Market and Consumer Protection - Trading Standards (Amber Assurance)**

Recommendations:
Amber – 2
Green – 5

Audit Scope and Background:

The City of London Corporation (CoL) has a statutory duty to enforce a wide range of regulations that ensure a fair and safe trading environment. Trading Standards are responsible for enforcing and advising business and consumers regarding legislation relating to trading practices. The team investigates scams and fraud in conjunction with the Tri-Regional Scambusters Team, which is funded by the National Trading Standards Board.

The review sought to evaluate the arrangements in place to ensure that the City of London fulfils its statutory responsibilities regarding Trading Standards, ensuring a fair and safe trading environment for consumers and business alike.

Audit Findings:

A number of opportunities were identified to improve control in respect of complaint and case management, some of which surround the system used by the team. Full audit testing of complaints management could not be performed due to missing information and poor quality management information generated from the Northgate M3 system, which partly results from issues with automatic notifications from the Citizens Advice Bureau. Management also conceded that there are occasionally 'glitches' in report generation whereby records appear incomplete. In addition, we noted that some system functions which might be of value (e.g. time recording) had not been enabled. We understand that the use of additional software (Crimson Investigation Management) is being considered to further facilitate case management.

Performance monitoring arrangements are not adequate at present. There is currently a single KPI for the service which, whilst it relates to critical work, could be more accurately described as an objective for which delivery is not entirely within the team's control. We understand that management have consulted with regulators and local authorities in order to determine meaningful performance indicators focused on outcomes rather than outputs but that nothing suitable has been identified. Whilst we acknowledge the rationale behind an outcome-based approach, the importance of outputs should not be ignored; target setting, monitoring and measuring of team activities are essential as they enable the service to demonstrate that resources are being used in an appropriate and efficient manner. We note that the Corporate Performance and Development Team has agreed to provide support to Trading Standards to assist in developing performance measures for 2015/16.

High level regulation of Trading Standards is facilitated via the Port Health and Public Protection Enforcement Policy and we found this to be generally compliant with the key content of the Regulators Code. However, policies and procedures in respect of day to day complaint management activities were not evident. We are informed that some progress has been made in this regard following the completion of the audit.

Audit testing of enforcement action cases concluded that work is being undertaken in compliance with the Enforcement Policy.

Risk:

Performance cannot be adequately monitored to ensure that resources are being used effectively.

Management Response:

All recommendations were agreed, with the delivery of training to address many of the areas of weakness, including one amber recommendation. The second amber recommendation is being addressed by reviewing and adopting best practice key performance indicators.

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Appendix 2 - Completed Internal Audit Reviews:

These include reviews where an agreed management response has been received and therefore the report is considered to be finalised, however the list excludes 'spot check' reviews.

Green Assurance reviews	Red Recs.	Amber Recs.	Green Recs.	Total
Chamberlain's Department:				
Agilisys Managed Service		0	1	**1**
Agilisys Service Desk		1	4	**5**
CLPS – Centralised Purchase Ordering and Invoice Payment		0	5	**5**
Town Clerk's Department:				
Data Protection and FOI		2	6	**8**
Open Spaces:				
West Ham Park Nurseries		0	1	**1**
City of London Police:				
IT PBX Fraud		2	5	**7**
IT Business Continuity Management		1	5	**6**
Police Officer's Pension		0	0	**0**
HMIC Assurance review		0	0	**0**

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Appendix 3 - Internal Audit Key Performance Indicators March 2015

The following Key Performance Indicators (KPIs) are used for monitoring the internal audit section performance. Performance against these indicators is set out in the table below. Where targets have not been achieved, further comments have been provided after the table.

Performance Measure	Target	Mar 2015	Nov 2014	Aug 2014
1. Completion of the audit plan	90% of planned audits completed to draft report stage by end of plan review period (31 March 2015)	90%	44%	16%
2. % recommendations confirmed fully implemented at time of formal follow up	Overall – 75% Red – 100% Amber – 80% Green – 70%	Overall - 88% Red – 100% Amber – 89% Green – 84%	Overall - 85% Red – 100% Amber – 87% Green – 84%	Overall - 88% Red – 100% Amber – 95% Green – 85%
3. Timely production of draft report	80% of draft reports issued within 4 weeks of end of fieldwork	72%	78%	66%
4. Timely agreement and issue of the final report	80% of final reports (including agreed management action plan) issued within 5 weeks of draft report	63%	70%	83%
5. Customer satisfaction	Through key question on post audit surveys – target 90%	95%	95%	95%
6. % of audit section staff with relevant professional qualification	Target 75%	80%	93%	87.5%

The performance in respect of producing draft and final (3 and 4) reports is the result of a number of factors:
- The team have been working hard and focussed on delivering the internal audit plan
- There have been a small number of reviews that have required additional dialogue with management, including Estate Housing Offices.
- The final report KPI is also dependent on obtaining responses from management. On average we have calculated it takes 44 days to receive a response to a draft report. We currently ask management to respond within 28 days.

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Appendix 4 - Mapping exercise of detailed Internal Audit Annual Work Plan for 2015-16

The grey section of the table is the agreed audit plan from the February 2015 ARM Committee. The additional section of the table has been taken and mapped from the information presented at the November 2014 ARM. The final column highlights any significant changes to note.

Corporate and Strategic Reviews (425 days)

Title of Review	Days	Coverage	November 2014 ARM Committee	Days	Changes to Note
Business Continuity, Crisis Management and Disaster Recovery	330[1]	Corporate Risk 1. A high level review of the corporate approach to business continuity, crisis management and disaster recovery. Coverage will include: defined accountability and sponsorship roles and responsibilities, appropriate skills of staff responsible for business continuity, crisis management and disaster recovery, awareness and training, strategies, recovery contracts, service level agreements, earmarked budget and funds, business impact plans, crisis management team plans, communication and call cascades and annual test plan/exercises. Excluded from the review: IT, Outsourced Contracts and Suppliers.	Cross cutting reviews, e.g. overtime and expenses, information governance, officers declarations, health & safety, project management.	170	Corporate and strategic reviews will also cover the following departments: - Comptroller - City Surveyors, - Culture, Heritage & Libraries[2] - Mansion House - Remembrancer's Office
Supporting Businesses		Corporate Risk 2. A high level desk top review to establish progress against the Economic Development Office's business plan, as well ensuring that robust governance arrangements are in place over the activities of the International Regulatory Strategy Group.			
Health & Safety		Corporate Risk 4. Following on from the corporate internal audit review of health and safety performed in February 2015. A further review will be performed to assess the progress on implementing any recommendations raised in the review and to review an additional sample of areas of the City.			

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[1] Excludes allocation to Procurement, Petty Cash, Cash Income Collection and Banking, and Expenses as the allocation has been included in the Chamberlain departmental reviews below.
[2] IT review of People's Network included in IT reviews.

Title of Review	Days	Coverage	November 2014 ARM Committee	Days	Changes to Note
Information Governance and Security		Corporate Risk 16. A strategic review that will consider whether effective and efficient governance arrangements are in place over information security. It will cover; roles and responsibilities, review of the framework in place, risk assessment, policies and procedures, monitoring and reporting activities, and compliance with relevant laws and regulations.			
Learning & Development		Corporate Risks 16 and 18. A corporate wide review to ensure that; effective training and development plans and adequate records exist for all members, officers and staff; training is aligned to the City's priorities and objectives; appropriate resources are available for training; and management progression or job rotation programmes exist.			
Vetting of Staff		Corporate Risk 17. This review will focus on the corporate processes operated by HR and managers to ensure that appropriate records are obtained to verify that all new employees are legally eligible to work in the UK. Testing will also be performed to ensure that satisfactory references have been received and that where qualifications have been required as part of the job role, adequate evidence has been obtained of such qualifications. Furthermore, it will consider whether central lists are maintained to identify those posts where additional checks should be performed of employees and confirm whether those checks have taken place.			
COSO – Entity Wide Control Environment		This review will use the basis of the COSO framework, the leading standard for internal control assessment. It will consider five components of control: control environment, risk assessment, control activities, information and communication, and monitoring activities. It will also help identify areas of potential coverage for the 2016-2017 internal audit plan.			

Procurement Compliance		A corporate wide substantive testing review of a sample of purchase transactions via various methods, e.g. purchase orders, procurement cards and expense claims to ensure compliance with corporate procurement rules and corporate contracts are used where appropriate. Excluded from the review: tendering processes, supply chain management and contract monitoring.			
Petty Cash		A corporate wide substantive testing review of a sample of claims processed from larger and more frequently used petty cash imprests.			
Cash Income Collection and Banking		A corporate wide substantive testing review of a sample of cash income transactions are banked intact.			
Expenses		A corporate wide substantive testing review of a sample of expense and travel claims made by those members, officers and staff who claim the most in terms of value and volume.			
Pre-Contract Project Appraisal		A review to ensure that a robust approach exists over the decision to proceed with projects.			
Liquidations		A review to ensure that the impact of risks relating to contractor and consultant liquidations are minimised.			
Physical Access Security to Guildhall		This review will review the physical access controls in operation to prevent unauthorised access to the Guildhall to determine whether they are adequate and effective.			
Follow Up		A quarterly review, prior to the Audit and Risk Committee and other relevant sub committees, will be performed to substantiate the progress management has made against implementing Red and Amber rated recommendations. For Green rated recommendations an updated from management will be obtained only.			

Departmental Reviews (405 days)

Department	Days	Title of Review	November 2014 ARM Committee	Days	Changes to Note
Chamberlain	180[3]	Main Accounting System – General Ledger, Accounts Receivable & Accounts Payable Investments – Corporate Responsibility Council Tax Business Rates Governance and Oversight of Service Based Reviews	Focus on main Financial Systems and key financial stewardship processes, impact on Oracle 12 implementation[4] on financial processes, and other system changes will be areas for focus (e.g. business rates insourcing)	142	Increase in days due to thematic corporate wide reviews
Information Systems (in house)	110	ITIL Compliance Remote Access – Strategy, Security and Operation Database Patching & Change Control Procedures Back Up Strategy and Procedures Firewalls – Strategy, Security and Operation Asset Register WAN (MLPS) – Strategy, Security and Operation GJR Server Rooms – Decommissioning, Physical and Environmental Controls People's Network (Culture, Heritage & Libraries)	n/a	n/a	IT reviews have not been presented individually previously.
Information Systems (outsourced)	40	WIFI Strategy, Security and Operations Cloud Security Oracle 12 Licenses Oracle Post Implementation Review	n/a	n/a	IT reviews have not been presented individually previously.
Open Spaces	85	Donations & Sponsorship Income Epping Forrest Cemeteries & Crematoriums Chingford Golf Course	Periodic review of financial management, employee controls, facilities management. Periodic compliance visits to each site, including focus on leisure/visitor facilities.	65	Finance and HR coverage included in thematic corporate wide reviews.
Markets and Consumer Protection	10	Licensing	Compliance reviews covering all city markets, consumer protection offices, central admin and controls over income collection.	60	Finance coverage included in thematic corporate wide reviews.

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[3] Takes into account allocated budget for Corporate Wide Reviews of Procurement, Petty Cash, Cash Income Collection and Banking, and Expenses
[4] See Information Systems (outsourced) review below called Oracle Post Implementation Review

Community & Children's Services	15	Departmental Review (inc. risk management, governance and key financial controls)	DCCS has a large number of different operations and responsibilities, although often the size of the service is small, none the less, the operational risks can be very high. Area is subject to external inspections.	120	Although a significant reduction finance and HR coverage included in thematic corporate wide reviews. Whilst the one review provides general coverage of governance and risk management and core financial management in the department. Coverage in this department will be subject to a joint risk review between Internal Audit and the Department during 2015/16
City Surveyors	40	Property Purchases, Sales & Investments	Key operational risks relating to investment income properties, subject to cyclical coverage. Changes in control framework following Oracle 12[5] implementation will be a key consideration.	35	No significant change.
		Rents, Lettings and Vacancies			
Built Environment	20	Recoverable Works	Assurance focused review on some key operational systems, e.g. highways, waste.	55	Although a reduction in days coverage included in thematic corporate wide pre-contract appraisal or liquidations reviews.

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[5] See Information Systems (outsourced) review above called Oracle Post Implementation Review

CoL Institutional Reviews (269 days)

Department	Days	Title of Review	November 2014 ARM Committee	Days	Changes to Note
City of London Police	85	Expenses (inc. Travel Expenses)	Main area of assurance work relates to employee controls, premises costs and operations, and key control areas (e.g. translators fees, compensation costs). Operational risk and controls are subject to regular coverage by police constabulary inspectorate.	80	No significant change.
		Business Travel Scheme			
		Police Office Allowances and Ad Hoc Payments			
		Police Supplies & Services Payments			
		Action Awareness Team			
		Governance and oversight of outsourcing			
City of London Freemans School	10	Institutional Review (inc. risk management and governance, key financial controls and annual enrolment)	Internal audit approach to these three institutions will be reviewed, with the intention of developing and undertaking standardised key financial and ICT reviews.	20	10 days is deemed to provide sufficient coverage. Any key findings from initial work will result in increased coverage
City of London School	10	Institutional Review (inc. risk management and governance, key financial controls and annual enrolment)	Internal audit approach to these three institutions will be reviewed, with the intention of developing and undertaking standardised key financial and ICT reviews.	20	10 days is deemed to provide sufficient coverage. Any key findings from the initial audit work will result in increased coverage
City of London School for Girls	25	Institutional Review (inc. risk management and governance, key financial controls and annual enrolment)	Internal audit approach to these three institutions will be reviewed, with the intention of developing and undertaking standardised key financial and ICT reviews.	20	No significant change.
		ICT Strategy, Security and Operation			
Guildhall School of Music and Drama	40	Annual Enrolment	Several standalone systems and processes, key operational areas are fee income, professor contracts, school also has separate IS/IT arrangements are shared with barbican	51	No significant change. IT review incorporated in Barbican centre.
		Milton Court			
		Procurement of Goods and Services			
		Governance over Satellite Operations			
Barbican Centre	99	Box Office	Several standalone systems and	65	Increase in days due

		International Enterprise	processes, which require separate assurance and are unique to the Arts Centre operation. Significant capital/contract management activity, separate IS/IT arrangements.		to some recent operational changes or trends experienced.
		Bars (inc. Contract Management and New Arrangements)			
		Membership Scheme			
		Budget Setting and Financial Management			
		Cost Estimates and Cost Plan			
		IT – System Controls			

Non CoL Institutional Reviews (102 days)

NOT INCLUDED IN NOVEMBER 2014 ARM COMMITTEE

Institution	Title of Review
Museum of London	Collections Management – Acquisitions, Disposals & Loans
	Collections – Security, Display and Storage
	Development Office
	Key Financial Controls (inc. petty cash, inventory, safe security, creditors and expenses)
	Follow Up
London Councils	Grants
	ICT – IT Strategy
	ICT – Information Governance
	Key Finance Controls – Income
	Risk Management – Business Continuity Arrangements
	Follow Up
	Contingency

Committee(s)	Dated:
Audit and Risk Management Committee	28/04/2015
Subject: Anti-Fraud & Investigations Up-date Report	**Public**
Report of: Chamberlain	**For Information**

Summary

This report provides Members with an update of our anti-fraud and investigation activity. It also provides an analysis of the cases investigated throughout 2014/15 along with a high level comparison of the value of identified fraud vs investigation expenditure, as requested by Members.

National Fraud Initiative potential fraud data matches were released to the City of London Corporation on 29th January 2015 and these are currently being reviewed by departmental contacts. Any matches resulting in fraud and/or corruption will be investigated by the anti fraud and investigation team and the outcomes reported to future meetings.

An IT penetration test exercise was undertaken in January 2015, which identified a number of cyber risks; further details, along with the actions taken to mitigate these risks are included as a non-public appendix to this report. This appendix also provides some further details on potential cyber risks as requested by the Committee.

Since the last update an employee investigation has been undertaken in relation to a theft of donations at the City of London Cemetery and Crematorium which resulted in a disciplinary investigation and subsequent dismissal.

A successful social housing tenancy fraud prosecution, under the Prevention of Social Housing Fraud Act was heard at the City of London Magistrates Court, with the defendant pleading guilty, and levied with a fine, costs and unlawful profit order.

Recommendation(s)

- Members are asked to note the report

Main Report

Background

1. This report updates Members with the key issues arising from anti fraud and investigations work since the last report to Committee in December.

Proactive Anti-Fraud Activity

2. National Fraud Initiative (NFI) 2014/15 Exercise – Data matches for the City Corporation's involvement in this exercise were released on 29ᵗʰ January 2015. A total of 6,922 data matches were returned for further inspection of which 1,300 are classed as recommended filter matches (ones that should be looked at as a matter of priority) by the NFI team. The majority of these data matches relate to possible creditor duplicate payments. There are a total of 5,321 creditor data matches and of these 699 are recommended filter matches, previous exercises have shown that many of the NFI matches result in false positives. Departmental key contacts have been reviewing recommended filter matches, relevant to their area, since their release in January; we expect these reviews, in the main, to be completed by August, with only a moderate impact on departmental resources. The review of NFI matches is progressing well and is in-line with previous years exercises. Any cases of alleged fraud identified through further inspection of the data matches will be reviewed and investigated by the Anti-Fraud & Investigation team as appropriate. Outcomes will be reported to future meetings.

Cyber Fraud Risks

3. A penetration test exercise (also known as a 'Pen Test', a legal attempt at gaining access to an organisations protected computer systems or networks, with the purpose of identifying security vulnerabilities and then attempting to successfully exploit them in order to gain some form of access to the network or computer system) was undertaken on behalf of the City of London Corporation in January 2015; this exercise identified a number of vulnerabilities which have been classified with a risk basis, and are detailed within a non-public appendix to this report. Also included within this non-public appendix is a high level summary of actions taken, and timetable to mitigate against these risks. A further summary of the types and nature of cyber fraud risks and potential auditing activity is also included within this appendix.

Anti-Fraud & Investigation Cost Analysis

4. An identified fraud value vs investigation cost expenditure analysis of the team's activity for 2014/15 has been undertaken and can be found at appendix 1 to this report. This provides Members with an analysis of investigation expenditure against the value of identified fraud for 2014/15 across the three main fraud types – housing tenancy, housing benefit & corporate fraud.

Housing Tenancy Fraud

5. A successful social housing tenancy fraud prosecution case was heard at the City of London Magistrates Court on 11ᵗʰ March 2015. A prosecution was brought under a new piece of legislation – the Prevention of Social Housing Fraud Act – a first for the City of London, in relation to a former City of London social housing tenant at Middlesex Street Estate, who unlawfully sub-let his flat. The defendant pleaded guilty and was fined £1,000 plus a £100 victim surcharge, he was also ordered to pay full costs of £2,010.10, and the City of

London Corporation was awarded an unlawful profit order of £685.36. The tenancy has now been given to another person in much greater need.
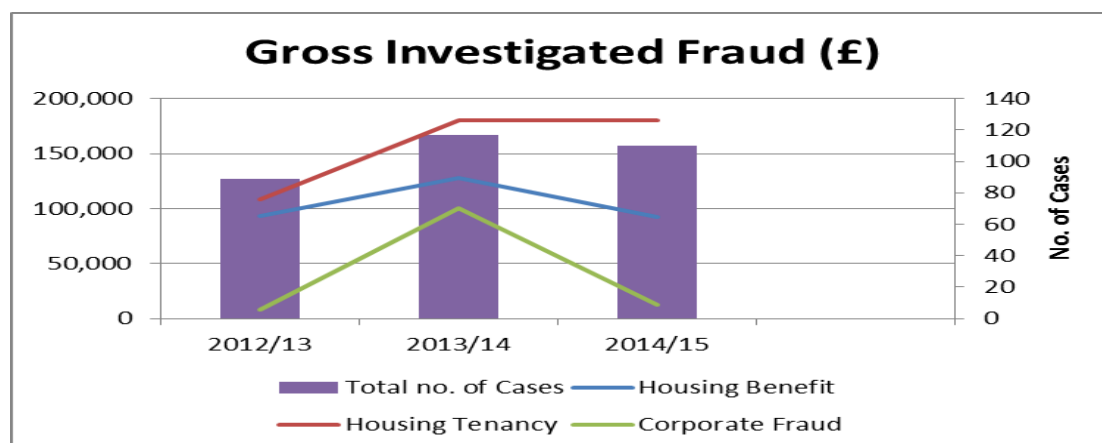
6. Five housing tenancy fraud investigation cases are currently with the Comptroller and City Solicitor; four for criminal prosecution, and one for civil action to recover possession. These cases involve those that have illegally sub-let or submitted fraudulent applications to obtain housing from the City Corporation. In three of the cases mentioned above, we have already gained possession of the property, and re-let them and in another case the fraudulent application has been cancelled.

Corporate Fraud

7. An investigation was undertaken at the City of London Cemetery & Crematorium, supported by the Anti-Fraud Manager, in relation to an employee who was found to be stealing money from the donations box, attached to the front gate. The investigation found that the employee, who worked on the front gate, greeting visitors and undertaking general security duties, was stealing small value donations given by visitors. At the finalisation of the investigation in October 2014 a disciplinary hearing concluded that the employee had committed gross misconduct and the employee was subsequently dismissed from employment.

Investigation Activity Summary

8. The graph below shows a trend analysis of the gross number of cases investigated during the current reporting year 2014/15, against the previous two years. This shows all fraud types, along with the value of frauds detected for both housing benefit and housing tenancy investigations. The value of corporate fraud investigations are shown where these can be quantified, however, as previously advised, these are generally more problematic to quantify, owing to the nature of the offences committed.

9. Detailed housing benefit fraud and housing tenancy fraud caseload reports are contained in Appendix 2 to this report.

Conclusion

10. Internal Audit continues to provide a professional anti-fraud and investigation service, with successful investigations resulting in positive outcomes for the City Corporation. Several fraud investigation cases are currently with the Comptroller & City Solicitor and are subject to either criminal or civil proceedings.

Appendices

Appendix 1: Identified Fraud vs Investigation Expenditure Analysis

Appendix 2: Housing Benefit Fraud & Housing Tenancy Fraud Caseload

Non-Public Appendix: Cyber Fraud Risks

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Appendix 1 – Housing Benefit Fraud & Housing Tenancy Fraud Caseload as at 25/03/2015

Housing Tenancy Fraud

Housing Tenancy Fraud Case Referrals	April 2014 to March 2015		April 2013 to March 2014		*April 2012 to March 2013*
Referrals received in current year	44		28		*9*
Cases carried over from previous years [1]	14		10		*11*
Total	58		38		*20*
Cases currently under investigation	29		11		*9*
Cases closed with no further action	11		13		*4*
Cases with Comptroller & City Solicitor	5		3		*1*
Cases where possession pending	0		0		*0*
Cases where possession order granted	0		0		*0*
Cases where successful possession gained [2]	10		10		*6*
Cases where successful prosecution action taken	2				
Cases where fraudulent application identified	1		1		*0*
Total	58		38		*20*
Value where successful possession gained [3]	£180,000		£180,000		*£108,000*

Notes:

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

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

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

Appendix 1 – Housing Benefit Fraud & Housing Tenancy Fraud Caseload as at 25/03/2015

Housing Benefit Fraud (N.B Data is to December 2014 only as HB Fraud transferred to DWP at that point)

Housing Benefit Fraud Case Referrals	April 2014 – Dec 2014		April 2013 – March 2014		April 2012 – March 2013
Referrals Received in current year	18		37		32
Cases carried over from previous years [1]	15		21		20
Total	**33**		**58**		**52**
Comprising					
Cases currently under investigation	0		7		12
Cases referred to DWP solicitors	0		2		1
Cases referred to City Solicitors [4]	1		3		1
Cases subject to benefit entitlement re-assessment	0		1		6
Cases subject to Admin Penalty Action	0		2		1
Total number of live cases [2]	**1**		**15**		**21**
Successful prosecutions	4		3		5
Successful Cautions	4		5		2
Successful Admin Penalties	2		5		2
Cases where fraud proven but no further action taken [5]	14		5		4
Cases closed with no further action	8		25		18
Total number of closed cases	**32**		**43**		**31**
Total	**33**		**58**		**52**
Total value of HB/ CTB overpayments relating to the investigated cases detailed above [3]	**£92,072**		**£128,002**		**£93,211**

Notes:

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

[2] Total claim base approximately 1100 individuals

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

[4] HB Fraud Investigation transferred to SFIS on 01/12/2014. One legacy HB fraud case outstanding listed for trial July 2015.

[5] Of the 14 cases closed with no further action, 5 were transferred to the DWP under the Single Fraud Investigation Service

1. The table below details the cost of investigation activity undertaken by the Anti-Fraud & Investigation Team for the 2014/15 reporting year, along with the value of identified fraud covering three different fraud types – housing tenancy, housing benefit and corporate fraud. Our calculations show that the value of identified fraud exceeds the total spend on investigation activity by £143,272.59. Not all identified fraud is recovered, this is for reasons such as being unable to trace or locate an individual, or where the value is very low, and recovery is not commercially viable. The majority of fraud identified is recovered, although usually over a period of time, and generally covering a number of financial years.

2. In addition to the spend on investigation activity, the anti-fraud expenditure on awareness activities, pro-active exercises and fraud management amounts to £38,430.

Description	Investigation Expenditure (£)
NAFN Costs	2,626.17
Financial Investigation	2,518.33
Transcription/ Translation	728.14
Computer Forensics	2,700.00
Counsel Fees	7,145.00
CoL Police Recharges	8,203.44
Investigator Costs	68,570.00
Internal Legal Costs	49,163.33
Total	**£141,654.41**
	Identified Fraud (£)
Housing Tenancy Fraud[1]	180,000.00
Housing Benefit Fraud[2]	92,072.00
Corporate Fraud[3]	12,855.00
Total	**£284,927.00**

Anti-Fraud expenditure – awareness activities, pro-active exercises and fraud management costs = £38,430.
[1]Housing Tenancy Fraud – successful possession gained value of £18,000 per property sourced from Audit Commission value of national average temporary accommodation costs to Local Authorities for one family.
[2]Housing Benefit Fraud – Fraudulent overpayments generally recovered over a prolonged period (in some occasions from on-going benefit entitlement), as such the value of identified fraud above has not yet been recovered in its entirety. A financial restraint order under the Proceeds of Crime Act has been obtained in relation to a housing benefit fraud prosecution case amounting to £34,225.12.
[3]Corporate Fraud – Value of identified fraud only recovered where possible and commercially viable; values above include theft, conduct, grant and employee fraud matters reported to and/ or investigated by the Anti-Fraud & Investigation team.

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

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