



Audit and Risk Management Committee

Date: TUESDAY, 2 JUNE 2015
Time: 1.45 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

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

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. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 28 April 2015.

For Decision
(Pages 1 - 6)
4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

(Pages 7 - 8)
5. **COMMITTEE WORK PROGRAMME**

(Pages 9 - 10)
6. **TO APPOINT A MEMBER TO THE PERFORMANCE AND RESOURCE MANAGEMENT (SUB) OF THE POLICE COMMITTEE**
Town Clerk to be heard.

For Decision
7. **HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT (INCLUDING A PROGRESS REPORT)**
Report of the Head of Internal Audit and Risk Management.

For Information
(Pages 11 - 20)
8. **ANNUAL GOVERNANCE STATEMENT**
Report of the Town Clerk and the Chamberlain.

For Decision
(Pages 21 - 42)
9. **CORPORATE RISK REGISTER REVIEW**
Report of the Chamberlain.

For Decision
(Pages 43 - 56)
10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
12. **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

13. **CYBER FRAUD**

Report of the Chamberlain.

(This report, which was originally an appendix to last Month's regular 'Anti-fraud Investigations Update' was deferred to this meeting of the Committee)

For Information
(Pages 57 - 60)

14. **DECISIONS TAKEN UNDER URGENCY/DELEGATED SINCE THE LAST MEETING OF THE COMMITTEE**

Report of the Town Clerk.

For Information
(Pages 61 - 62)

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

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

Members Only

17. **PRIVATE MEMBER MEETING WITH THE HEAD OF INTERNAL AUDIT**

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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 28 April 2015

Minutes of the meeting of the Audit and Risk Management Committee
held at the Guildhall EC2 at 1.45pm

Present

Members:

Alderman Timothy Hailes (in the Chair)
Alderman Nick Anstee
Nigel Challis
Jamie Ingham Clark
Oliver Lodge
Hilary Daniels (External Member)
Caroline Mawhood (External Member)
Jeremy Mayhew (ex-officio Member)
Hugh Morris (ex-officio Member)
Graeme Smith

Officers:

Simon Murrells	- Assistant Town Clerk
Neil Davies	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Dr Peter Kane	- Chamberlain
Michael Cogher	- Comptroller and City Solicitor
Anna Simmonds	- Chamberlain's Department
Paul Dudley	- Chamberlain's Department
Chris Keesing	- Chamberlain's Department

In attendance:

Nick Bennett	- Moore Stephens, External Auditor
Heather Bygrave	- Deloitte, External Auditor
Philip Everett	- Director of the Built Environment
Esther Sumner	- Department of Open Spaces
Sue Ireland	- Director of Open Spaces

It was proposed by Jeremy Mayhew, seconded by Hugh Morris and agreed that Alderman Tim Hailes take the Chair.

1. APOLOGIES

Apologies were received from Alderman Charles Bowman, Roger Chadwick, Revd. Dr Martin Dudley, Oliver Lodge, Alderman Ian Luder and Kenneth Ludlam.

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

There were no declarations.

3. **ORDER OF THE COURT OF COMMON COUNCIL**

The Committee received the Order of the Court of Common Council dated 23 April 2015.

4. **ELECTION OF CHAIRMAN**

The Committee proceeded to elect a Chairman in accordance with Standing Order No 29. The Town Clerk read the list of Members eligible to stand and Alderman Nick Anstee, being the only member willing to serve, was duly elected Chairman for the ensuing year and took the Chair.

5. **ELECTION OF DEPUTY CHAIRMAN**

The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No 30. The Town Clerk read the list of Members eligible to stand and Nigel Challis, being the only member willing to serve, was duly elected Deputy Chairman for the ensuing year.

6. **MINUTES OF THE PREVIOUS MEETING**

The public minutes and non-public summary of the meeting held on 24 February 2015 were approved as a correct record.

7. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received the outstanding actions list and noted those items which would be discharged, as follows:

- **Hampstead Heath** - following a presentation at today's meeting, Members agreed that this item could be removed from the Outstanding Actions list.
- **Anti Fraud, Data Protection and Responsible for Information On-line training** - the latest response figures had been tabled; i.e. Responsible for Information - 78%; Data Protection - 85% and Fraud Awareness - 94%. The Chairman acknowledged the efforts of Chief Officers and accepted that different learning approaches would need to be taken for staff who did not have regular on-line access, and that some staff may have completed similar courses as part of their professional development.

The Chairman and Members were satisfied with the Chief Officer and Summit Groups' interventions and the additional focus provided as part of the Chief Officer Risk Challenge Sessions. The Head of Internal Audit and Risk Management further advised that an Internal Audit Review on learning and development had been planned for this year. It was therefore agreed that this item could be removed from the Committee's outstanding actions list.

- **Anti-Fraud Investigations** – this had been covered on today's agenda.

8. COMMITTEE WORK PROGRAMME

The Committee received its work programme and noted the updates and additions, since the last meeting of the Committee:

- City's Cash Statements and Deloitte's Annual Audit letter would be presented to the Committee in September.
- The next Risk Management Update in June would include a 'root and branch' review of all corporate risks.
- Agenda item 18 on today's agenda in respect of Cyber Fraud was deferred to the June meeting.

9. THE PONDS' PROJECT: MANAGING RISK

The Committee received a presentation from the Departments of the Built Environment and Open Spaces in respect of the Hampstead Heath Pond Project. The presentation had been requested as an exemplar of risk and project management skills and cross working and covered the following:

- Throughout the project, the City of London had proven its ability to work together and draw expertise from a wide range of external professionals.
- Very few organisations could have managed such a complex project. Stakeholder involvement at an early stage had been a significant factor in its success.
- The Chairman of Hampstead Heath, Highgate Wood and Queens Park Committee was in attendance and commended the leadership of Philip Everett; the co-ordination skills of Esther Sumner and the excellent team work and initiative of all staff involved.
- Although there had been a Judicial Review, this had given closure and external relationships had improved by the end of the process.
- Given the excellent outcome to the project, Members agreed that the item could be removed from the Committee's Outstanding Actions list but it would remain on the Corporate Risk Register until the project was complete.

10. RISK MANAGEMENT UPDATE

The Committee received a report of the Chamberlain, which presented an update on the Corporate Risk Register and reported on progress in implementing the Covalent Risk Management Information System. During the discussion on this item, the following matters were raised/noted:

- Members commended the new format and clear presentation of the report.
- In response to questions about risk owners, the Risk Manager explained that including this information in each report would make them extremely lengthy. Members were therefore content to receive this extra detail annually.
- Also annually, starting in June this year, Members would receive an update on the top departmental risks.
- In respect of the 5 risks without a target date, the Risk Manager explained that action was being taken within those risks but the immediate or medium term impact might be beyond officers' control. However, effective risk management and mitigation would be further tested as part of the root and branch review of corporate risks, which would be presented to the next meeting of the Committee.

RESOLVED, that:

1. The Corporate Risk Register be noted.
2. The Chief Officer Risk Management Group's (CORMG) 'root and branch' review of the existing corporate risks in June 2015 be noted.
3. The operation of the Covalent Risk Management Information System be noted.

11. MEMBERS' BRIEFINGS - REPORTING ARRANGEMENTS

The Committee considered a report of the Head of Internal Audit and Risk Management, which sought to streamline the process of providing Member briefings in respect of Internal Audit assurance reviews. Members welcomed the proposed efficiency but asked officers to be mindful of summarising too much detail, particularly on red reports.

RESOLVED, that:

The Members' Briefing Summary Report be distributed monthly to Members of the Audit and Risk Management Committee and the Chairmen and Deputy Chairmen of other, relevant committees.

12. INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP REPORT

The Committee considered a report of the Head of Internal Audit in respect of the implementation of audit recommendations by management since the last report to the Committee in December 2014. Members were reminded that the Department of Open Spaces' Risk Challenge Session would take place before the June Committee and would provide an opportunity to consider, in more detail, the amber recommendation in respect of Chingford Golf Course. The Senior Audit Manager further advised that officers would be reviewing the follow up and reporting of recommendations in order to avoid duplication and improve efficiency.

RESOLVED, that: the recommendations follow up report and the performance in respect of the recommendations be noted.

13. INTERNAL AUDIT UPDATE REPORT

The Committee received a report of the Head of Internal Audit and Risk Management. Members were pleased at the 90% completion rate, which was an improvement on the previous year, particularly as there had been some recent staffing changes. The Senior Audit Manager advised that a new tracking procedure would identify any departmental weaknesses. Members asked to be provided with performance/compliance data before each risk challenge session.

In respect of the Police's red recommendation (IT Disaster Recovery), Members noted that the City of London Police had recently outsourced their IT function to Agilisys and this would address a previous lack of resources. The Senior Audit Manager advised that future reports would include updates on progress.

RESOLVED, that:

The Internal Audit update report be noted.

14. INTERNAL AUDIT INVESTIGATIONS UPDATE REPORT

The Committee received a report of the Chamberlain, which provided an update on anti-fraud and investigation activity. Members noted that decisions to prosecute on proven cases of fraud were taken by the DWP, based on the commercial viability of achieving a successful prosecution. Given that the DWP were solely responsible for taking such decisions, Members agreed to receive investigation update reports twice yearly, rather than bi-monthly.

RESOLVED, that:

The report be noted.

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

There were no questions.

16. ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT

There were no items of urgent business

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 1 of the Schedule 12A of the Local Government Act.

**Items
17 - 19**

**Para
3**

17. INTERNAL AUDIT INVESTIGATIONS UPDATE – CYBER FRAUD

The Committee received a report of the Chamberlain in respect of the risk of Cyber Fraud, following Members' requests at an earlier meeting. As this report has been produced jointly with an IT professional, who was not in attendance, Members agreed to defer it to the June Committee.

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

There were no questions.

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

Members noted that this would be the last meeting of Mr Hugh Morris (ex-officio Member representing the Policy and Resources Committee). The Chairman invited Members to join him in thanking Mr Morris for his contributions to the work of the Committee over the past few years.

The meeting closed at 3.10 pm

Chairman

Contact Officer: Julie Mayer

tel. no.: 020 7332 1410

julie.mayer@cityoflondon.gov.uk

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 3 rd June 2015. The Committee will receive an update on the outcome of the Trial.
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.

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

Date	Items
20 July	<ul style="list-style-type: none"> • Audited 2014/15 City Fund and Pension Fund Financial Statements together with Deloitte's report thereon • Audited 2014/15 Bridge House Estates and Sundry Trusts Financial Statements together with Deloitte's report thereon • <i>HMIC Police Inspections Summary report</i> • <i>Peer Review</i> <p>Risk Challenge session: Community and Children's Services</p>
17 September	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Risk Management Update • <i>Audited 2014/15 City's Cash and City's Cash Trust Funds Financial Statements together with Moore Stephens report thereon</i> • <i>Deloitte's Annual Audit Letter on the City Fund and Pension Fund Financial Statements</i> <p>Risk Challenge Session: City Surveyors</p>
3 November	<ul style="list-style-type: none"> • Moore Stephens - annual audit plan for the Non Local Authority Funds including agreement of the audit fee • Internal Audit Planning 2016/17 • <i>Investigations Update Report</i> • <i>Committee Effectiveness Survey – method and style of questionnaire</i> <p>Risk Challenge Session: Comptroller and City Solicitor</p>
26 January 2016	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Risk Management Update <p>Risk Challenge Sessions:</p>

	<ul style="list-style-type: none"> • Boys' School • Girls' School • City of London Freemens' School
8 th March 2016	<p><i>Investigations update report</i></p> <p><i>Results of Committee Effectiveness Survey</i></p> <p><i>Annual Governance Statement Methodology</i></p> <p>Risk Challenge Session:</p> <ul style="list-style-type: none"> • Culture, Heritage and Libraries • Mansion House
14 th June 2016	<p>Risk Challenge Session:</p> <ul style="list-style-type: none"> • Chamberlain

Committee(s)	Dated:
Audit and Risk Management Committee	02/06/2015
Subject: Head of Internal Audit Opinion and Annual Report	Public
Report of: Head of Internal Audit and Risk Management	For Information

Summary

The Public Sector Internal Audit Standards require the Head of Internal Audit and Risk Management to provide the Audit and Risk Management Committee an annual internal audit opinion. The opinion is used to inform the City of London Corporation's Annual Governance Statement.

Consistent with the interim opinion provided as part of the handover process by Paul Nagle, Head of Internal Audit and Risk Management covering the period 01 April 2014 to 31 December 2014, the following opinion is provided for the 12 months ended 31 March 2015:

"I am satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes.

*In my opinion, **the City has adequate and effective systems of internal control in place to manage the achievement of its objectives.** In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.*

Notwithstanding my overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures which are documented in each individual audit report."

Two areas of emphasis are highlighted in the internal audit opinion. The first relates to the resilience of the City of London Police ICT arrangements which, at the time of reporting, have insufficient controls to ensure the resilience of ICT operations. This issue had already been identified by management, and structural changes are being made to strengthen the resilience of ICT through the merging of the Corporate ICT and Police ICT functions and the transfer of infrastructure to the City's outsourced ICT provider, Agilisys. The second relates to the management and procurement of temporary staff via the managed staff provider.

In the Head of Internal Audit's previous annual opinion, one area of emphasis highlighted related to controls operating in relation to project management. Audit follow-up work in this area has confirmed the implementation of all recommendations.

The volume of audit work completed in 2014/15 and in previous years; the completion of the full follow-up programme on audit recommendations; and the relatively high level of internal audit resourcing enables the Head of Internal Audit to be satisfied that sufficient audit work has been undertaken to enable reasonable conclusions to be drawn as to the adequacy of the City's risk, governance and internal control arrangements.

The latest review of the performance of the internal audit function was provided to the committee on 28 April 2015. The internal audit function operates under the requirements of the Public Sector Internal Audit Standards (PSIAS). The City of London internal audit function was peer reviewed by the Head of Governance, from the London Borough of Croydon in February 2014 and assessed as generally conforming to the new standards. A number of minor observations were made, which have now been acted upon, including revision to the internal audit charter, which was agreed at the 4th November 2014 Audit & Risk Management Committee.

A review was undertaken on the internal audit function, as part of the Corporation's Service Based Review (SBR), in the summer of 2014 in order to assess efficiencies and cost savings that could be achieved. Proposals were agreed to reduce the cost of the internal audit function by £220k.

The Head of Internal Audit's view is that, after considering the resource reductions and the scope for efficiencies in the internal audit process, it will still be possible to provide a reasonable assurance over the Governance, Risk Management and Control Environment of the City of London Corporation going forward.

Recommendation

Members are asked to:

- Note the Head of Internal Audit Opinion

Main Report

Background

1. The Head of Internal Audit and Risk Management is satisfied that sufficient quantity and scope of internal audit work has been undertaken to be able to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes. In reaching this conclusion the Head of Internal Audit and Risk Management has taken into account:
 - a. The work undertaken by the internal audit function throughout the entire year;
 - b. Key issues arising from this work; and,
 - c. The performance of the internal audit function during 2014/15.
2. This report is supported, at **Appendix 1**, by a summary of all audit work completed during the year. This work has been reported to the Audit and Risk Management Committee throughout the year. This Appendix includes details of finalised and draft reports.

3. This report has been produced to satisfy the requirement of the Public Sector Internal Audit Standards to provide an annual opinion.

Current Position

4. The opinion provided is that **“the City has adequate and effective systems of internal control in place to manage the achievement of its objectives”**. However, in the summary of this report Member’s attention was drawn to two areas of emphasis: ICT arrangements at the City of London Police and the controls over procurement of temporary staff.
5. In response to the recommendations raised, the City of London Police management are implementing an action plan, which includes working with the City of London Corporation’s managed service provider of IT. The action plan is due for completion at the end of December 2015. As such they have requested that an interim follow up is performed in July 2015 to report against the progress made.
6. In respect of the recommendations raised in relation to controls operating over the procurement of temporary staff, the Town Clerk’s HR team and Chamberlain’s Head of Procurement are working together to address the issues. Of particular significance is that a key function in the system used to approve payment of temporary staff is due to be activated in June 2015. As at the time of our review the ‘auto approval’ function was being used. This allowed timesheets and corresponding invoices to be processed without being checked and approved after a period of time had lapsed.
7. In our report to the committee on 28 April 2015 there were no outstanding red priority recommendations. It was also reported that the cumulative performance in the implementation of audit recommendations, when formal audit follow up reviews were undertaken over the last 24 months, was as follows:

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

The above means that 42 recommendations remained as *“not implemented”* at the time of our follow-up work.

8. The Internal Audit function generally complies with the Public Sector Internal Audit standards, with only a small number of minor issues currently being addressed to achieve full compliance.

Annual Opinion of the Head of Internal Audit

9. As Head of Internal Audit, I am required to provide an opinion on the overall adequacy and effectiveness of the City's control environment. I have undertaken the following in order to form a basis for providing my assurance:
- Assessed the quantity and coverage of internal audit work against the 2014/15 internal audit plan to allow a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes;
 - Reviewed the reports from the reviews undertaken during the year by internal audit and other assurance providers;
 - Considered, any significant recommendations not accepted by management and the consequent risks, of which there were none;
 - Assessed the status of recommendations identified as not implemented, as part of internal audit follow-up reviews and subsequent progress tracking;
 - Considered the effects of any significant changes in the City's objectives or systems;
 - Reviewed and considered matters arising from reports to the Audit and Risk Management Committee;
 - Considered whether there were any limitations which may have been placed on the scope of internal audit.
10. Following consideration of the above I am able to provide the following Head of Internal Audit Opinion for 2014/15.

Audit Opinion

11. I am satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes.
12. In my opinion, the City has adequate and effective systems of internal control in place to manage the achievement of its objectives. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.
13. Notwithstanding my overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures which management has accepted and are documented in each individual audit report.

Review of Performance

14. An annual performance and effectiveness review of the internal audit function is required by the Public Sector Internal Audit Standards.
15. The City of London, internal audit function was peer reviewed by the Head of Governance, from the London Borough of Croydon in February 2014 and assessed as generally conforming to the new standards. A number of minor observations were made, which have now been acted upon, including revision to the internal audit charter, which was agreed at the 4th November 2014 Audit & Risk Management Committee.
16. In respect of key performance indicators these are as follows and as reported at the 28 April 2015;
 - a. The internal audit function achieved the target to deliver 90% of the plan by 31st March 2015;
 - b. Performance levels of implementing recommendations have been maintained;
 - c. The target of members of the team holding a relevant qualification continues to be met; and
 - d. Satisfaction survey results remain positive.

Performance of delivery draft and final reports did not meet the target. This is being addressed by centralising monitoring records, which will provide a more robust tracking and reporting finalisation process. Furthermore, the performance indicators have been reviewed and changed to enable tracking of where responsibility lies for the delays.

17. As part of the Chamberlain's Department Customer Service survey, some specific internal audit feedback was provided. The survey indicated a good level of performance for the section, although some areas of improvement for consideration were identified which are currently being considered.

Service Based Review

18. A review was undertaken on the internal audit function in the summer of 2014, as part of the Corporation's SBR, with a primary focus of assessing efficiencies and cost savings that could be achieved. Further analytical work was undertaken in the autumn, with proposals to reduce the cost of the internal audit function by £220k over 2 years agreed.
19. Whilst these savings proposals will result in a material reduction in internal audit resources, efficiencies can be made in the internal audit process, and the level of assurance over the most significant risks and activities of the City maintained.
20. These changes will also be consistent with the City wide drive to increase accountability and trust, and for line management to take a greater responsibility for compliance and the effective management of risk.

21. The Head of Internal Audit considers that the proposed resource reductions, and the scope for efficiencies in the internal audit process, will still enable reasonable assurance to be provided over the Governance, Risk Management and Control Environment of the City of London Corporation.

Conclusion

22. Internal Audit work continues to identify improvement areas for management; albeit, the overall opinion provided on the City's internal control environment is that it remains adequate and effective. There is a high level of acceptance of recommendations, and all high priority recommendations have been implemented within agreed timescales.

Appendices

- Appendix 1 – List of completed internal audit reviews in 2014/15

Chris Harris

Head of Internal Audit and Risk Management

T: 07800 513179

E: chris.harris@cityoflondon.gov.uk

Internal Audit Work 2014/15 (To 31 March 2015) – Summary

Department	Main Audit Review	Finalised	Assurance	Recommendations			
				R	A	G	Total
City of London Police	City Police – IT PBX Resilience	February 2015	Red	3	1	-	4
City of London Police	ICT – DR Assurance	February 2015	Red	1	-	-	1
Town Clerks / Chamberlain	Corporate Wide Temporary Staff	DRAFT (March 2015)	Red	1	8	1	10
Corporate	Compliance with Corporate Project Management Procedures	May 2014	Amber	-	3	1	4
Corporate	Payment Card Industry Data Security Standards (PCIDSS) Review	November 2014	Amber	-	3	2	5
Corporate	Data in Transit	April 2015	Amber	-	3	3	6
Chamberlain's	City Procurement – Assisted Purchasing	November 2014	Amber	-	3	5	8
City Surveyor's	Project Cost and Progress Monitoring	DRAFT (February 2015)	Amber	-	3	2	5
Community and Children's Services	Housing Estate Offices	October	Amber	-	8	37	45
Community and Children's Services	Public Health Contracts	June 2014	Amber	-	2	3	5
Community and Children's Services	Projects – Variation Order and Change Control	December 2014	Amber	-	3	2	5
Community and Children's Services	Major Project Cost and Progress Monitoring	DRAFT (May 2015)	Amber	-	4	1	5
Community and Children's Services	Debtors	DRAFT (April 2015)	Amber	-	3	5	8
Mansion House	Income	July 2014	Amber	-	7	5	12
Markets and Consumer Protection	Trading Standards	February 2015	Amber	-	2	5	7
Markets and Consumer Protection	Markets Local Contract Management	March 2015	Amber	-	3	2	5
Open Spaces	Cemeteries & Crematorium ICT review	May 2014	Amber	-	4	4	8
Open Spaces	Sale of Goods	March 2015	Amber	-	2	8	10
Open Spaces	Lodges	DRAFT (March 2015)	Amber	-	4	5	9
Town Clerk's	Health and Safety – Corporate Wide	DRAFT (April 2015)	Amber	-	4	1	5
Built Environment	CSA – CDM (Construction Design and Management) Health and Safety	May 2015	Amber	-	2	1	3

				Recommendations			
Department	Main Audit Review	Finalised	Assurance	R	A	G	Total
City of London Police	Police Overtime	DRAFT (March 2015)	Amber	1	2	1	4
Guildhall School of Music and Drama	SITS Management System	DRAFT (April 2015)	Amber	-	2	2	4
Corporate	Data Quality	August 2014	Green	-	1	3	4
Corporate	COL / Agilisys Telecommunications Assurance Review (Public Branch Exchange Fraud)	December 2014	Green	-	2	6	8
Corporate	ICT Agilisys Managed Service	January 2015	Green	-	-	5	5
Corporate	Agilisys Service Desk	March 2015	Green	-	1	4	5
Corporate	Centralised Purchase Ordering and Invoice Payment	December 2014	Green	-	-	6	6
Corporate	Flowcharting of Key Financial Systems	Draft	Green	-	-	1	1
Barbican Centre	Projects – Interim Valuations	September 2014	Green	-	2	2	4
Barbican Centre	Projects – Extensions of Time	September 2014	Green	-	1	2	3
Barbican Centre	Telecommunications Assurance Review – PBX (Public Branch Exchange Fraud)	Dec 2014	Green		2	5	7
Barbican Centre	ICT Annual Assurance	July 2014	Green	-	-	-	-
Built Environment	Projects - Variation Order and Change Control	July 2014	Green	-	-	2	2
Built Environment	TfL Highways Funding	January 2015	Green	-	-	1	1
Built Environment	Planning Applications	October 2014	Green	-	-	2	2
Chamberlain's	Use of Spreadsheets	May 2014	Green	-	-	1	1
Chamberlain's	Payroll	April 2014	Green	-	-	4	4
Chamberlain's	Banking - Corporate Responsibility	September 2014	Green	-	-	2	2
Chamberlain's	City procurement – Centralised Purchase Ordering and Invoice Payment	December 2014	Green	-	0	6	6
Chamberlain's	Insurance	DRAFT (January 2015)	Green	-	1	4	5
City Surveyor's	Projects – Interim Valuations	September 2014	Green	-	2	1	3
Community and Children's Services	Projects – Interim Valuations	September 2014	Green	-	1	2	3
Community and Children's Services	Asylum Seekers – Assessment, Monitoring and Payment	August 2014	Green	-	-	8	8
Community and Children's Services	Almshouses	May 2015	Green	-	2	7	9
Community and Children's Services	Nursery Grants	December 2014	Green	-	-	3	3

Department	Main Audit Review	Finalised	Assurance	Recommendations			
				R	A	G	Total
Comptroller & City Solicitors	Legal Consultation	May 2014	Green	-	1	5	6
Culture, Heritage and Libraries	Tower Bridge Ticketing System	November 2014	Green	-	-	5	5
Culture, Heritage and Libraries	London Metropolitan Archive - Security of Physical Assets and Collections	April 2014	Green	-	2	2	4
Markets and Consumer Protection	Market Leases Due Diligence	June 2014	Green	-	1	1	2
Markets and Consumer Protection	Billingsgate Car Park	July 2014	Green	-	1	3	4
Markets and Consumer Protection	Financial Management	May 2015	Green	-	-	1	1
Markets and Consumer Protection	Heathrow Animal Reception Centre – Compliance Audit: Processing Animals (including associated income checks)	March 2015	Green	-	-	-	0
Open Spaces	Cemeteries & Crematorium- Fuel Issue	August 2014	n/a	-	2	5	7
Open Spaces	West Ham Park Nurseries	December 2014	Green	-	-	1	1
Open Spaces	Functions and Guildhall Lettings Review	May 2014	Green	-	-	6	6
Open Spaces	Heritage Lottery Fund	April 2015	Green	-	-	1	1
Open Spaces	Catering Facilities	DRAFT (March 2015)	Green	0	1	1	2
Town Clerk	Data Protection and FOI	March 2015	Green	-	2	6	8
Town Clerk	EDO – Foreign Offices	August 2014	Green	-	2	4	6
Town Clerk	PRO – Communication Strategy	July 2014	Green	-	1	3	4
Town Clerk	Finance Committee Grants	July 2014	Green	-	-	3	3
Town Clerk	Police and Resources Committee – Policy Initiatives Fund and Contingency Budget	July 2014	Green	-	2	2	4
Town Clerk	Member Declaration of Interests and Related Party Transactions	August 2014	Green	-	-	2	2
Town Clerk	Performance Development Framework	May 2015	Green	-	-	-	0
City of London Police	Fees and Charges	July 2014	Green	-	1	-	1
City of London Police	Third Party Payments	May 2014	Green	-	-	4	4
City of London Police	Police Vehicle Fleet - VFM	July 2014	Green	-	1	1	2
City of London Police	Project Office	November 2014	Green	-	-	1	1
City of London Police	Compensation Claims	November 2014	Green	-	-	3	3
City of London Police	Telecommunications Assurance Review – PBX (Public Branch Exchange) - Fraud	February 2015	Green	-	2	5	7

Department	Main Audit Review	Finalised	Assurance	Recommendations			
				R	A	G	Total
City of London Police	Police Officer's Pensions	January 2015	Green	-	-	-	0
City of London Police	IT Business Continuity Management	March 2015	Green	-	1	5	6
City of London Police	HMIC Assurance Review	October 2014	Green	-	-	-	0
City of London Police	Informant Funds	DRAFT (March 2015)	Green	-	-	-	0
Guildhall School of Music and Drama	Sundial Court – Expenditure and Income	October 2014	Green	-	1	2	3
Guildhall School of Music and Drama	Professor Contracts	June 2014	Green	-	1	1	2
Guildhall School of Music and Drama	Student Funding (Scholarships)	DRAFT (March 2015)	Green	-	1	3	4
Guildhall School of Music and Drama	Asset Management (Musical Instruments)	DRAFT (April 2015)	Green	-	1	8	9
Guildhall School of Music and Drama	Temporary Staff and Professional Fees	DRAFT (April 2015)	Green	-	-	-	0
City of London Schools	Teaching and Non-Teaching Staff Recruitment (City of London School for Girls)	June 2014	Green	-	-	1	1

Agenda Item 8

Committee(s)	Dated:
Audit and Risk Management	02 Jun 2015
Subject: Annual Governance Statement 2014/15	Public
Report of: Town Clerk and Chamberlain	For Decision

Summary

This report presents the annual update of the City Corporation's governance and internal control framework in the format agreed by this Committee in February 2015. Appendix 1 sets out the City Corporation's Annual Governance Statement (AGS) as required by the Accounts and Audit (England) Regulations 2011. Appendix 2 contains a schedule of assurances in support of the statement.

The AGS is prepared in accordance with proper practice guidance – “*Delivering Good Governance in Local Government*” – issued jointly by the Society of Local Authority Chief Executives and Senior Managers and the Chartered Institute of Public Finance and Accountancy.

Recommendation(s)

Members are asked to:

- approve the AGS set out in Appendix 1 for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive;
- note that the AGS will be published alongside the 2014/15 City Fund and Pension Funds Statement of Accounts;
- note the future developments in paragraph 70 of the AGS to improve the governance framework; and
- delegate authority to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of this Committee, to amend the AGS for any significant events or developments relating to the governance arrangements that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

Main Report

Background

1. This report presents the annual update of the City Corporation's governance and internal control framework. The Accounts and Audit (England)

Regulations 2011, which apply to the City of London's City Fund activities, require an audited body to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) each year, alongside the authority's Statement of Accounts. The AGS is set out in Appendix 1 with all additions, deletions and other changes since last year shown as 'tracked changes'.

2. The Chartered Institute of Public Finance and Accountancy (CIPFA), in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE), publishes a *Delivering Good Governance in Local Government: Framework* and an accompanying guidance note, which represents the proper practice guidance in relation to internal control. The City's AGS has been prepared in accordance with this guidance.
3. In 2010, CIPFA issued its *Statement on the Role of the Chief Financial Officer in Local Government*. The governance requirements in this document are that the Chief Financial Officer should be professionally qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members. The Statement requires that, if different arrangements are adopted, the reasons should be explained in the organisation's AGS, together with how these deliver the same impact. The role of the Chamberlain conforms to the requirements of the Statement on the Role of the Chief Financial Officer.

Approval

4. The AGS must be signed by the most senior officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent). Following a resolution of this Committee in March 2012, the Policy and Resources Committee approved a report on the process for producing the AGS, and approved the practice whereby the AGS is approved by this Committee and signed by the Chairman of the Policy and Resources Committee.
5. There is a requirement that any significant events or developments relating to the governance arrangements that occur between the Balance Sheet date (31st March 2015) and the date on which the Statement of Accounts is signed by the Chamberlain are reported within the AGS. Delegated authority is, therefore, sought for the Town Clerk, in consultation with the Chairman and Deputy Chairman of this Committee, to amend the AGS if necessary.

Ownership

6. As a corporate document, the AGS should be owned by all senior officers and members of the authority. The draft AGS was considered and agreed at the Performance and Strategy Summit Group of Chief Officers on the 18th May.
7. The signatories need to ensure that the AGS accurately reflects the governance framework for which they are responsible. To achieve this, reliance may be placed on many sources of assurance, such as:
 - Chief Officers and Senior Managers;

- the Chief Financial Officer responsible for the accounting control systems and records and the preparation of the statement of accounts;
 - the Monitoring Officer in meeting his/her statutory responsibilities;
 - members (e.g. through audit or scrutiny committees);
 - the Head of Internal Audit;
 - performance and risk management; and
 - external audit and other review agencies.
8. The Audit and Risk Management Committee has a key role within the 'review of effectiveness' of the City's governance framework, including the system of internal control. One of its prime responsibilities is to review the work of the internal auditors, consider the risk management framework, and consider comments made by the external auditors and other review agencies and inspectorates.

External Audit

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

Conclusion

10. If your Committee approves the AGS, the Chairman of the Policy and Resources Committee and the Town Clerk will be requested to sign the document, which will then be published on the City of London website.

Appendices

- Appendix 1 – Draft Annual Governance Statement 2014/15 – all changes tracked
- Appendix 2 - Schedule of reporting to Members

Background Papers

- Report to Audit and Risk Management Committee, February 2015: *Annual Governance Statement - Methodology*

- CIPFA/SOLACE publications:
 - Delivering good governance in Local Government: Framework (reissued 2012)
 - Delivering good governance in Local Government: Framework – Addendum (December 2012)
 - Delivering good governance in Local Government:– Guidance Note for English Authorities (2012 Edition)

Neil Davies

Head of Corporate Performance and Development

T: 020 7332 3327

E: neil.davies@cityoflondon.gov.uk]

ANNUAL GOVERNANCE STATEMENT 2014/15

Scope of Responsibility

1. The City of London Corporation is a diverse organisation with three main aims: to support and promote the City as the world leader in international finance and business services; to provide modern, efficient and high quality local services, ~~and including~~ policing, within the Square Mile for workers, residents and visitors; and to provide valued services, such as education, employment, culture and leisure to London and the nation. Its unique franchise arrangements support the achievement of these aims.
- ~~4.2.~~ Although ~~this statement has been prepared to reflect~~ ~~refers only to~~ the City of London Corporation in its capacity as a local authority and police authority, the governance arrangements are applied equally to its other funds – City's Cash and Bridge House Estates.
- ~~2.3.~~ The City of London Corporation ("the City") is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively; and that arrangements are made to secure continuous improvement in the way its functions are operated.
- ~~3.4.~~ In discharging this overall responsibility, the City is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- ~~4.5.~~ The City has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE ¹Framework *Delivering Good Governance in Local Government*. A copy of the code is on the City's website at www.cityoflondon.gov.uk. This statement explains how the City has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

- ~~5.6.~~ The governance framework comprises the systems and processes by which the City is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the City to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- ~~6.7.~~ The system of internal control is a significant part of that framework and is designed to manage all risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable rather than absolute assurance of effectiveness. The City's system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the City's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- ~~7.8.~~ The governance framework has been in place at the City for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

Key Elements of the Governance Framework

Code of Corporate Governance

- ~~8.9.~~ The principles of good governance are embedded within a comprehensive published Code of Corporate Governance. This code covers both the local authority and police authority roles, and links together a framework of policies and procedures, including:

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

- Standing Orders, which govern the conduct of the City's affairs, particularly the operation of Committees and the relationship between Members and officers;
- Financial Regulations, which lay down rules that aim to ensure the proper management and safeguarding of the City's financial and other resources;
- Terms of reference for each Committee;
- A Scheme of Delegations, which defines the responsibility for decision-making and the exercise of authority;
- A Members' Code of Conduct, which defines standards of personal behaviour; a Standards Committee, and register of interests, gifts and hospitality;
- A Code of Conduct for employees;
- A corporate complaints procedure, operated through the Town Clerk's Department, with a separate procedure in Community and Children's Services, to comply with the relevant regulations;
- A corporate Project Toolkit and other detailed guidance for officers, including procedures and manuals for business critical systems;
- An anti-fraud and corruption strategy, including: anti-bribery arrangements; [a social housing tenancy fraud, anti-fraud and prosecution policy](#); and [a whistle-blowing policy](#);
- A Risk Management [Handbook Strategy](#);
- Job and person specifications for senior elected Members; and
- A protocol for Member/officer relations.

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

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

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

- The Professional Standards and Integrity Sub Committee has responsibility for providing detailed oversight over professional standards, and examines the casework of every single complaint recorded by the Force;
- The Performance and Resource Management Sub Committee monitors performance against the Policing Plan and oversees management of human and financial resources; and

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

~~42-13.~~ Following the enactment of the provisions of the Localism Act 2011, which replaced the national local government standards regime under the Local Government Act 2000, the City remains under a duty to promote and maintain high standards of conduct by Members and co-opted Members. In particular, the Court of Common Council must adopt and publicise a code dealing with the conduct that is expected of Members when they are acting in that capacity, and have in place a mechanism for the making and investigation of complaints. The Court ~~previously originally~~ approved a new Code of Conduct in the form suggested by the Department for Communities and Local Government. ~~However, in October 2014, following a review by the Standards Committee, the Court revised the code to include and agreed that, apart from disclosable pecuniary interests, no additional categories of interest would be registerable. It is anticipated that at the meeting of the Court in May 2014, a number of additional registration requirements will be considered for adoption in respect of Members' disclosable interests, principally around in relation to non-pecuniary interests (-membership of outside bodies and organisations etc.) and for the registration. A voluntary regime for registering the receipt of gifts and hospitality (over a certain financial threshold,) was introduced in 2013. In March 2014, the Standards Committee's composition was increased to include an additional two Common Councilmen, in order to limit potential conflicts of interest amongst Members when considering complaints and dispensation requests. An expanded explanation of the requirements of the Nolan Principles was also introduced.~~

~~14.~~ The City has appropriate arrangements in place under which written allegations of a breach of the Member Code of Conduct can be investigated and decisions on those allegations taken. The Standards Committee has approved a Complaints Guidance Handbook, ~~and the introduction of new voluntary arrangements for the registration of gifts and hospitality received.~~ A Dispensations Sub Committee was established in June 2013 for the purposes of considering requests from Members for a dispensation to speak or vote on certain matters (where they have a disclosable pecuniary interest and are otherwise prevented from participation) being considered at Committee meetings. ~~These arrangements have recently been reviewed by the Standards Committee.~~

~~43-15.~~ ~~The annual update to the Members' Declarations took place in December 2014. Following the introduction of additional registration requirements in relation to non-pecuniary interests, both elected and co-opted Members were invited to review and update their Member Declarations. The exercise has been carefully monitored by the Standards Committee to ensure compliance with both the statutory and local registration requirements.~~

~~44-16.~~ Under section 28 of the Localism Act, the City is required to appoint at least one Independent Person to support the new standards arrangements. In June 2012, the Court of Common Council gave support to three appointments to the position of Independent Person, and also agreed a revised constitution and terms of reference for the Standards Committee, to be adopted from the point that section 28 of the Act came into force. ~~In September 2014, two new co-opted Members were appointed to serve on the Standards Committee.~~

~~45-17.~~ The Localism Act also requires the City to prepare and publish a Pay Policy Statement each year, setting out its approach to pay for the most senior and junior members of staff. The ~~draft~~ Pay Policy Statement for 2014/15 was agreed by the Court of Common Council in March 2014 ~~and published on the City's website.~~

~~46-18.~~ ~~During 2013/14, new procedures were introduced for annual declarations of interest by certain officers, to meet the City's obligations under the Bribery Act 2010. The new approach agreed by the Audit and Risk Management Committee, and approved by the Establishment Committee, demonstrates a proportionate and pro-active approach, by requiring officers with decision-making powers in relation to higher risk activities are required to make an annual declaration to confirm that they have met the requirements relating to potential conflicts of interest, as set out in the Employee Code of Conduct, and to confirm that they have not engaged in any conduct which might give rise to an offence under the Act.~~

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

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

Business Strategy and Planning Process



49-20. The City has a clear hierarchy of plans, setting out its ambitions and priorities:

- The sustainable community strategy for the City of London (The City Together Strategy: The Heart of a World Class City [2008-2014](#)) is a shared focus for the future, helping to co-ordinate partners' activities towards meeting the needs and aspirations of the City's diverse communities. This was informed by extensive consultation with a wide range of stakeholders and specific interest groups. [A Local Strategic Partnership \(The City Together\) oversees the development of the Community Strategy, which is centred on the Square Mile and the City's local authority and Policing functions.](#)
- The Corporate Plan shows how the City Corporation will fulfil its role as a provider of services both inside and outside of the City boundaries. The Corporate Plan includes a statement of the City's Vision, Strategic Aims, Key Policy Priorities, [and Core Values and Behaviours.](#)
- The City of London Policing Plan details the policing priorities and shows how these will be delivered over the coming year. It also contains all the measures and targets against which the Police Committee hold the City of London Police to account.
- The Communications Strategy sets out the City's plan of action over the short to medium-term for communicating its activities and managing its reputation.
- The Cultural Strategy presents a coherent view of the City's important cultural and heritage-related contributions to the life of London and the nation.
- Other corporate plans and strategies are mentioned elsewhere in this document.

20-21. Plans and strategies are informed by a range of consultation arrangements, such as City-wide residents' meetings, representative user groups and surveys of stakeholders. The City has a unique franchise, giving businesses (our key constituency) a direct say in the running of the City, and a range of engagement activities, including through the Lord Mayor, Chairman of Policy and Resources Committee and the Economic Development Office. An annual consultation meeting is held for business rates [and council tax](#) payers.

24-22. The Health and Social Care Act 2012 transferred responsibility for health improvement of local populations to local authorities in England, with effect from 1st April 2013. The new duties included the establishment of a Health and Wellbeing Board, which provides collective leadership to improve health and wellbeing for the local area.

Information Management Strategy

~~22-23.~~ The Information Management Strategy (approved October 2009) sets out the headline approach to information management in the City. It summarises the current position, gives a vision of where we want to be and proposes a set of actions to start us on the path to that vision. The Strategy defines our approach to the other key elements for information management, in particular data security and data sharing.

~~23-24.~~ Overall responsibility for Information Management Governance is vested in the Information Systems (IS) Sub Committee. The Information Management Governance [Board Steering Group \(IMGB\)](#) ~~is meets as part of the IT Steering Group chaired by the Chamberlain chaired by the Director of the Built Environment~~ and reports to the [IS Strategy Board](#), which in turn reports to the [Performance and Strategy Summit Group of Chief Officers](#) and the IS Sub Committee. The Chief Information Officer was appointed as the Senior Information Risk Owner (SIRO) and Information Asset Owners (IAO) within departments are identified.

Financial Management Arrangements

~~24-25.~~ The Chamberlain of London is the officer with statutory responsibility for the proper administration of the City's financial affairs. In 2010 CIPFA issued a "*Statement on the Role of the Chief Financial Officer in Local Government*" which codifies the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The City's financial management arrangements conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.

~~25-26.~~ The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, a system of delegation and accountability, and independent scrutiny. In particular the system includes:

- a rolling in depth survey of the City's forecast position over a five year period;
- comprehensive budget setting processes;
- monthly, quarterly and annual financial reports which indicate performance against budgets and forecasts;
- access by all departmental and central finance staff to systems providing a suite of enquiries and reports to facilitate effective financial management on an ongoing basis;
- ongoing contact and communication between central finance officers and departmental finance officers;
- clearly defined capital expenditure guidelines;
- formal project management disciplines;
- the provision of high quality advice across the organisation;
- an in-house internal audit service;
- insuring against specific risks;
- scrutiny by Members, OFSTED, CQC, HMIC, other inspectorates, External Audit and other stakeholders, and
- requests for Members and Chief Officers to disclose related party transactions including instances where their close family have completed transactions with the City of London Corporation.

~~27.~~ For non-Police services, the significant and continuing reduction in Government grants [would, if left unchecked, have resulted in increasing annual deficits from 2015/16, with the annual deficit having exceeded £10m by 2018/19. is the main factor contributing to the revenue deficits being forecast from 2016/17. By 2017/18, additional savings of £9m will need to be found. This is equivalent to about 10% of Chief Officers' cash limited budgets. To](#)

~~address~~ During 2014/15 these potential deficits, a ~~Service B-based activity R~~ review was therefore ~~is being~~ undertaken to ~~identify~~ identify a range of options for ~~:-~~ further efficiencies, budget reductions and income generation, where savings can be made with little impact on services; the appropriate level of expenditure to fulfil statutory requirements; services with less impact on the City's policy objectives; and funding/income generation opportunities. ~~A range of options for budget reductions will be submitted to Members during 2014/15~~ The package of measures agreed by the Policy and Resources Committee will deliver the savings/increased incomes necessary to balance the budget in 2015/16 and in each of the other years of the planning period (to 2018/19) – subject to there being no significant adverse changes in financial planning assumptions across the period.

~~28.~~ In addition, cross-departmental reviews are being undertaken to identify further potential savings/increased incomes. The activities subject to review include:

a. Grant giving, the effectiveness of hospitality; operational assets; contract management, asset management, and

a-b. Income generation from car parking in the City; conference and business events; and the marketing of visitor attractions ~~targeted/selective budget reductions and efficiency programmes are continuing to be pursued, including those relating to corporate-wide procurement arrangements and the utilisation of assets.~~

~~29.~~ The Efficiency and Performance Sub Committee monitors delivery of the savings and increased income, and the cross-cutting efficiency reviews, and continues to challenge the achievement of value for money, helping to embed further a value for money culture within the City's business and planning processes

~~26-30.~~ City of London Police manages its budget on a ring-fenced basis, ~~but and~~ also faces significant and continuing reductions in Government Grants which, if left unchecked, would result in increasing annual deficits. A financial strategy to balance the budget over the period to 2017/18, including for the provision of a minimum general reserve balance for unforeseen or exceptional operational requirements, is currently being prepared. -The force has its own savings plan, including a new operating model developed through the City First Change Programme, and its own transformation plan – City Futures. It is also investigating areas for greater collaboration with the City Corporation.

~~27.~~ An Efficiency Board monitors the savings achieved and a Transformation Board is overseeing the change process. The Efficiency and Performance Sub Committee receives regular reports from these two Boards, continues to challenge the achievement of value for money, and helps to embed further a value for money culture within the City's business and planning processes.

~~28-31.~~ The Police Performance and Resource Management Sub Committee's responsibilities include overseeing the force's resource management in order to maximise the efficient and effective use of resources to deliver its strategic priorities; and monitoring government and other external agencies' policies and actions relating to police performance.

~~29-32.~~ The Policy and Resources Committee determines the level of the City's own resources to be made available to finance capital projects on the basis of a recommendation from the Resource Allocation Sub Committee. Ordinarily, such projects are financed from capital rather than revenue resources, and major projects from provisions set aside in financial forecasts.

~~30-33.~~ The City has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:

- Financial Strategy. This provides a common base for guiding the City's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
- Budget policy. The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers to continuously seek improved efficiency;

- Annual resource allocation process. This is the framework within which the City makes judgements on adjustments to resource levels and ensures that these are properly implemented;
- Capital Strategy. This ensures that the City's capital resources are deployed to realise its corporate aims and priorities;
- Corporate Asset Management Plan. This aims to ensure that the opportunity cost of financial resources tied up in land and buildings is recognised, and that expenditure on the portfolio is directed efficiently and effectively to provide value for money;
- Capital project evaluation, management and monitoring. The City has a comprehensive system of controls covering the entire life cycle of capital and major revenue projects; and
- Treasury Management and Investment Strategies. Setting out the arrangements for the management of the City's investments, cash flows, banking and money market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

~~34-34.~~ Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members.

~~32-35.~~ The performance of the City's financial and property investments are monitored regularly, both in-house and independently, through WM Performance Services and our [Independent Investment Adviser-Consultant](#) (for financial investments) and IPD (for property).

~~33-36.~~ The City's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy, and provide value for money.

Risk Management

~~34-37.~~ [In May 2014, the Audit and Risk Management Committee approved a new The City's Risk Management framework-Strategy which set out a new policy statement and a revised framework, which continues to abide by the Risk Management Handbook. This handbook was revised slightly during 2013/14, to capture individuals responsible for the mitigating actions, known as Control Owners. The framework continues to aligns](#) with the key principles of ISO 31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The [Handbook-Strategy](#) emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear [protocol-system](#) for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level. The [framework-Strategy](#) assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives.

~~35-~~ The Risk Management Group, consisting of senior managers representing all departments, including the City of London Police, meets twice annually. The group is a considerable driver in promoting the application of consistent, systematic risk management practices across the organisation. Strategic decisions on risk management are made by the Performance and Strategy Summit Group [of Chief Officers](#) on a quarterly basis. ~~The Group also provides the central coordination point for the consideration of strategic risk and the evaluation of emerging issues.~~

~~36-38.~~ [Actions being taken to mitigate operational risks are monitored by Chief Officers and by the relevant Service Committees. Corporate Oversight of corporate strategic risk is provided by the Chief Officers' Group and the Audit and Risk Management Committee. These arrangements have recently been strengthened with the establishment of a Chief Officer Risk Management Group. This meets quarterly to review, in depth, the corporate risk register and report their findings to the Summit Group when they consider the quarterly risk update report.](#) In addition to receiving quarterly risk update reports, the Audit and Risk Management Committee has adopted a cycle of regular [in-depth review of individual risks stated on the](#)

~~Strategic Risk Register~~ departmental risk challenge sessions, with Chief Officers and their respective Committee Chairmen, which take place prior to their meetings. The Committee has also introduced the regular reporting of top departmental risks to every Service Committee.

~~39.~~ The corporate risk register contains ten risks and although risk scores have changed, there have been no new risks added to this register during the last year.

~~37.~~ During 2013/14, a full review was undertaken with Chief Officers on the Strategic Risks. As a result, two new risks, Safeguarding and Workforce Planning, were added; the existing Data Protection risk was revised to become a more holistic Information Security risk; two existing risks were merged to form a single resilience risk; and two further existing risks were merged to form a single finance risk.

~~38.~~ During the summer of 2013, Zurich Municipal undertook an independent review of the risk management framework. The report highlighted that since the introduction of the Risk Management Handbook, good progress has been made and a sound basis exists for an effective risk management framework. Recommendations from the independent review were considered, and agreed actions incorporated into a risk management improvement plan.

Health & Safety

~~39.40.~~ The Health & Safety at Work Act 1974 ([the Act](#)) requires the City as an employer to ensure that it implements systems for the protection of its staff and visitors. The City's systems are aligned to HSG65, the Health and Safety Executive's guidance document on the essential philosophy of good health and safety, ~~which was reviewed this year by the HSE~~. The City's systems will remain aligned with this guidance, ~~and also fulfil the requirements of the Corporate Manslaughter Act 2007~~. Its goal is to ensure that safety becomes part of normal business by applying a practical, sensible and common sense approach.

~~41.~~ ~~During 2013/14, the City~~ A critical component of the City's management system is monitoring and review. Compliance audits were introduced this year, and provide another Key Performance Indicator for the safety dashboard. The audits sought to test the previous year's focused heavily on the roles and responsibilities of managers in safety management. ~~An external audit is planned for 2015.~~

~~40.42.~~ Generally, the audits provided evidence that safety mechanisms and structures were in place in the departments sampled, and that corporate policy requirements were broadly being implemented. Overall, it was found that safety was a senior management consideration in most departments of note: this was generally seen in the higher risk departments, which fits in with the strategic risk management approach, ~~building on, and increasing awareness of the revised Health & Safety policy introduced last year~~. Three major safety briefing sessions were opened to all managers and the Chief Officer's Group received the "Safety for Senior Executives" briefing. ~~Elected Members are due to be briefed in the summer of 2014 as part of their development programme. The City Surveyor's Department successfully carried out a major review of their property safety management system and the new property management standards are planned to roll out throughout 2014.~~

~~41.43.~~ Top X (the City's Health & Safety risk management system) continues to be an effective safety risk management tool. Top X helps to ensure that any uncontrolled safety hazards arising from operational processes are identified and controls implemented in a timely manner. Operating alongside the risk management process, it assists in ensuring that specific safety risks are integrated by Chief Officers within their business planning. All departments regularly submit their Top X which is analysed and considered twice a year by the Corporate Health & Safety Committee, chaired by the Town Clerk and Chief Executive. This allows any uncontrolled issues to be managed; [supporting compliance with the Act and the Corporate Manslaughter Act 2007](#). ~~It is envisaged that~~ Top X ~~will also~~ provides the Chief Officers' Group with a corporate strategic oversight of any safety risks by way of a regular report.

~~42.44.~~ Work was started in early 2015 to align this process to the City's broader risk management process. Risk assessments used for Health & Safety were successfully modified to the corporate risk matrix and the Covalent risk tool is currently being prepared for live reporting. Health & Safety systems have reached a level of maturity where safety could be successfully

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

Business Continuity

- ~~43-45. The Civil Contingencies Act 2004 requires the City, as a Category 1 responder, to maintain plans to ensure that it can continue to exercise its functions in the event of an emergency.⁵⁷ The City is required in responders to train its their staff responsible for business continuity, to exercise and test its their plans, and to review these plans on a regular basis.~~
- ~~44-46. The City has an overarching Business Continuity Strategy and Framework and each department has their own business continuity arrangements. The disaster recovery solution for the City has been fully deployed and technical tests have been carried out to ensure its robustness. Both corporate and departmental arrangements are regularly reviewed to ensure they align with the relevant risk registers and business objectives. Officers from the different departments share best practice and validate their arrangements through the Emergency Planning and Business Continuity Steering Group, which sits on a quarterly basis. New arrangements that seek to increase the resilience of the City's technology infrastructure have been introduced and technical tests are being carried out to ensure their robustness. These arrangements seek to replace the Guildhall as a single point of failure for the City's IT provision. The move to a more resilient backbone should enhance the continuity of service for remote workers, and at other sites, even if the Guildhall is affected.~~
- ~~45-47. Programme management of the City's business continuity management system (BCMS) lies with the Security and Contingency Planning Group, and all departments play a role in it. In 2014, the City's resilience arrangements (including its BCMS) were reviewed by peers from other Central London local authorities. This review was part of a regular assurance process linked to the Minimum Standards for London (which set out London's core resilience capabilities). The City's BCMS has been recently reviewed as part of an independent external review of the City's resilience arrangements.~~
- ~~48. During 2014/15, a server fire provided real-time challenges for business continuity and departments' ability to understand and recognise their critical functions. Working with Agilisys, the City's IT technology partner, support and guidance was provided for departments to understand the Business Impact Analysis process, and then complete a full review of their Business Continuity plans.~~
- ~~46-49. The 2013/14, the City experienced a number of challenging events, including: industrial action affecting the rail network and London Underground; heavy storms and localised flooding in London's outskirts; and strong winds, leading to widespread transport disruptions and some superficial structural damage to buildings. These tested the City Corporation's ability to deliver its core activities under exceptional circumstances, and to support the emergency response to these incidents. The transport disruption which was common to all of these events challenged our staff's ability to travel into the Square Mile. The robustness of the business continuity arrangements, and the willingness of staff to adapt to new ways of working, resulted in service provision being maintained during these disruptive events. Furthermore, those sections which have a role to play in responding to this type of event displayed great resilience and managed to contribute to the response from the emergency services and other partner agencies. City continues to experience an array of protest and demonstration, as it is a desirable location for protest groups to maximise publicity both nationally and globally. However, by working with business and emergency service partners to ensure robust Business Continuity and emergency response plans are in place, the City maintains 'business as usual', and thus its reputation of working with and supporting local communities.~~

Role of Internal Audit

- ~~47-50. Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit programme, with key risk areas being reviewed~~

annually. This is reinforced by consultation with Chief Officers and departmental heads on perceived risk and by a rigorous follow-up audit and spot checks regime.

~~48-51.~~ The internal audit process is supported, monitored and managed by the Audit and Risk Management Committee in accordance with the Public Sector Internal Audit Standards. An Audit Charter, ~~developed from the previous Internal Audit Terms of Reference established in 2013,~~ was ~~updated and~~ agreed by the Audit and Risk Management Committee in ~~October November~~ 2014~~3~~. This defines the role of internal audit, and codifies accountability, reporting lines and relationships that internal audit has with the Audit and Risk Management Committee, Town Clerk and Chief Executive, Chamberlain and Chief Officers.

~~49-52.~~ The Internal Audit Section operates under the requirements of the Public Sector Internal Audit Standards (PSIAS) ~~which came into effect on 1st April 2013, replacing the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.~~ The City of London's internal audit function was peer reviewed by the Head of Governance from the London Borough of Croydon in February 2014, and assessed as "generally conforms" to the new standard. A number of minor observations were made, which ~~will were be~~ acted upon ~~in 2004/15, resulting in the function being in to demonstrate~~ full conformance to the new standard. ~~in 2014/15.~~

~~53.~~ The ~~anti-fraud and~~ investigation function continues to be effective ~~in identifying fraud and corruption, particularly across the City's social housing estates, to exceed national targets for housing benefit fraud sanctions and to whilst~~ conducting a wide range of anti-fraud ~~and awareness~~ activities. The Audit and Risk Management Committee is provided with six-monthly progress reports on the strategic pro-active anti-fraud plan, with investigation activity update reports presented to intervening meetings.

~~50-54.~~ ~~From 1st December 2014, responsibility for the investigation of housing benefit fraud was transferred to the Department of Work and Pensions, enabling investigation resources to be increasingly focused on Housing Tenancy and corporate fraud risks.~~

~~51-55.~~ The City of London Whistleblowing Policy has been ~~reviewed during the year reviewed and fully updated during the year to bring it~~ in line with current best practice ~~and changes in legislation.~~ It ~~is planned to implement the new policy in the early summer of 2014, following was review by the Audit and Risk Management Committee and approved at~~ by the Establishment Committee ~~in July 2014, following review by the Audit and Risk Management Committee in May.-~~

Performance Management

~~52-56.~~ The corporate business planning framework sets out the planning cycle with clear linkages between the different levels of policy, strategy, target setting, planning and action (the "Golden Thread").

- All departments are required to produce annual departmental business plans for approval by the relevant service committee(s). These are all clearly linked to the overall Corporate Plan and show key objectives aligned with financial and staffing resources.
- All departmental business plans are reviewed for compliance with the corporate business planning framework, and Quality Assurance meetings are held by the Deputy Town Clerk with Chief Officers.
- All departments are required to report quarterly to their service committees with progress against their business plan objectives and with financial monitoring information.
- Regular performance monitoring meetings are held by the Deputy Town Clerk with selected Chief Officers.
- Performance and Development Appraisals are carried out for all staff, using a standard set of core behaviours. The appraisals are used to set individual objectives and targets and to identify learning and development needs that are linked to business needs. Pay progression is linked to performance assessments under the appraisal process.

53-57. Performance is communicated to Council Tax and Business Rate payers through the City-wide residents' meetings, the annual business ratepayers' consultation meeting and regular electronic and written publications, including an annual overview of performance, which contains a summary of the accounts.

54-58. The Business Planning framework has been updated to ensure consistency, transparency and best practice, including Best practice guidance has been issued to Chief Officers on quarterly reporting to service committees and guidance on the inclusion of an annual assurance statement on data quality within year-end performance reports.

Audit and Risk Management Committee

55-59. The Audit and Risk Management Committee is an enhanced source of scrutiny and assurance over the City's governance arrangements. It considers and approves internal and external audit plans, receives reports from the Head of Audit and Risk Management, external audit and other relevant external inspectorates, including HMIC, as to the extent that the City can rely on its system of internal control. The Committee reviews the financial statements of the City prior to recommending approval by the Finance Committee and considers the formal reports, letters and recommendations of the City's external auditors. The Committee also monitors and oversees the City's Risk Management Handbook Strategy. The Committee undertakes a systematic programme of detailed reviews of each of the risks on the City's Strategic Risk Register.

56-60. ~~During 2013/14, the Committee has overseen the strengthening of the accounting standards applied to City's Cash. This has resulted in the accounts being prepared under UK Generally Accepted Accountancy Practice (UK GAAP) and a full set of accounts being published, for the first time, for the financial year 2012/13. In addition to reviewing all the City's statutory financial statements, the Committee piloted the first independent audit appointment panel, appointing Moore Stephens to audit the City's non-local authority functions. The experience from this independent appointment process will assist the City in the appointment of the external auditor to the City's local authority functions in future years. Annual 'deep dive' reviews of each strategic risk have continued. During 2014/15, the Committee instituted a schedule of departmental risk challenge sessions. The Committee reviews the risks and risk management process for each department, on a rota basis, with one or two departments being invited to each meeting.~~ These reviews are attended by the relevant Chairman and Chief Officer, with support and challenge applied so that risks are fully understood, and clear mitigation plans are in place. The Committee has also actively promoted a process for the regular reporting of top departmental risks to Service Committees, to encourage all Members to engage with the management of risk. Following the independent review of the City's Risk Management arrangements (by Zurich Municipal) in the summer 2013, the Committee has overseen and supported officers in the development and agreement of a new Risk Management Strategy.

61. The Committee has strongly supported the internal audit function by setting clear performance expectations for Chief Officers in the timely implementation of audit recommendations, as well as ensuring internal audit's independence is fully recognized. It has reviewed the outcome of the Service Based Review of the internal audit function, and is overseeing the adoption of a more efficient approach to the targeting of internal audit resources.

62. The Committee has supported the management of the Information Security corporate risk, highlighting the mandatory awareness training for all staff, resulting in a significant increase in the percentage of staff fully completing this training.

63. The Committee has also supported the Anti-Fraud and Corruption Strategy, and considered the CIPFA code of practice: *Managing the Risk of Fraud and Corruption* in February 2015. ~~In particular, it has sought assurances over the adequacy of the City's banking and cash handling controls following a significant fraud at one of the City's markets. It has also supported the initiative to increase the staff's awareness of the risk of fraud through ensuring that anti-fraud awareness training was undertaken by the vast majority of staff. Having considered all the principles of the CIPFA code of practice: *managing the risk of fraud and corruption*, the Committee are satisfied that the organisation has adopted a response that is~~

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[appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.](#)

~~57-64.~~ [A survey of the Committee's effectiveness was conducted during 2014/15, identifying issues to be addressed in the areas of: reviewing the work of external audit; reviewing and influencing the work of internal audit; and assessing risk management and fraud/whistle-blowing arrangements across the organisation.](#)

Review of Effectiveness

~~58-65.~~ The City has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the internal auditors and managers within the authority who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates.

~~59-66.~~ Processes that have applied in maintaining and reviewing the effectiveness of the governance framework include scrutiny primarily by the Policy and Resources, Finance, Police, Audit and Risk Management, Investment, and Standards Committees; and the Resource Allocation, Police Performance and Resource Management and Efficiency and Performance Sub Committees.

~~60-67.~~ This review of the main elements of the City's governance framework has not identified any significant issues for reporting to senior management.

Head of Internal Audit's Opinion

~~61-68.~~ The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the City of London Corporation to inform its Annual Governance Statement. The Head of Internal Audit is satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow him to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes. In his opinion, the City has adequate and effective systems of internal control in place to manage the achievement of its objectives. In giving this opinion he has noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.

~~62-69.~~ Notwithstanding his overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures, which management has accepted and are documented in each individual audit report. [Two areas of emphasis were highlighted in the internal audit opinion relating to the City of London Police ICT resilience arrangements, and the management and procurement of temporary staff via the managed staff provided. The weaknesses identified in both of these areas are being addressed by management. Timeliness in the implementation of priority audit recommendations has improved further during the year. One area of emphasis is highlighted in the internal audit opinion relating to improving compliance with some controls operating over project management.](#)

Future Developments

~~63-70.~~ The governance framework is constantly evolving due to service and regulatory developments and assessments. Improvement plans have been compiled in response to the reports and assessments summarised above. Controls to manage principal risks are constantly monitored, in particular for services with statutory responsibilities for the safety of vulnerable people. The City proposes over the coming year to take the following steps to maintain, develop and strengthen the existing governance framework:

- [Reviewing the arrangements for the registration and publication of Declarations of Interest by the City's co-opted Members with a view to introducing a consistent approach to registration by both elected and co-opted Members that serve on the City Corporation's decision-making bodies.](#)

- Revising best practice guidance for Chief Officers on quarterly performance reporting to service Committees
- Progressing the delivery of a programme of cross-cutting and departmental review projects to balance the revenue budget over the medium term to offset the impact of continuing reductions in Government funding
- Securing business benefits via improved efficiency and reduced cost of operations from the upgrade to the financial management system
- Improving the oversight of corporate risks by the establishment of a Chief Officer Risk Management Group
- ~~Upgrading the existing financial system, and replacing the existing property management system;~~
- ~~Agreeing future arrangements for the City's Local Strategic Partnership;~~
- ~~Generating options for balancing the revenue budget over the medium term to offset the impact of continuing reductions in Government funding;~~
- ~~Revising the terms of reference of the Standards Committee, to reflect that Committee's remit for monitoring and reviewing the Member/Officer Protocol, and reviewing the Protocol;~~
- ~~Reporting the reviewed Scheme of Delegations to the Court of Common Council;~~
- ~~Seeking to appoint two new co-opted Members onto the Standards Committee;~~
- ~~Sending an annual reminder to all Members in respect of updating their Members' Declarations of interest; and~~
- Agreeing and implementing an updated Risk Management Strategy, including the introduction of risk management software to assist in the consistent reporting and management of risk across the Corporation. Embedding the use of the new business risk management software to assist in the consistent reporting and management of risk across the Corporation
- Bringing the Health and Safety TopX process into line with the City's risk management process.
- Increasing transparency of the alignment of the internal audit plan to corporate risks

This annual governance statement was approved by the City's Audit and Risk Management Committee on ~~13th~~ 2nd May/June 2015~~4~~.

John Barradell
Town Clerk and Chief Executive

Date:

Mark Boleat
Chairman, Policy and Resources
Committee
Date:

ANNUAL GOVERNANCE STATEMENT 2014/15**SUPPORTING SCHEDULE**

Key Element	Item	Reporting to Members
Code of Corporate Governance	Committee terms of reference (para 9)	Terms of reference are reviewed by each Committee annually. A composite report of all Committee terms of reference is submitted annually to the Court of Common Council.
	Scheme of Delegations (para 9)	Changes to the Scheme of Delegations were approved by the Court of Common Council on 1 st May 2014.
	Standing Orders and Project Procedure (para 9)	Changes to Standing Orders and Project Procedure were approved by the Court of Common Council on 1 st May 2014.
	Localism Act: Standards regime (paras 13-16)	The Annual report of the Standards Committee was presented to the Court of Common Council on 24 th July 2014. Two new co-opted Members were appointed to the Standards Committee by the Court of Common Council on 11 th September 2014. Amendments to the Member Code of Conduct were agreed by the Court of Common Council on 16 th October 2014. The disclosure of pecuniary interests process was reviewed by the Standards Committee on 28 th November 2014. A report on the annual update to Members declarations was presented to the Standards Committee on 20 th February 2015.
	Localism Act: Pay Policy Statement (para 17)	The draft Pay Policy Statement for 2014/15 was agreed by the Court of Common Council on 6 th March 2014.
	Bribery Act (para 18)	Procedures for staff declaration were approved by the Audit and Risk Management Committee on 12 th December 2012.
	Regulation of Investigatory Powers (RIPA) (para 19)	Updates were reported to the Policy and Resources Committee on 3 rd July 2014 and 2 nd October 2014.
Business Strategy and Planning Process	Sustainable Community Strategy (para 20)	The City Together Strategy (the sustainable community strategy for the City) was agreed by the Court of Common Council and the City's local strategic partnership (The City Together) in July 2008.
	Policing Plan (para 20)	The Policing Plan for 2014-15 was agreed by the Police Committee on 17 th January 2014.

	Communications Strategy (para 20)	The Communications Strategy for 2014-17 was agreed by the Policy and Resources Committee on 20 th March 2014.
	Cultural Strategy (para 20)	The Cultural Strategy for 2012-17 was agreed by the Court of Common Council on 25 th October 2012.
	Annual City-wide residents' meeting (para 21)	The annual City-wide residents' meeting was held on 23 rd June 2014.
Financial Management Arrangements	HMIC Inspections (para 26)	An update on HMIC inspections for 2014/15 will be presented to the Audit and Risk Management Committee in July 2015.
	Service Based Review (para 27)	Departmental budget reductions and topics for cross-cutting review were agreed by the Policy and Resources Committee on 4 th September 2014.
	Efficiency and Performance sub-Committee (para 29)	During 2014/15, the sub-Committee met on four occasions, considering reports on, inter alia: <ul style="list-style-type: none"> • City Procurement Service • Work of the Transformation and Efficiency Boards • Third Party Payments, and Supplies and Services • CIPFA Value for Money indicators 2013/14 • Oversight of Corporate Programmes • Service Based Review Roadmap • Collaboration and Shared Services (City Corporation and City Police) • Review of Energy Targets 2013/14 • Combined Heat and Power (Annual Report 2013/14)
	Financial Strategy and Budget Policy (para 33)	The revised Medium Term Financial Strategy was agreed by the Court of Common Council on 6 th March 2014.
Risk Management	Risk Management Strategy (para 37)	An updated Risk Management Strategy was approved by the Audit and Risk Management Committee on 13 th May 2014.
	Updates to Audit and Risk Management Committee (para 38)	The Audit and Risk Management Committee receives regular updates on risk management. During 2014/15, the following corporate risks were reviewed in depth: <ul style="list-style-type: none"> • CR2: Supporting the Business City • CR11: Pond embankment failure – Hampstead Heath • CR16: Information Security and Governance • CR18: Workforce Planning

	Informal challenge sessions (para 38)	Five Chief Officers met with members of the Committee during 2014/15: <ul style="list-style-type: none"> • Chamberlain: September 2014 • Remembrancer: November 2014 • Managing Director of the Barbican Centre: December 2014 • Principal of the GSMD: December 2014 • Director of Markets and Consumer Protection: February 2015
Role of Internal Audit	General updates to Audit & Risk Management sub-Committee (para 50)	Internal audit update reports were presented to the Audit & Risk Management Committee on 13 th May 2014, 9 th September 2014 and 8 th December 2014.
	Audit Charter (para 50)	Updates to the Audit Charter were agreed by the Audit and Risk Management Committee on 4 th November 2014.
	Reports re fraud investigation function (para 52)	Anti-Fraud and Investigation updates were presented to the Audit & Risk Management Committee on 13 th May 2014, 9 th September 2014 and 8 th December 2014.
	Whistleblowing Policy (para 54)	A fully updated Whistleblowing Policy was approved by the Establishment Committee on 10 th July 2014.
Performance Management	Departmental reporting (para 55)	Departmental Business Plans are normally approved by the relevant service committee(s) between February and April each year. Chief Officers produce quarterly monitoring reports for their service committee(s), combining information on service and financial performance.
	Annual Summary of Performance and Accounts (para 56)	The annual City Fund Overview for 2013/14 was published in February 2015. The City Fund Overview for 2014/15 will be produced in the summer of 2015.
	Annual business ratepayers' meeting (para 56)	The annual business ratepayers' meeting was held on 4 th February 2014 and 25 th February 2015.
Audit and Risk Management Committee	<i>Managing the Risk of Fraud and Corruption</i> (para 62)	A report on the CIPFA Code of Practice was considered on 24 th February 2015, when the Committee also agreed the statement to be included in the Annual Governance Statement.
	Effectiveness Survey	A report on the 2014/15 survey of the Committee's effectiveness was presented on 4 th November 2014.
Head of Internal Audit's Opinion	(paras 67-68)	The annual opinion from the Head of Audit and Risk Management for the year 2014/15 was reported to the Audit and Risk Management Committee on 2nd June 2015.

Committee:	Date:
Audit and Risk Management Committee	2 June 2015
Subject: Corporate Risk Register Review	Public
Report of: Chamberlain	For Decision

Summary

This report presents the Audit and Risk Management Committee with the outcome of the corporate risk register review undertaken by the newly established Chief Office Risk Management Group (CORMG) on 12 May 2015.

Summit Group met on 18 May 2015 and received and approved the recommendations of CORMG in relation to the ten corporate risks. These were that seven risks be retained on the corporate risk register; two risks should be de-escalated to departmental risk registers and one risk to be removed from the corporate risk register.

CORMG agreed to meet again on 25 June 2015 to identify any new corporate risks to be recommended to the Summit Group. The Audit and Risk Management Committee would be notified, of any changes to the corporate risk register, in the next scheduled risk update report on 17 September 2015.

Recommendations

Members are asked to:

- The changes and amendments in respect of the ten corporate risks as outlined in para 3.2 below.
- That CORMG will undertake a corporate risk identification session on 25 June 2015 with a view to recommending any new corporate risks to the Summit Group. Any changes to the corporate risk register, as a result of this review, would be reported to the Committee in the next scheduled risk update report on 17 September 2015.
- Suggest any areas of risk that the CORMG may wish to consider in their next risk review session to be held on the 25 June 2015.

Main Report

1.0 Background

- 1.1 The corporate risk register contains ten corporate risks. Although risk scores for some of these risks have changed, no new risks have been added to this register for at least 12 months. Given the static nature of the register, the Chamberlain reported to the Audit and Risk Management Committee, at its meeting on 28 April 2015, that a root and branch review of the corporate risk register would be undertaken by the newly established Chief Officer Risk Management Group (CORMG) on 12 May 2015.

- 1.2 The corporate risk register review, undertaken by CORMG on 12 May 2015, focused on confirming of the corporate status of the existing ten corporate risks.
- 1.3 Summit Group received and approved CORMG's recommendations for changes and amendments to the corporate risk register. These are outlined in brief (para 3.2) and in more detail in appendix 2.
- 1.4 CORMG agreed to meet again on the 25 June 2015 to identify whether there were any new corporate risks that should be recommended to the Summit Group.

2.0 **Determination of corporate risk status**

- 2.1 In reviewing the existing ten corporate risks, CORMG referred to the definition within the Corporate Risk Management strategy (May 2014) which states that:

Strategic or Operational risks reported to the Audit and Risk Management Committee for assurance purposes.

One or more of the following criteria must apply:

- The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities.
 - A risk that has significant impact on multiple operations if realised.
 - There are concerns over the adequacy of departmental arrangements for managing a specific risk.
- 2.2 In addition the Corporate Risk Advisor produced further guidance in the form of a test which is attached as appendix 1. The test comprises of 5 questions and one challenge and primarily focuses on whether a risk would have a significant impact on a range of areas such as its Key Policy Priorities. The word significant may describe, for example where there is service disruption greater than 4 weeks, there has been a financial loss up to 35% of budget, loss of life, national publicity or failure to achieve a major corporate objective.

3.0 **Application of the test to existing Corporate risks**

- 3.1 Following a robust challenge of the existing ten corporate risks, CORMG have recommended to the Summit Group that seven risks be retained on the corporate risk register, two risks should be de-escalated to departmental risk registers and one risk to be removed from the corporate risk register. Summit Group approved these recommendations at its meeting on 18 May 2015.

Of the seven risks to be retained on the corporate risk register, three were anticipated to be de-escalated to departmental risk registers, subject to additional work being completed (and considered effective), within a 12 month period.

3.2 Table 1. Corporate risks with a recommendation beside each risk.

Risk no	Risk title	Risk rating	Headline Recommendation
CR11	Hampstead Heath Ponds	Red	Retain on register
CR08	Reputational risk	Amber	<u>Remove</u> from register
CR09	Health and Safety Risk	Amber	Retain on register
CR14	Funding Reduction	Amber	<u>De-escalate</u> to departmental level
CR01	Resilience Risk	Amber	Retain on register and review corporate status in May 2016.
CR02	Supporting the Business City	Amber	Retain and provide clearer risk description and actions.
CR10	Adverse Political Developments	Amber	Retain and rephrase risk to provide a clearer risk description
CR17	Safeguarding	Amber	Retain and review corporate status in March 2016.
CR16	Information Security	Amber	Retain and rephrase risk to include IT resilience and cyber risk. Review corporate risk status in November 2015.
CR18	Workforce Planning	Amber	<u>De-escalate</u> to departmental level.

Conclusion

The corporate risk register was subject to a robust challenge by CORMG on 12 May 2015. There will be further work done to identify any new risks that should be recommended to Summit Group and Chief Officer Group (COG) for inclusion in the corporate risk register. CORMG provides additional assurance to the Summit Group, COG and the Audit and Risk Management Committee that corporate risks are appropriate and being actively managed.

Appendices:

- **APPENDIX 1** Corporate Risk test
- **APPENDIX 2** Corporate risk register with recommendations for each corporate risk

Contact:

Paul.Dudley | Paul.Dudley@cityoflondon.gov.uk | 02073321297

TEST TO APPLY TO IDENTIFY CORPORATE LEVEL RISKS – TO BE USED BY CORMG ONLY

Corporate risks are those risks “concerned with ensuring overall business success, vitality and viability. Materialisation of a corporate risk will be perceivable externally by stakeholders and will affect the reputation of the organisation. These risks, if they occurred, would have significant and serious impact on the delivery of corporate objectives”. (M_O_R 2010)

Inclusion of a risk in the corporate risk register indicates that it is one of a small number of risks that the Corporation (particularly elected members and senior managers) need to be aware of and ensure that appropriate management arrangements are in place to manage/mitigate them.

Corporate risks tend to be more medium to long term but some risks, because of a significant event or planned business activity e.g. business transformation, may feature for shorter periods.

The Test:

Apply the following question/challenge to each potential/existing corporate risk. If the risk were realised, would it

1. **Significantly** impact upon the delivery of the Strategic Aims and/or ability to meet Key Policy Priorities?
2. Result in **significant** attention from outside the Corporation (e.g. general public/ Media/ Government agencies etc.) which has the potential to cause considerable damage to its reputation? *(Example risks could those that may lead to legislative (non) compliance; regulatory requirements not met; areas that are externally inspected that are not meeting required standards.)*
3. **Significantly** impact upon the availability and use of the Corporation’s key resources (e.g. financial, human and physical assets etc.)?
4. Result in **significant disruption** to one or more **critical** services/operations provided by the Corporation?
5. Have **significant political** implications for the Corporation?

Challenge

6. Is the risk related to business activities that could be considered to be **innovative or different** to the Corporation’s experience, functions or operating parameters?

For a risk to be considered for corporate risk status there must be a positive response to one or more of the above questions and challenge. The Chief Officer’s Summit Group will make the decision to accept risks on to the corporate risk register.

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Appendix 2- Corporate risk register with Summit Group approved recommendations for each risk

Risk no	Risk	Mitigation	Recommendation and rationale
CR11 Hampstead Heath Ponds – overtopping leading to dam failure Director of Open Spaces	<p>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.</p>	<p>The Ponds Project started 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.</p>	<p>Recommendation: Retain on corporate risk register.</p> <p>The risk of severe rainfall eroding the pond bunds will remain a corporate risk until most of the remediation work has been completed but should consider key milestone to trigger de-escalation.</p>
CR08 Reputational risk Town Clerk’s	<p>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</p>	<p>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:</p> <ul style="list-style-type: none"> • 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. 	<p>Recommendation: Remove from corporate risk register.</p> <p>Accepted that reputation was a consequence of other events happening. It was important that all corporate risks adequately addressed the reputational impacts in the risk description and any actions required.</p>

Appendix 2- Corporate risk register with Summit Group approved recommendations for each risk

Risk no	Risk	Mitigation	Recommendation and rationale
<p>CR09</p> <p>Health and Safety Risk</p> <p>Town Clerk's</p>	<p>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.</p>	<p>Key actions in place/in progress;</p> <ul style="list-style-type: none"> • 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 	<p>Recommendation: Retain on corporate risk register.</p> <p>Whilst the Corporation has in place a best practice H&S management system, CORMG were concerned that there was not effective application of this system across the organisation.</p> <p>The risk should be rephrased to include housing H&S risk (e.g. fire)</p> <p>CORMG suggested that this risk should be referred to the Corporate H&S Committee, chaired by the Town Clerk, to review the risk description and actions in place to effectively manage this risk.</p>
<p>CR14</p> <p>Funding Reduction</p> <p>Chamberlain's</p>	<p>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.</p>	<p>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</p>	<p>Recommendation: de-escalate to departmental risk register</p> <p>Service Based Reviews are in place to ensure that the savings are achieved in the agreed timescale. This risk is now being appropriately mitigated. CORMG indicated that this risk should be de-escalated to the Chamberlain's departmental risk register but kept under review if further budget savings required.</p>

Appendix 2- Corporate risk register with Summit Group approved recommendations for each risk

Risk no	Risk	Mitigation	Recommendation and rationale
		<p>Performance Sub Committee on a regular basis. As savings proposals are implemented, this risk will ultimately reduce further to GREEN.</p> <p>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.</p>	
<p>CR01</p> <p>Resilience Risk</p> <p>Town Clerk's</p>	<p>Cause – 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.</p>	<p>Key actions current in progress:</p> <ul style="list-style-type: none"> • 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 2015. 	<p>Recommendation: Retain on corporate risk register.</p> <p>It was essential that the Corporation was appropriately prepared to respond to significant events, e.g. flooding, pandemic etc. Work was currently underway to improve resilience response. CORMG agreed that this risk should look to be de-escalated in approximately 12 months' time once this work had been completed.</p>

Appendix 2- Corporate risk register with Summit Group approved recommendations for each risk

Risk no	Risk	Mitigation	Recommendation and rationale
<p>CR02</p> <p>Supporting the Business City</p> <p>Town Clerk's</p>	<p>Cause – Failure to defend and promote the competitiveness of the business City.</p> <p>Event – City loses its position as the world leader in international financial services.</p> <p>Effect – Reduction in business activity in the City, lower income for and industry engagement with the City of London Corporation.</p>	<p>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.</p>	<p>Recommendation: Retain on corporate risk register.</p> <p>CORMG indicated that this risk should be rephrased to provide a clear description of the risk event and actions.</p>
<p>CR10</p> <p>Adverse Political Developments</p> <p>Remembrancer's</p>	<p>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.</p>	<p>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.</p>	<p>Recommendation: Retain on corporate risk register.</p> <p>CORMG indicated that this risk should be rephrased to provide a clear description of the risk event and a review of the actions. Risk ownership was likely to be split between the Remembrancer and the Director of Public Relations.</p>

Appendix 2- Corporate risk register with Summit Group approved recommendations for each risk

Risk no	Risk	Mitigation	Recommendation and rationale
<p>CR17</p> <p>Safeguarding</p> <p>Department of Community & Children's Services</p>	<p>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. (E.g. 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.</p>	<p>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</p> <ul style="list-style-type: none"> • Raising awareness of the Local Authority Designated Officer role • Implement recommendations from the Safeguarding and Children Looked After review • Ensure level 1 to 3 safeguarding training is delivered to all Community and Children's service staff • Introduce Level 1 mandatory 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 staff are aware of 	<p>Recommendation: Retain on corporate risk register.</p> <p>CORMG agreed that this risk be reviewed again in March 2016 to confirm that the additional actions currently being taken will provide sufficient assurance that the Safeguarding policy was being effectively implemented. If it was it should then be de-escalated to departmental level.</p>

Appendix 2- Corporate risk register with Summit Group approved recommendations for each risk

Risk no	Risk	Mitigation	Recommendation and rationale
		and comply with procedures.	
CR16 Information Security Chamberlain's	<p>Cause: Officer/ Member mishandling of information. Event: Loss or mishandling of personal or commercial information.</p> <p>Expected to Change: TBC (risk will remain, but current risk expected to reduce).</p> <p>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.</p>	Mandatory training – 'Data Protection' and 'Responsible for Information' is in progress across the Corporation. Managers are closely monitoring compliance.	<p>Recommendation: Retain risk on Corporate risk register</p> <p>Loss of information – personal/commercial can have serious consequences for the Corporation. Significant mitigations had been put in place and further work was currently being undertaken.</p> <p>CORMG considered that this risk be rephrased to include IT resilience and cyber risk.</p> <p>This risk should to be reviewed in November 2015 with a view to de-escalate to departmental level.</p>
CR18 Workforce Planning Town Clerk's	<p>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.</p>	<p>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</p> <p>A detailed improvement plan is being drawn up to ensure that the findings of the recent IIP review are implemented</p> <p>An employee development plan is on target</p>	<p>Recommendation: De-escalate to departmental risk register</p> <p>CORMG considered that there were some areas of the Corporation where there may be difficulties in recruiting and retaining staff. However the impact of this risk was unlikely to have a corporate wide impact.</p> <p>It is suggested that the risk title is changed to Staff shortages and capacity.</p>

Appendix 2- Corporate risk register with Summit Group approved recommendations for each risk

Risk no	Risk	Mitigation	Recommendation and rationale
		to be delivered by the end of 2016	

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