



Audit and Risk Management Committee

Date: TUESDAY, 28 NOVEMBER 2017

Time: 2.00 pm

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

Members:

Randall Anderson	Deputy Jamie Ingham Clark (Ex-Officio Member)
Alderman Nick Anstee (Deputy Chairman)	Alderman Ian Luder (Chairman)
Alexander Barr	Kenneth Ludlam (External Member)
Chris Boden	Paul Martinelli
Alderman Sir Charles Bowman	Caroline Mawhood (External Member)
Henry Colthurst	Jeremy Mayhew (Ex-Officio Member)
Hilary Daniels (External Member)	Deputy Hugh Morris (Ex-Officio Member)
The Rt. Hon the Lord Mayor, Alderman Peter Estlin	

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Lunch will be served in 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 10 October 2017.

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

For Information
(Pages 9 - 12)
 5. **COMMITTEE WORK PROGRAMME**
Report of the Town Clerk.

For Information
(Pages 13 - 14)
- Internal Audit**
6. **INTERNAL AUDIT UPDATE**
Report of the Head of Internal Audit and Risk Management.

For Information
(Pages 15 - 30)
 7. **UPDATE ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS BY THE CITY OF LONDON SCHOOL FOR GIRLS**
Report of the Headmistress, City of London School for Girls.

For Information
(Pages 31 - 34)
 8. **EXTERNAL QUALITY ASSESSMENT UPDATE**
Report of the Head of Internal Audit and Risk Management

For Information
(Pages 35 - 44)

9. **ANTI FRAUD INVESTIGATIONS**

Report of the Chamberlain.

For Decision
(Pages 45 - 56)

Risk Management

10. **OUTTURN OF THE RISK APPETITE SURVEY 2017**

Report of the Chamberlain.

For Discussion
(Pages 57 - 70)

11. **DEEP DIVE RISK REVIEW: IT SERVICE PROVISION - CR19**

Report of the Chamberlain.

For Discussion
(Pages 71 - 76)

Governance

12. **COMMITTEE'S TERMS OF REFERENCE**

Report of the Town Clerk.

For Decision
(Pages 77 - 80)

13. **SURVEY OF COMMITTEE EFFECTIVENESS**

Report of the Town Clerk.

For Discussion
(Pages 81 - 98)

14. **GENERAL DATA PROTECTION REGULATIONS 2018**

Report of the Comptroller and City Solicitor.

This report was approved by the Policy and Resources Committee on 21 September 2017 and the Establishment Committee on 17 October 2017.

For Information
(Pages 99 - 102)

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

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

17. **EXCLUSION OF THE PUBLIC**

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

For Decision

Part 2 - Non-Public Agenda

18. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

To agree the Non-Public minutes of the meeting held on 10 October 2017.

For Decision
(Pages 103 - 104)

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 10 October 2017

Minutes of the meeting of the Audit and Risk Management Committee held at
Guildhall on Tuesday, 10 October 2017 at 2.00 pm

Present

Members:

Alderman Ian Luder (Chairman)
Randall Anderson
Alexander Barr
Chris Boden
Hilary Daniels (External Member)
Deputy Jamie Ingham Clark (Ex-Officio)
Kenneth Ludlam (External Member)
Paul Martinelli
Caroline Mawhood (External Member)
Jeremy Mayhew
Hugh Morris (Ex-Officio)

In Attendance

Officers:

Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's
Philip Gregory	-	Chamberlain's
Paul Dudley	-	Chamberlain's
Pat Stothard	-	Head of Internal Audit and Risk Management
Michael Cogher	-	Comptroller and City Solicitor
Julie Mayer	-	Town Clerk's Department
Commissioner Ian Dyson	-	City of London Police
Adrian Brook	-	Moore Stephens (External Auditor)
Tharshiha Thayabaran	-	Moore Stephens (External Auditor)
Leigh Lloyd-Thomas	-	BDO (External Auditor)
Andrew Carter	-	Director of Community and Children's Services
Chris Pelham	-	Community and Children's Services
Carolyn Dwyer	-	Director of the Built Environment
Richard Steel	-	Department of the Built Environment
Cllr David Lindsay	-	(Royal Borough of Kensington and Chelsea)
Wendy Mead	-	Chief Commoner

1. APOLOGIES

Apologies were received from Alderman Nick Anstee (Deputy Chairman), Alderman Charles Bowman, Henry Colthurst and Alderman Peter Estlin.

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

- Mr Randall Anderson declared a disclosable pecuniary interest in respect of the minutes of the previous meeting (Item 4 – Fire Safety) by virtue of being a Long Leaseholder of a City of London Corporation property.
- Mr Alexander Barr declared a disclosable pecuniary interest in respect of agenda item 11 (City's Cash Financial Statements) by virtue of his employment with Aberdeen Standard Life.

3. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 24 July 2017 were approved.

Matters arising

In respect of item 4 (Fire Safety), Members noted the following amendment; '*Officers should (not would) take Counsel's Opinion as to whether some of the additional safety works could be recharged to Leaseholders*'. The Director of Community and Children's Services confirmed that Counsel's opinion had been sought and the Audit and Risk Management Committee would receive an update at their next meeting.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received a report of the Town Clerk in respect of the Committee's outstanding actions and noted the following item, which had been actioned and could be removed:

- HMIC - City of London Police Inspection update (on today's agenda)

5. **COMMITTEE WORK PROGRAMME**

Members received the Committee's Work Programme and noted a request for future updates to be as detailed as possible.

6. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP**

Members received a report of the Head of Internal Audit and Risk Management and noted that, since the previous Meeting, Internal Audit had implemented a revised process for monitoring recommendations; increasing the frequency of updates, accepting only evidenced recommendations as implemented and reinforcing the expectation of implementation by agreed target dates.

Members commended the new format as an excellent move forward but suggested that Chief Officers should be invited to attend the Audit and Risk Management Committee where they had not provided an adequate explanation of delayed implementation. There was a further suggestion that audit report recommendations be linked to Chief Officers' objectives at their annual appraisals.

RESOLVED, that – the report be noted.

7. **RISK MANAGEMENT UPDATE**

Members considered a report of the Chamberlain which provided an update on the corporate and top red departmental risk registers following the review by the Chief Officer Risk Management Group (CORMG) on 4 July 2017 and the Summit Group on 27 July 2017.

Members noted the following changes to the Corporate Risk Register since May 2017:

1. **CR20** Road Safety, moved from a risk score of red 16 to amber 12 (completed works at Bank Junction).
2. A new corporate risk **CR 24 Operational security** has been added to the register following approval by the Summit Group at their meeting on 27 July 2017. The Committee is asked to confirm the inclusion of this risk on the corporate risk register.

RESOLVED, that:

1. Corporate Risk CR24 (Operational Security) be added to the Corporate Risk Register.
2. The changes to 1 and 2 above, to both the Corporate and Top Red Departmental Risk Registers, be noted.

8.1 **ROAD SAFETY DEEP DIVE RISK REVIEW**

Members received a report of the Director of the Built Environment in respect of Corporate Risk CR20 (Road Safety).

During the discussion and questions on this item, the following points were highlighted:

- The success of radical intervention schemes such as Holborn Circus and Bank Junction and particularly the excellent plaudits for the Road Danger Reduction Programme. Bank Junction had been received positively by key stakeholders, the business community and the GLA. The relevant committees would receive a further report on the success of the scheme and further options in respect of the pilot.
- A campaign was underway on the needs of pedestrians and officers advised that there had been some evidence to suggest that changes to the physical environment might change behaviours.
- A Member suggested that more could be done for wheelchair and buggy users and whether initiatives such as different lighting schemes on pavements could be helpful?

- In respect of Bishopsgate, Members noted that this was a Transport for London (TfL) road and the City of London Corporation were working with its stakeholders to positively influence TfL decisions. Given the possibility of some 50,000 new pedestrians coming into the City over the next few years, Members asked to receive a report on the risk management aspect of Crossrail before it opened; noting that the Streets and Walkways Sub Committee would be considering this in greater detail.
- Whilst noting the reputational consequences, Members strongly agreed that pedestrian safety was paramount. However, Members were mindful of the behaviour of some pedestrians; i.e. inattention caused by looking at mobile phones whilst crossing roads. Officers advised that the Planning Committee had considered a model for pedestrian movements in the Eastern Cluster, which would be fed into the Local Plan Review.

RESOLVED, that – the report be noted.

8.2 SAFEGUARDING DEEP DIVE RISK REVIEW

Members received a report of the Director of Community and Children's Services in respect of Corporate Risk CR17 (Safeguarding). Members were very pleased to note that Safeguarding in the City, for both Adults and Children's Services, was very robust and Ofsted had rated the City and Hackney Safeguarding Board as 'outstanding'. Members noted that the Safeguarding Board was independently chaired and therefore subject to very detailed scrutiny and challenge.

During the discussion the following points were noted:

- The City of London Corporation lead in mitigating the risks of child exploitation and financial abuse of vulnerable adults. The City Corporation's social workers worked closely with Health, Police and Voluntary Sector.
- Safeguarding was a standing item on Education and Multi Academy Trust Board meetings. The Designated Officer in Schools was required to report any safeguarding issues to the Multi Academy Trust and the Education Strategy Director. The Education Strategy Director conducted an Annual Review in all schools; updated every half term and, as part of the review, ensured that all staff and governors were trained in safeguarding and that safer recruitment procedures were in place. The Director stressed that he would rigorously challenge non-compliance and schools were required to complete training audits. Members noted that the above annual review was in addition to national requirements.
- Members noted the training offered to staff and governors, by way of induction, and were invited to observe a session. Staff and governors were also required to attend a 2-day comprehensive course on Safeguarding and Prevent, delivered by the London Borough of Hackney, drawing on their vast experience in these areas.

- The Multi Academy Trust had recently taken over a school in special measures, which had seen major improvements as a result of the City of London Corporation's intervention.
- Whilst the City Corporation did not have a legal responsibility for some of the schools within the Trust, the reputational risks of all schools with City of London Corporation endorsement were fully understood.
- The small size of the City's Safeguarding Team was an advantage as caseloads were kept at manageable levels and there was a very high quality of supervision. Members noted that failures in these areas often had severe impact. The City of London Corporation's Team were also able to build strong working relationships with colleagues across London; i.e. the Knowledge Transfer Programme; Pathfinder Teaching Partnerships and the City's team has capacity to conduct high level research. The Chairman of the Safeguarding Sub Committee was in attendance and endorsed this position and added that the size of the team was very advantageous to its working relationship with Hackney and in reducing silo working.

RESOLVED, that – the report be noted.

9. **CITY FUND AND PENSION FUND FINANCIAL STATEMENTS - AUDIT COMPLETION REPORTS**

Members received a report of the Chamberlain, further to their consideration at the last meeting of the Committee, of the interim audit completion reports on the City Fund and Pension Fund financial statements for the year ending 31 March 2017. Members noted that, following completion of the audit, BDO LLP had issued their final report on the City Fund (at appendix 2 to the report) and that the overall change to the City Fund was increase in net assets of £2.5m, in relation to total net assets of £1.25 billion. Members also noted a summary of the changes to the City Fund balance sheet set out at Appendix 1 to the report and that there had been no changes to the Pension Fund. The audited statements were published on the City's website on the 29 September.

During the discussion the following points were noted:

- The External Auditors (BDO) were in attendance and confirmed a set of true and fair accounts. Members were pleased to note there had been no change in fees, which also reflected a good quality set of working papers and commended the Chamberlain and his team.
- In respect of the level of seized funds, Members noted that this was high as the seizures had resulted from economic crime. One case was likely to be particularly long and complex as the rightful recipients had not been identified.

- In respect of investment properties, there were 3 levels of valuation which made no difference to the values but carried a different level of disclosure. Members noted that Brexit would be noted as a 'subsequent event', with a level 2 or 3 disclosure.
- Finally, Members asked if officers could review navigations to the Statements of Accounts on the City of London Corporation Website.

RESOLVED, that – the report be noted.

10. CITY'S CASH FINANCIAL STATEMENTS 2016/17

Members considered a report of the Chamberlain in respect of the City's Cash Financial Statements for 2016/17.

Members were reminded that 2 briefing sessions had been arranged for all Members of the Court and the questions raised at those sessions had been tabled and would be circulated to all Members of the Audit and Risk Management and Finance Committees and those Members who attended the sessions. The External Auditors were in attendance and confirmed that they would be giving an unqualified opinion on the accounts. Members also noted that an unqualified opinion had been issued in respect of the Bridge House Estates Accounts, which members had received at the last meeting.

At the Briefings:

- Members had requested further background on the £4.5m for management fees on non-property investments, as related to both segregated and pooled mandates.
- Members wanted the wording on members expenses tightened, to reflect exactly what this includes.

In respect of 'Related Party Transactions', given the number of new Members this year, the Committee felt that completion rates had been very good. There were a couple of outstanding disclosures from officers and these would be followed up by promptly.

RESOLVED, that - the contents of Moore Stephens LLP Management Letter be noted and approval of the Annual Reports and Financial Statements for City's Cash for the year ended 31 March 2017, be recommended to the Finance Committee.

11. CITY'S CASH TRUST FUNDS AND SUNDRY TRUST FUNDS ANNUAL REPORTS AND FINANCIAL STATEMENTS 2016/17

Members considered a report of the Chamberlain in respect of the City's Cash Financial Statements for 2016/17.

RESOLVED, that - the contents of Moore Stephens LLP Management Letter be noted and approval of the Annual Reports and Financial Statements for City's Cash Trust Funds and the Sundry Trust Funds, for the year ended 31 March 2017, be recommended to the Finance Committee.

12. FUTURE ARRANGEMENTS FOR THE APPOINTMENT/RE-APPOINTMENT OF EXTERNAL MEMBERS

The Chairman was heard in respect of the appointment/re-appointment of the External Members of the Audit and Risk Management Committee. Members noted that Caroline Mawhood's second term as an external Member was due for renewal in March 2018. Members were very pleased at Ms Mawhood's willingness to serve again and noted the valuable contribution she made to the Committee and particularly on the Auditor Appointment Panel and in her recent appointment to the Police Performance Sub Committee.

Members were reminded that CIPFA Guidance recommended that External Members should not serve more than 3 terms and therefore the Chairman suggested that, at the first Committee Meeting of the Municipal Year, Members be asked to appoint a Nominations Committee to consider future External Member appointments. Members also noted that 3 terms of 3 years was accepted good practice for charity trusts.

RESOLVED, that:

1. Caroline Mawhood's appointment as an External Member of the Audit and Risk Management Committee be recommended for a third time, subject to formal approval by the Court of Common Council.
2. The Committee receive a report of the Town Clerk to the January Committee seeking to appoint a Nominations Panel, at the first meeting of the Municipal Year, to consider future appointments of External Members.

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

There were no questions.

14. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

The Chairman suggested and Members agreed that, going forward, it might be prudent to consider just one Risk Challenge Session before the Committee rather than 2. The Town Clerk agreed to canvass members as to the following options:

- Keeping the sessions at 12 noon.
- Moving the sessions to 1pm, with a Working Lunch.
- Moving the sessions to the rising of the Audit and Risk Management Committee.

15. EXCLUSION OF THE PUBLIC

RESOLVED, that – the 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 may involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act.

Item no(s)
16 – 19

Paragraph No (s)
3

16. DEMAND AND VALUE FOR MONEY REVIEW - SHORT TERM RECOMMENDATIONS AND NEXT STEPS; INCLUDES INDICATIVE TIMELINE

Members received a report of the Commissioner, City of London Police.

17. DEMAND AND VALUE FOR MONEY REVIEW

Members received a report of the Commissioner, City of London Police.

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

There was one item considered while the public were excluded.

The meeting ended at 4pm

Chairman

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- October 2017 update

Date Added	ITEM	Action	Officer responsible and target date
23.5.2017	INTERNAL AUDIT (GENERAL)	<ol style="list-style-type: none"> Members suggested that the action plan distinguish <u>low, medium and high</u> priority risks and be more outward focussed. Chief Officers be invited to attend the Audit and Risk Management Committee where they had not provided an adequate explanation of delayed implementation. There was a further suggestion that audit report recommendations be linked to Chief Officers' objectives at their annual appraisals. 	<p><i>Head of Internal Audit and Risk Management</i></p> <p>On going</p>
23.5.2017	INTERNAL AUDIT CHARTER	Members asked for cyber awareness to be more visible in all internal audit reviews and suggested that this be more explicit in the Charter.	<p><i>Head of Internal Audit and Risk Management</i></p> <p>This will be actioned for all audits going forward. A section will be added to the Charter for the next review by the ARMC.</p>
23.5.2017	HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT 2016/17	<p>Members requested:</p> <ol style="list-style-type: none"> The numbers of greens, ambers and reds would give greater assurance than just stating the number of reds. Future opinion reports include the quality of internal audit and coverage. 	<p><i>Head of Internal Audit and Risk Management</i></p> <p>To be included in the next HoIA Opinion in May 2018</p>

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- October 2017 update

23.5.2017	INTERNAL AUDIT PLAN 2017/18	<p>Members requested:</p> <ol style="list-style-type: none"> 1. Could there be a review of significant areas every 3 years and an indication of the type of work which would be covered over the course of the year. 2. Whether future reviews could include an analysis of efficiency and include resources and training. 	<p><i>Head of Internal Audit and Risk Management</i></p> <ol style="list-style-type: none"> 1. This will be actioned for the next Audit Plan. 2. This will be considered as part of the forthcoming planning process.
10.10.2017	AUDITOR APPOINTMENT PANEL	To be confirmed by the Court of Common Council (to comply with 10-day standstill and 28 days notification).	<p><i>Town Clerk/Chamberlain</i></p> <p>Report to Finance Committee 21 November emailed to ARM Members. Report to Court of Common Council - 7 December 2017</p>
10.10.2017	FIRE SAFETY	The Director of Community and Children's Services confirmed that Counsel's opinion had been sought as to whether some of the additional safety works could be recharged to Leaseholders and the Audit and Risk Management.	<p><i>Director of Community and Children's Services</i></p> <p>Further update when available.</p>
10.10.2017	ROAD SAFETY	Members asked for a report on the risk management aspects of Crossrail before it opens.	<p><i>Director of the Built Environment</i></p> <p>Further update when available.</p>
10.10.2017	FINANCIAL STATEMENTS	Officers asked to review navigation for ease of access on the City Corporation's Website	<p><i>Chamberlain</i></p> <p>As soon as possible.</p>

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- October 2017 update

10.10.2017	APPOINTMENT OF EXTERNAL MEMBERS	<ol style="list-style-type: none"> 1. Caroline Mawhood's appointment as an External Member be approved, subject to the confirmation of the Court in December 2017. 2. The Committee receive a report of the Town Clerk to the January Committee seeking to appoint a Nominations Panel, at the first meeting of the Municipal Year, to consider future appointments of External Members. 	<p><i>Town Clerk</i></p> <ol style="list-style-type: none"> 1. Report to the Court of Common Council 7 December 2017 2 January and May 2018

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Audit & Risk Management Committee - Work Programme

Meeting dates:	28/11/17	16/1/18	6/3/18	29/5/18	17/7/18
Financial Statements/External Audit					
				Draft City Fund and Pension Fund Financial Statements	City Fund and Pension Fund Financial Statements Bridge House Estates Financial Statements
Internal Audit					
	Internal Audit Update		Internal Audit Update	Head of Internal Audit Annual Opinion (Internal Audit Update)	Internal Audit Update
	External Quality Assessment update	Internal Audit Recommendation Follow-up		Internal Audit Recommendation Follow-up	Internal Audit Recommendation Follow-up
	Internal Audit Recommendation Follow-up		Internal Audit Plan for 2018/19		
			Internal Audit Charter/Strategy		
Governance					
			Annual Governance Statement Methodology	Annual Governance Statement 2017/18	

Meeting dates:	28/11/17	16/1/18	6/3/18	29/5/18	17/7/18
	Actions arising from Committee Effectiveness Survey				
Risk Management					
	Risk Appetite	Risk Update	Risk Update	Risk Update	Risk Update
	Deep Dive: IT Provision	Deep Dive: Police Funding	Deep Dive TBC	Deep Dive TBC	Deep Dive TBC
Anti-fraud and Corruption					
	Anti-Fraud Investigations Update			Anti-Fraud Investigations Update	
External Inspections					
Risk Challenge Sessions					
	City Surveyor	TBC	TBC	TBC	TBC

Committee:	Date:
Audit and Risk Management Committee	28 th November 2017
Subject: Internal Audit Update Report	Public
Report of: The Head of Audit and Risk Management Report author Jeremy Mullins – Audit Manager	For Information

Summary

This report provides an update on internal audit activity since the last Committee report to the July 2017 meeting.

Since the last report to the Committee 19 audits have been finalised for both 2016-17 and 2017-18. Two audits were given a Red Assurance: CoLP Seized Goods (2017-18 audit plan); and CoLP Programme Management (2017-18 audit plan). Amber Assurance ratings were given to 12 audits. The remaining 5 audits received Green Assurance ratings. Work on the 2017-18 internal plan is progressing, 25% of the plan has been completed to a minimum of draft report stage. Fieldwork is on-going for a further 25% of the annual plan.

Recommendation

- That this report is noted.

Main Report

Background

1. This report sets out internal audit activity since the last report to Committee and the opinion of the Head of Audit and Risk Management in relation to the adequacy and effectiveness of the control environment.

Current position

2. The outcomes of the internal audit work finalised since the last Committee have been reported to Members through our Member Briefings. All work on the 2016-17 internal audit plan has been completed to a minimum of draft report stage. Full details of plan progress for 2016-17 are included within **Appendix 1**.
3. Work on the internal audit plan 2017-18 is progressing, 25% of the plan has been completed to a minimum of draft report stage. Fieldwork is on-going for a further 25% of the annual plan three audits have been completed to Final Report stage. Chamberlain's Council Tax & NNDR; CoLP Programme Management; and CoLP Seized Goods. Two audits were given a Red Assurance rating. Seven audits have been completed to Draft Report stage and the fieldwork for seven further reviews has been progressed to fieldwork stage. Full details of plan progress for 2017-18 are included within **Appendix 2**.

4. A number of audits have not progressed from draft report stage since the July 2017 update report. In order to overcome delays in finalising audit reports, Internal Audit are working with departmental managers to address the above issues in the following ways;
- Improved identification of all key contacts for each audit during the audit planning process.
 - Preparing more developed details of audit scope and objectives when the audit plan is agreed with Chief Officers, so that contact can be made with appropriate departmental staff at an earlier stage in the audit fieldwork.
 - Working more closely with departmental audit liaison officers in arranging meetings with relevant staff and coordinating the timings of audits.

City Police Programme Management (Red Assurance)

5. Four CoLP projects were examined as part of this audit:
- CoLP Accommodation Project
 - Action Know Fraud
 - Police ID Crime
 - Ring of Steel.
6. The complexity of the CoLP Accommodation Programme was not adequately described when initial funding approval was sought. The application for funding appears to have been considered as a bid for a single project, rather than a number of projects within a programme. The nature of projects or emerging issues necessary to achieve the overall accommodation programme have changed over time, as well as the need to undertake additional projects. Recommendations have been raised to identify project areas within budget estimates rather than overarching programme budget approval/.
7. Communication between the CoLP and the City Surveyor's department has been cited by management as an area of concern, leading to possible inefficiencies. This has been particularly evident in relation to establishing the protocols for disclosing sensitive or restricted information. It has been recommended that a protocol for communication is drafted which will enable improved information sharing.
8. The City's Project Gateway process has proven to create difficulty in the timely approval of funds. This is particularly pertinent to approval for the draw down from funds, which has already been approved, or granted by third parties, for example, the Home Office. It has been recommended that the Town Clerk considers the application of gateway approval, in particular where funding has previously been approved, or is provided by third parties such as the Home Office via specific grant funding.
9. Two Red rated and eight Amber rated recommendations were made for this audit and agreed with the Commissioner and Town Clerk.

City Police Seized Goods (Red Assurance)

10. There is scope for control improvement in relation to the policies, procedures and training provided to staff regarding seized property management. Three amber priority recommendations have been raised to address the issues identified regarding an update to the property procedure manual, the need for departmental policies and procedures where property is managed outside of the property department and the provision of training.
11. Audit sample testing identified that there is clear scope for control improvement in regard to the initial seizure and recording of seized goods on the property management system. Two red priority recommendations have been raised to ensure that there are accurate storage locations on the property management system and that there is a complete record of property held. Four amber priority recommendations have been raised in relation to the recording of accurate property information, the packaging of seized cash, providing updates on the property management system and reviewing property assigned the status of 'awaiting entry' on the system.
12. Clear and adequate security arrangements are in place over the safe and storage locations retaining seized goods. However, there is scope for control improvement in relation to the storage and safe locations on the system and the awareness of safe insurance values. An amber priority recommendation has been raised relating to the communication of safe insurance values.
13. On the basis of audit testing performed, there is a weakness in control in the transportation of seized goods. A red priority recommendation has been raised regarding the tracking of item locations on the property management system.
14. Audit sample testing confirmed that there is clear scope for control improvement in relation to the disposal of seized property. Three amber priority recommendations have been raised on cash counting policy, a witness for all disposals and a spot check of processed disposals.
15. An amber priority recommendation has been raised to ensure that an appropriate safe audit regime is in operation for all safes to identify any breaches of agreed procedure and to confirm seized goods retained

Internal Audit Section Performance and Delivery 2016-17

16. Performance levels against KPIs continue to be generally good, and the team has achieved the annual target of audits completed to draft report stage for 2016-17. The 2016-17 plan has been fully completed to a minimum of draft report stage.
17. Details of performance levels against targets for 2016-17 are set out below:

Performance Measures	Target	Actual
1 Completion of audit plan	95% of planned audits completed to draft report stage by end of plan review period (31 March 2017)	100%
2 Timely production of draft report	Average time taken to issue draft reports within 28 days of end of fieldwork i.e. exit meeting date.	23 days
3 Timely response to draft report	Average time taken to obtain a full management response within 28 days of the draft report being issued.	25 days
4 Timely issue of final report	Average time taken to finalise the review within 7 working days on full response from management	6 days
5 Customer satisfaction	Through key question on post audit surveys – target 90%	<5 responses received
6 Percentage (%) of audit section staff with relevant professional qualification	Target 75%	78%

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Internal Audit Performance and Delivery 2017-18

16. Performance levels against KPIs for 2017-18 indicate that by the end of Quarter 25% of the plan has been completed to a minimum draft report stage. A further 25% of the plan has been progressed to fieldwork stage. The audit plan completion profile for Quarter 2 was 35% and there has been some delay in starting audit work due to agreeing audit timings with Chief Officers. It is anticipated that ground will be made up during Quarter 3 given the current amount of work in progress.

Conclusion

17. Internal Audit's opinion of the City's overall internal control environment is that it remains adequate and effective although some areas of the financial and operational framework do require strengthening by management as identified in the Amber reports highlighted to the Committee in Member Briefings.

Appendices

Appendix 1 Internal Audit Plan Schedule of Projects 2016-17

Appendix 2 Internal Audit Plan Schedule of Projects 2017-18

Pat Stothard, Head of Audit and Risk Management

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Internal Audit Work 2016-17 (as at 6th November 2017)

This appendix complements the summary outcome of final reports as presented above.

Progress against the plan – Summary

No of Reviews	Fieldwork	Draft Report	Final Report	Completed
60	0	5	16	39
	-	8%	27%	65%

Progress against the plan – Detail

No	Department	Main Audit Review	Status *	Assurance ***	Recommendations Made**				Recommendations Agreed**			
					R	A	G	Total	R	A	G	Total
	Corporate	Emergency Planning	Deferred	-	-	-	-	-	-	-	-	-
1	Corporate	Project Management	Completed	Amber	0	2	0	2	0	2	0	2
	Corporate	IT Data Management	Deferred		-	-	-	-	-	-	-	-
2	Corporate	IT Cyber Security – High Level Review	Superseded									
3	Corporate	IT Cyber Security – SekChek	Completed	Red	1	7	3	11	1	7	3	11
	Corporate	Risk Management	Deferred		-	-	-	-	-	-	-	-
4	Corporate	Safeguarding	Final Report	Amber	0	2	3	5	0	2	3	5
5	Corporate	DBS Checks	Draft Report									
6	Town Clerks	Electoral Registration	Draft Report									
7	Town Clerks	Bridge Trust Grants	Completed	Green	0	0	0	0	0	0	0	0
8	Town Clerks	Pay and Reward	Final Report	Green	0	0	2	2	0	0	2	2
9	Town Clerks	Guildhall Club Accounts	Completed	Green	0	0	0	0	0	0	0	0
10	Town Clerks	EDO – Supporting Businesses	Completed	Green	0	0	3	3	0	0	3	0
11	Chamberlain	Budget Management	Final Report	Amber	0	2	2	4	0	2	2	4
12	Chamberlain	Payroll	Draft Report									
13	Chamberlain	Accounts Receivable	Final Report	Amber	0	3	1	4	0	3	1	4
14	Chamberlain	VAT Management	Completed	Amber	0	4	7	11	0	4	7	11
15	Chamberlain	Procurement Cards	Completed	Green	0	2	4	6	0	2	4	6
16	Information Systems	IT Contract Management	Final Report	Red	1	2	0	3	1	2	0	3

No	Department	Main Audit Review	Status *	Assurance ***	Recommendations Made**				Recommendations Agreed**			
					R	A	G	Total	R	A	G	Total
	Information Systems	Oracle Property Manager Module Application Review	Deferred									
17	Information Systems	City Procurement Application Review	Final Report	Green	0	0	6	6	0	0	6	6
18	Information Systems	Asset Management	Completed	Red	2	8	2	12	2	8	2	12
19	Open Spaces	Repairs and Maintenance	Final Report	Amber	0	1	0	1	0	1	0	1
20	Markets and Consumer Protection	Spitalfields Market Forklift Truck Safety and Permit Management	Completed	Green	0	0	0	0	0	0	0	0
21	Markets and Consumer Protection	Key Performance Monitoring	Completed	Green	0	0	2	2	0	0	2	2
22	Children & Community Services	Housing Asset Management Strategy	Completed	Green	0	0	1	1	0	0	1	1
23	Children & Community Services	Service Charges (Housing and BE)	Completed	Amber	0	1	5	6	0	1	5	6
24	Children & Community Services	Contract Management and Commissioning	Completed	Amber	0	3	4	7	0	3	4	7
25	Children & Community Services	Rough Sleepers	Completed	Green	0	1	2	3	0	1	2	3
26	Children & Community Services	Education Strategy – position statement	Completed	n/a	0	0	0	0	0	0	0	0
27	Children & Community Services	Sir John Cass School – School's Financial Value Standard	Completed		-	-	-	-	-	-	-	-
28	City Surveyors	Geared Ground Rents	Final Report	Amber	0	3	2	5	0	3	2	5
29	City Surveyors	Asset Disposals and Capital Receipts	Final Report	Green	0	0	2	2	0	0	2	2
30	Built Environment	Car Parks	Completed	Green	0	0	1	1	0	0	1	1
31	Built Environment	Planning Control	Completed	Green	0	0	0	0	0	0	0	0
32	Built Environment	Building Control	Final Report	Amber	0	2	1	3	0	2	1	3
33	Built Environment	Change Control (Cleansing and Waste Disposal)	Completed	Green	0	0	1	1	0	0	1	1
34	Culture, Heritage and Libraries	City Information Centre	Completed	Amber	-	2	1	3	-	2	1	3

No	Department	Main Audit Review	Status *	Assurance ***	Recommendations Made**				Recommendations Agreed**			
					R	A	G	Total	R	A	G	Total
35	Culture, Heritage and Libraries	Library Book and Audio Video Stock	Completed	Amber	-	4	4	8	-	4	4	8
36	Mansion House	Security Contract Management	Completed	Green	0	1	1	2	0	1	1	2
37	Mansion House	Annual Plate Review	Completed	Green	-	-	-	-	-	-	-	-
38	City of London Police	Standard Operating Procedures	Completed	Amber	-	1	5	6	-	1	5	6
39	City of London Police	Budget Monitoring	Final Report	Amber	0	4	2	6	0	4	2	6
40	City of London Police	Economic Crime Academy	Completed	Amber	-	5	1	6	-	5	1	6
41	City of London Police	Community Consultation	Completed	Amber	-	1	-	1	-	1	-	1
42	City of London Police	Grant Audits	Final Report	Green	0	0	0	0	0	0	0	0
	City of London Police	Action Awareness	Deferred									
43	City of London Police	Governance Framework	Final Report	Amber	0	2	3	5	0	2	3	5
44	City of London Police	Income Streams and Generation	Final Report	Green	0	0	0	0	0	0	0	0
	City of London Freemans School	TBC	Deleted									
	City of London Schools	TBC	Deleted									
	City of London School for Girls	TBC	Deleted									
	Guildhall School of Music and Drama	Strategic Planning	Deferred									
	Guildhall School of Music and Drama	Income Generation	Deferred									
45	Guildhall School of Music and Drama	Succession Planning	Final Report	Amber	0	2	4	6	0	2	4	6
46	Guildhall School of Music and Drama	Satellite Site Operations	Completed	Amber	0	4	0	4	0	4	0	4
47	Barbican Centre	Major Incident, Security and Safety	Completed	Green	0	0	1	1	0	0	1	1
48	Barbican Centre	Catering	Completed	Amber	0	3	2	5	0	3	2	5
	Barbican Centre	Customer Experience	Deferred									
49	Barbican Centre	Car Parking System	Completed	Green	0	1	2	3	0	1	2	3
50	Corporate	Procurement Compliance c/fwd	Completed	Green	-	-	1	1	-	-	1	1

No	Department	Main Audit Review	Status *	Assurance ***	Recommendations Made**				Recommendations Made**			
					R	A	G	Total	R	A	G	Total
51	Corporate	DCCS Departmental Review c/fwd	Completed	Green	-	1	6	7	-	1	6	7
52	Children and Community Services	Barbican Estates Car Parks – Strategic Review (Consultancy review – no assurance rating given)	Completed	n/a	0	1	2	3	0	1	2	3
53	Open Spaces	Epping Forest Deer Sanctuary	Final Report	Amber	0	3	3	6	0	3	3	6
54	City Surveyors	Directly Managed Property Leases	Completed	Amber	0	3	1	4	0	3	1	4
55	Barbican Centre	Consultancy Payments and Exhibition Halls	Completed	Amber	0	4	3	7	0	4	3	7
56	Culture, Heritage & Libraries	Monument Cash Reconciliation and Security	Completed	Amber	0	5	2	7	0	5	2	7
57	Markets & Consumer Protection	Spitalfields Market – Code of Conduct	Completed	Green	0	0	1	1	0	0	1	1
58	City of London Police	Salary Overpayments	Final Report	Amber	0	4	0	4	0	4	0	4
59	Open Spaces	Epping Forest Deer Sanctuary	Final Report	Amber	0	3	3	0	0	3	3	0
60	Corporate	Recommendations Follow-up	Completed	n/a	-	-	-	-	-	-	-	-

* Status definitions _ Fieldwork + Formal TOR Issued. Draft = Formal draft report issued. Final = Review complete and final report issued

** Only completed once final report has been issued.

Performance Indicators

Performance Measures	Target	Actual
1 Completion of audit plan	95% of planned audits completed to draft report stage by end of plan review period (31 March 2017)	100%
2 Timely production of draft report	Average time taken to issue draft reports within 28 days of end of fieldwork i.e. exit meeting date.	20 days
3 Timely response to draft report	Average time taken to obtain a full management response within 28 days of the draft report being issued.	25 days
4 Timely issue of final report	Average time taken to finalise the review within 7 working days on full response from management	6 days
5 Customer satisfaction	Through key question on post audit surveys – target 90%	<5 responses received
6 Percentage (%) of audit section staff with relevant professional qualification	Target 75%	78%

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Internal Audit Work 2017-18 (as at 06 November 2017)

This appendix complements the summary outcome of final reports as presented above.

Progress against the plan – Summary

No of Reviews	Fieldwork	Draft Report	Final Report	Completed
76	19	16	3	-
	25%	21%	4%	-

Progress against the plan – Detail

No	Department	Main Audit Review	Status *	Assurance ***	Recommendations Made**				Recommendations Agreed**			
					R	A	G	Total	R	A	G	Total
1	CORPORATE	EMERGENCY PLANNING	Fieldwork									
2	CORPORATE	RISK MANAGEMENT										
3	CORPORATE	USE OF WAIVERS	Draft Report									
4	CORPORATE	IR 35 - USE CONSULTANTS AND SPECIALIST (OFF PAYROLL ENGAGEMENT)	Draft Report									
5	CORPORATE	EVALUATION OF SUB £100K TENDERS	Draft Report									
6	CORPORATE	PROCUREMENT CONSULTATION WITH STAKEHOLDERS	Draft Report									
7	CORPORATE	INCOME COLLECTION AND BANKING	Fieldwork									
8	CORPORATE	EXPENSES - PROCUREMENT CARDS - PETTY CASH	Draft Report									
9	CORPORATE	CORPORATE-WIDE REVIEW OF BUSINESS TRAVEL	Final Report	Amber	0	8	0	8	0	8	0	8
10	CORPORATE	CORPORATE FOLLOW-UP EXERCISES	2 nd Quarter Completed	n/a	-	-	-	-	-	-	-	-

[illegible]

[illegible]

[illegible]

* Status definitions _ Fieldwork + Formal TOR Issued. Draft = Formal draft report issued. Final = Review complete and final report issued

** Only completed once final report has been issued.

Performance Indicators

Performance Measures	Target	Actual
1 Completion of audit plan	95% of planned audits completed to draft report stage by end of plan review period (31 March 2017)	25%
2 Timely production of draft report	Average time taken to issue draft reports within 28 days of end of fieldwork i.e. exit meeting date.	20 days
3 Timely response to draft report	Average time taken to obtain a full management response within 28 days of the draft report being issued.	27 days
4 Timely issue of final report	Average time taken to finalise the review within 7 working days on full response from management	6 days
5 Customer satisfaction	Through key question on post audit surveys – target 90%	100%
6 Percentage (%) of audit section staff with relevant professional qualification	Target 75%	78%

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Committee(s)	Dated:
Audit and Risk Management Committee – For Information	28/11/2017
Subject: Update Implementation of Audit Recommendations by City of London School for Girls	Public
Report of: Ena Harrop, Headmistress	For Information

Summary

At their last Audit and Risk Management Committee Members asked for an update on progress implementing Audit recommendations by the City of London School for Girls.

At the time of the last meeting there were 6 recommendations from two separate audits outstanding. This paper reports that 2 have now been closed, good progress has been made on 2 further recommendation, 1 is stalled due to staff shortages and 1 remains partially complete due to a combination of issues including multi-departmental responsibility and high turnover of staff.

Recommendation(s)

Members are asked to:

- Note the report.

Main Report

Background

1. At the last meeting of the Audit and Risk Management Committee 6 audit recommendations pertaining to the City of London School for Girls were incomplete:
 - a. MK1896 – relating to monitoring of training by School Governors
 - b. MK1895 – relating to inventory maintenance
 - c. MK1898 – relating to allocating of risks to Managers at the School
 - d. MK1901 – relating to evidence of discussions at SMT meetings
 - e. MK1686 – relating to penetration testing of IT systems at CLSG
 - f. MK1694 – relating to a Disaster Recover Walk Through test

Current Position

2. The following recommendations have now been closed following the provision of evidence by the School to Internal Audit:
 - a. MK1898 – The School's risk register now has managers identified as risk owners and an updated risk register was provided as evidence
 - b. MK1901 – Minutes of SMT meetings was shared with Internal Audit as evidence that this recommendation had been completed.
3. Progress has been made on the following recommendations:
 - a. MK1895 – a spot check of the inventory was carried out on 27 September it identified a number of items that needed to be removed from the inventory following refurbishment works that took place over the summer holidays. The remaining items were found to be where they should be. We are awaiting advice whether this combined with the proactive controls when new assets are purchased and added to the asset register is sufficient evidence of compliance with Financial Regulation 11.
 - b. MK1686 relating to penetration testing of CLSG IT systems. The Bursar and IT Manager at CLSG have met with Gary Brailsford-Hard, IT Director at City of London Police. CoLP have offered to carry out the penetration testing at the school both of externally facing websites and more complex servers. CoLP have been developing tools for their own use to reduce the costs of using external providers to test the Police IT systems. They are keen to pilot the new tools with the School which should be a win-win for both the School and CoLP. This work should be complete by the end of February 2018.
4. No further progress has been made on MK1694 relating to the Disaster Recover walk through. A simple review of our disaster recovery procedures was carried out. However, high staff turnover has meant that we have been unable to complete a fuller compliant assessment of our procedures. We have just filled one position and are hopeful that we will be fully staffed by the end of this term (mid-December) which will then enable us to revisit this recommendation for completion. We will target a completion date of the end of January 2018 for this recommendation.
5. On MK 1896, the School keeps records of the training provided by the School, however, other training and compliance records are kept in a variety of places (HR, Education Team and Town Clerks). Our Governors had asked Town Clerk's Department to co-ordinate their training records so that they did not have to a) undergo training multiple times to comply with requirements of the different committees that they sat on and b) did not have to keep providing evidence of completion of training to the various departments that needed to see proof of completion. A high turnover of staff in Town Clerks has hampered the establishment of an agreed process but we are in discussion with Town Clerks and others about how we might meet this recommendation in a proportionate and manageable way. We wish to highlight that there are no minimum standards

mandated by the Independent Schools Inspectorate for Governor training so we are not at risk of failing a compliance inspection by not having these records all in one place.

Conclusion

6. There remaining recommendations (with the exception of MK1895 and 1896) should be complete by the end of February 2018. MK 1895 and 1896 will be dependent upon further discussions across departments. I will be able to provide a further update at the School's risk review with the Committee scheduled for January 2018.

Appendices

- None

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Committee(s)	Dated:
Audit and Risk Management Committee	28 November 2017
Subject: External Quality Assessment – Action Plan update	Public
Report of: Head of Audit and Risk Management	For Information
Report author: Pat Stothard, Head of Audit & Risk Management, Chamberlain's Department	

Summary

The purpose of this report is to outline the progress against the identified actions following the findings of the external and independent review of the City Corporation's Internal Audit, Risk Management and Anti-Fraud function undertaken by Mazars LLP.

In 2016, the Chamberlain commissioned a review of the effectiveness of the Internal Audit function to assess the strengths and weaknesses of the current arrangements for audit within the City Corporation as well as identifying opportunities for improvement.

The report identified that there were ten areas for development (three high, five medium and two low priority recommendations). To date, four actions have been fully completed, three are partially completed, two are not yet complete and one is not yet due. Several of the actions have been impacted by the decision to tie the implementation of the latest audit software upgrade into the Corporation's Transformation Programme, which has now been completed.

The current status against each of the actions is detailed in Appendix 1.

Recommendations

- a) The Committee are requested to note the status of the implementation of recommendations.

Background

1. A professional, independent and objective internal audit service is one of the key elements of good governance in local government. Under the Public Sector Internal Audit Standards introduced from 1 April 2013 and updated in 2016, local government internal audit functions have been required to comply with these Standards and should be subject to periodic assessment.
2. In 2016, as part of the contract with Mazars LLP to deliver the Head of Audit & Risk Management role, the Chamberlain commissioned a review of the effectiveness of the Internal Audit function to assess the strengths and weaknesses of the current arrangements for audit within the City Corporation as well as identifying opportunities for improvement. An External Quality

Assessment (EQA) of Internal Audit was undertaken by Mazars, together with the Head of Audit and Risk Management, based upon the best practice advice and guidelines from Mazars' involvement with local government internal audit functions as a leading provider of these services, and with regard to the Public Sector Internal Audit Standards (PSIAS).

3. The EQA identified ten areas for development (three high, five medium and two low priority recommendations).

Opportunities for development

4. Mazars identified a number of key areas of focus for developing the current Internal Audit function based on the expectations of key stakeholders and their assessment of the City Corporation's Internal Audit function against their evaluation framework:
 - Purpose & Remit / Position & Organisation - *There is a need for the Internal Audit function to undertake a detailed identification of current processes within the City Corporation, key outcomes, corporate and operational risks and map this to the assurance requirements of the organisation. There is also a need to ensure that the risks identified during the planning process are followed through when formulating and agreeing the audit brief and delivering the audit work.*
 - Process & Technology - *An audit manual needs to be developed to clearly define the requirements of a focused top-down risk-based internal audit approach to be consistently applied across the Internal Audit function.*
 - Consideration should be given to utilising the latest functionality of the MKInsight system to automate the follow up monitoring process and ensure management accountability for implementation of Internal Audit recommendations.
 - Consideration should be given to utilising the latest functionality of the MKInsight system for time recording, budget monitoring and the provision of management information.
 - People & Knowledge - *A skills gap analysis should be undertaken and a formal training and development programme put in place.*

Progress on Implementation of Recommendations

5. To date, four of the actions identified have been completed: these relate to:
 - EQA 02 – Audit Charter Update
 - EQA 06 – Skills Gap Analysis
 - EQA 07 – Performance Management
 - EQA 09 – Knowledge Management
6. Through the staff appraisal process, the key issues of skills, development and performance management have been addressed, identifying both team and individual strengths and weaknesses and setting targeted objectives for improvements where required. As a result, there have been improvements in

the quality of deliverables and in the performance of the team in delivering to budget, although there are still improvements to be made.

7. Actions in relation to three of the recommendations have been partially implemented:
 - EQA 03 – Business Relationship Management
 - EQA 05 – MKInsight Upgrade and Development
 - EQA 08 – Risk Management and Anti-Fraud Resilience
8. Progress has been made in each of these areas; however, there is still an opportunity to improve Internal Audit's development of these areas, particularly in relation to the improvement of resilience which has been impacted in part by changes in Anti-Fraud service delivery. The key objective of upgrading and developing the audit software package, MKInsight, was temporarily postponed in order to tie in with the Corporation's IT Transformation Programme delivery; however, the software has now been upgraded and the process of setting up a trial of the automated follow up of recommendations process has begun.
9. Actions in relation to two of the recommendations are not yet complete:
 - EQA 04 – Audit Manual Development
 - EQA 10 – Committee Updates
10. The creation of an Audit Manual has been delayed due to the implementation of the upgraded Audit Software, which will require some changes in audit practice. Now that the software has been implemented, the Manual is now being drawn up to include revised audit processes and the changes to the recommendation follow-up process. The review of updates provided to the Audit and Risk Management Committee has started, starting with a review of information provided by other Heads of Internal Audit and discussions with Town Clerks in relation to Governance updates.
11. Revised target dates have been provided for the completion of the outstanding actions.

Conclusion

12. Progress on implementation of recommendations arising from the External Quality Assessment report is progressing well, with the remaining actions being progressed. The implemented actions and those in progress have had a very positive impact on the quality and delivery of the service, and on the effectiveness of the Audit team.

Appendices:

APPENDIX 1 – External Quality Assessment – Status of Recommendation Implementation November 2017

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Internal Audit External Quality Assessment – Status of Recommendation Implementation November 2017

Action	Action Title	Action Description	Due Date	Completed / Revised Target Date	Ownership Managed By	Progress	Latest Status Update
EQA 01 (High)	Audit Planning	Undertake detailed identification of current processes within the City Corporation, key outcomes, corporate and operational risks and map this to the assurance requirements of the organisation.	Initially 28 February 2018	N/a	Head of Audit & Risk Management	In progress	Initial work on the Audit planning process for 2018/19 has started following the latest update to the Corporate Risk Register and will have regard for the Corporation's Draft Corporate Plan 2018-23. The draft Audit Plan is due to come to A&RMC on 6 March 2018 for approval.
EQA 02 (Medium)	Audit Charter update	The Audit Charter should be refreshed and communicated consistent with the new PSIAS requirements.	23 May 2017	23 May 2017	Head of Audit & Risk Management	Complete	Revised Audit Charter approved at A&RMC 23 May 2017. To be updated annually – next due date 29 May 2018.
EQA 03 (Medium)	Business Relationship Management	The HoA&RM should meet periodically with Chief Officers, management teams and other key officers such as the Head of Finance (Projects) and the Commercial Director to discuss progress and issues arising on significant projects.	Ongoing	Ongoing	Head of Audit & Risk Management/ Audit Managers	In progress	The HoA&RM has met with a number of Chief Officers to discuss ongoing key issues, although this has yet to become a programmed process. There are regular discussions with the Head of Finance (Projects), the Commercial Director and the Director of IT to discuss issues arising on significant projects. The Audit Managers have regular meetings with Departmental Management Teams and

							Audit Liaisons, and the HoA&RM is in the process of setting up an Audit Liaison arrangement with Corporate HR.
EQA 04 (Medium)	Audit Manual development	An audit manual should be developed to clearly define the requirements of a focused top-down risk-based internal audit approach to be consistently applied across the Internal Audit function.	30 September 2017	Revised target 28 February 2018	Head of Audit & Risk Management	In progress	The development of the Audit Manual has been delayed due to the implementation of the Corporation's IT Transformation Project and therefore the implementation of the latest version of the audit software, MKI10. The Audit Manual is currently being developed and will include the revised recommendations follow up process and, in time, the expected move to an automated follow up process.
EQA 05 (Medium)	MKInsight upgrade and development	Utilise the latest functionality of the MKInsight system to automate recommendation follow-up process and audit budget management.	31 July 2017	Partially implemented Revised target 31 March 2018	Head of Audit & Risk Management	In progress	As noted above, the implementation of MKI10 was tied into the IT Transformation Programme and has recently been upgraded. It is intended that the functionality of the follow up module will be trialled with several volunteer departments before full rollout. Use of the audit budget management functionality will then be tested and developed to replace the current spreadsheet process.

EQA 06 (High)	Skills gap analysis	Undertake a skills gap analysis and implement a formal training and development programme.	31 August 2017	19 May 2017 and ongoing	Head of Audit & Risk Management	Complete (and ongoing)	As part of the 2016/17 End of Year appraisal process, each individuals' skill base and knowledge was assessed and an initial training and development programme was identified. This resulted in a number of internal and external training sessions for the team, together with one to one sessions for individuals, and implementation of development roles for the Senior Auditors, such as Committee support. This process will continue to be updated and developed through the appraisal process and as and when needs are identified.
EQA 07 (High)	Performance Management	Performance issues impacting the capability and morale of the Internal Audit function and the delivery of the Internal audit plan to be managed under the PDF process, closer on-the-job supervision and training.	30 June 2017 and ongoing	19 May 2017 and ongoing	Head of Audit & Risk Management	Complete (and ongoing)	A number of internal and external training sessions have been held for the Internal Audit team to help to improve consistency, quality and delivery issues identified by Audit management and team members. There have also been one-to-one and on-the-job training sessions held with individual members of the team to address development issues. Performance issues have been identified and addressed with a good deal of success and the overall

							quality of work has improved.
EQA 08 (Medium)	Risk Management and Anti-Fraud resilience	Address the current resilience issues within the Risk Management and Counter Fraud functions; through sourcing administrative support for the Risk Advisor and Anti-Fraud Manager and to enable the Counter Fraud function to deliver proactive initiatives	31 August 2017	Partially implemented: Initial 28 April 2017 Long-term: TBC	Head of Audit & Risk Management	In progress	<p>To address the resilience issues, an initial allocation was made to support the Risk Management and Counter Fraud functions from Internal Audit resources.</p> <p>In relation to Risk Management, a list of “admin” functions has been identified and discussions are underway to see if support can be sourced from the Chamberlain’s Business Support Team.</p> <p>With regard to Counter Fraud, this area is to be reviewed following the reassignment of the current Fraud Investigator to DCCS to provide improved fraud coverage within the Department, particularly in relation to tenancy fraud, which comes into effect from 1 April 2018.</p> <p>Consequently, the wider Counter Fraud service provision within Internal Audit is under review and the need for support to provide greater resilience will be considered as part of this review.</p>
EQA 09 (Low)	Knowledge Management	Formalise the process for the identification, dissemination and	31 July 2017	30 June and ongoing	Head of Audit & Risk Management	Complete (and ongoing)	Following a group discussion on how to improve identification and dissemination of knowledge

		retention of knowledge.					<p>management, team members are now involved in sharing current relevant audit topics and emerging issues from personal research and discussion at team meetings. Including:</p> <ul style="list-style-type: none"> • IT, Anti-Fraud and Risk Management updates • Feedback from London Audit Group meetings • Professional journals • CIPFA TIS online • CIPFA Audit Panel updates • Ad hoc training courses • Mazar's Horizon Scanning notifications. <p>In addition, an arrangement has been agreed to share work programmes and best practice with Mazars to develop the understanding and coverage of audit areas.</p>
EQA 10 (Low)	Committee Updates	Review information provision to consider the inclusion of more forward-looking updates, including key themes and current issues in	30 September 2017	31 March 2018	Head of Audit & Risk Management	In progress	The HoA&RM has been in discussion with other Heads of Internal Audit as well as CoL officers to identify and assess what information is provided to Audit Committees and how key

		progress and annual reports.					issues can be identified and disseminated to members. This work is currently in progress.
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Committee(s)	Dated:
Audit and Risk Management Committee	28/11/2017
Subject: Anti-Fraud & Investigations Up-date Report	Public
Report of: Chamberlain Report author: Chris Keesing, Anti-Fraud Manager	For Decision

Summary

This report provides Members with an update of our anti-fraud and investigation activity since our last report to this Committee in February 2017; it also provides an analysis of the cases investigated during 2016/17 and the 2017/18 year to date.

In total 49 investigations, across all fraud disciplines, were completed in 2016/17 with a value of £1,063,307. In the current reporting year 2017/18 to date, 31 investigations have been completed with a value of £711,605.

In addition to the above, 32 fraud investigations identified via the National Fraud Initiative exercise have been completed, with an outcome value of £423,343.

19 tenancy fraud investigations have been successfully completed so far this reporting year, with one prosecution secured with the defendant receiving a two-year custodial sentence and agreeing a financial settlement of £111,818.07. A further 12 investigations across other fraud disciplines have come to a positive conclusion.

An outline joint working arrangement has been agreed between the City Corporation and the City of London Police, whereby specialist financial investigators from the City of London Police financial investigation unit will undertake financial investigations in City Corporation criminal investigations.

Two joint fraud awareness and identity fraud awareness training sessions, delivered with colleagues from the Home Office, were held in September; the training sessions were well received, with positive feedback provided by delegates.

The Anti-Fraud & Corruption Strategy and the Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy have recently received minor updates. Tracked changes documents have been circulated electronically to Members for endorsement.

From April 2018, the Fraud Investigator post will become a dedicated Tenancy Fraud Investigator post and transferred to the Housing Division. Operational management for the Tenancy Fraud Investigator and the City's response to social housing fraud will remain with the Anti-Fraud Manager. We are currently reviewing resource arrangements, to ensure adequate resources are available to respond to the fraud risk at The City Corporation from April 2018.

Recommendation(s)

1. Members are asked to note the report.
2. Members are asked to approve the changes to the Anti-Fraud & Corruption Strategy and endorse the changes to the Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy.

Main Report

Background

1. This report updates Members with the key issues arising from anti-fraud and investigation activity since the last report to Committee in February 2017.

Investigation Activity Summary

2. An analysis of the number of cases investigated during the current reporting year 2017/18 to date, compared with the previous reporting year, has been included as Appendix 1 to this report showing all fraud types along with the value of frauds detected. The value of identified fraud from the 49 cases concluded in 2016/17 amounts to £1,063,307, whilst the 31 investigation cases concluded in 2017/18 to date have an associated value of £711,605. These totals do not include the number and value of fraud cases identified via the National Fraud Initiative exercise.

National Fraud Initiative (NFI) 2016/17 Exercise

3. A total of 5,335 NFI 2016/17 matches were received for review, of these 4,598 related to creditor matches which are considered low risk by the City Corporation and, owing to other priorities within the payments team, the review of these matches has been deferred until later in this reporting year. Of the 740 matches relating to other fraud types, 451 or 60% of these matches have been processed, including all high-risk matches. Another 43 are currently under investigation and 32 frauds have been identified with an outcome value of £423,343. A summary of the NFI outcomes can be found at Appendix 2.

Social Housing Tenancy Fraud

4. Social Housing Tenancy Fraud continues to be a key fraud risk area, and the Anti-Fraud & Investigation Team continues to provide investigative support across all aspects of Housing, from initial applications to the investigation of tenancy breaches and right to buy concerns. There have been 19 successful outcomes for 2017/18 to date, with an associated value of £682,000. A summary of our work to date in this area, this financial year, is detailed in Appendix 3 to this report.
5. A social housing tenancy fraud prosecution reached conclusion in July 2017 at Inner London Crown Court. Following a complex investigation, Miloudi Elakil pleaded guilty to three charges, one under The Counterfeit & Forgery Act 1981, one under The Theft Act 1968 and one under The Fraud Act 2006, for dishonestly obtaining social housing to which he wasn't entitled, as he owned a house outright in Bethnal Green. Elakil was sentenced to 2 years imprisonment, suspended for 2 years, to run concurrently on all 3 counts. In

addition to this, Elakil was ordered to pay £111,818.07, made up of £64,016.07 compensation, £15,177 costs and a confiscation order of £32,625; Elakil has settled this order in full. A press report was released by the Public Relations Office and can be found at Appendix 4 to this report

6. Four further cases are with the Comptroller & City Solicitor for action; two of these for civil action to recover the tenancy and two for criminal prosecution action, one where a summons is due to be issued by the end of November 2017 and the other with a trial date set for July 2018. Financial Investigations are also under way in these cases.
7. In relation to the above, all the tenancies have now been re-let to those in greater need of housing.

Resourcing

8. The volume of social housing tenancy fraud work continues to remain high, with investigations into this fraud type becoming more complex. As such, the current Fraud Investigator post will become a dedicated Tenancy Fraud Investigator post from April 2018. This post will be transferred to the Department for Children and Community Services, and will be funded by the housing department. Operational day to day management for the Tenancy Fraud Investigator and the City Corporation's response to social housing fraud will remain with the Anti-Fraud Manager. As the Fraud Investigator will no longer support anti-fraud and investigation activity in other areas, the Anti-Fraud & Investigation Team is currently consulting on how to ensure adequate resources are available to respond to the fraud risk at The City Corporation.

City of London Police Liaison

9. The Anti-Fraud & Investigation team has recently agreed an outline joint working arrangement with The City Police, whereby specialists from the City Police financial investigation division will undertake financial investigations on behalf of the City Corporation's criminal investigations. It is anticipated that this joint working arrangement will ensure that those that are intent on committing fraud against the City Corporation will face losing their assets as well and facing criminal prosecution.

Corporate Anti-Fraud & Investigation Activity

10. Corporate investigations are defined as fraud, corruption or conduct cases which relate to employee fraud or conduct, or other third-party fraud. Eleven referrals have been received and classified as corporate investigations during 2017/18 to date. Eight have now been closed and three are currently under investigation, including two in conjunction with the City of London Police. Two further corporate investigations that commenced in 2016/17 are also under investigation. The total value of these investigations currently amounts to £48,927.

Whistleblowing

11. The City's Whistleblowing Policy identifies the Head of Audit & Risk Management as one of the main contacts for reporting a concern. The number of referrals received via whistleblowing channels is relatively low, however when referrals are received they are generally of high significance leading to further investigation.

12. Since the start of the 2017/18 reporting year, two whistleblowing referrals (as defined in the policy) have been received, one of which had been previously dealt with by HR, under alternative procedures and another where the matter is currently under investigation by the Anti-Fraud & Investigation Team. In addition, one complex investigation received via whistleblowing channels from the previous reporting year is currently with external Counsel for advice.

Fraud Awareness Training

13. The Anti-Fraud & Investigation Team delivered two joint fraud awareness and identification fraud awareness training sessions in September 2017, with colleagues from the Home Office Immigration Enforcement Team; the training provided an overview of fraud risk, the cost and warning signs of fraud, how to handle and report concerns, and how to spot and identify fraudulent and/or counterfeit identity documents provided as supporting evidence. The training was very well received and attended mainly by front line staff in housing and social services, with 84% of delegates reporting that the training was very good and 70% feeling confident about using the new skills they've learnt in the work place.

Policy Updates and Raise Your Concern Form.

14. The 'Raise Your Concern' form, an avenue for the public, staff and contractors to raise concerns under the Whistleblowing Policy, the Anti-Fraud & Corruption Strategy and the Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy have recently been updated. The new form has been designed to fit within the current suite of City of London forms, and now provides those wishing to raise concerns with far more details about the information required, links to policy documents and opportunities to add photographs etc.
15. As part of the process to implement the new form, it was necessary to update the Whistleblowing Policy, the Anti-Fraud & Corruption Strategy and the Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy in order for the links within the documents to direct those raising concerns to the form. The only change to the Whistleblowing Policy has been this link.

[Anti-Fraud & Corruption Strategy](#) – The Strategy has received minor changes to wording, and a small number of changes to reflect best practice in the following sections:

- Section 5.1: Deterrence - the addition of a statement on mandatory e-learning for officers.
- Section 5.13: Investigation - the addition of a statement on serious and organised crime.
- Section 5.14: - Liaison with other Organisations - additional statements on liaison with other organisations.

[Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy](#) - This Policy has received minor changes to wording, and a small number of changes in the following sections:

- Section 2: Background – updated to reflect changes to The City's tenancy policy and up-to-date value of tenancy fraud to UK PLC.
- Section 3: Policy Aims & Objectives – reference to proceeds of crime.

- Section 6: What is the City Corporation doing to combat tenancy fraud – reference to undertaking checks with external organisations, as part of the application process and a statement on working with neighbouring local authorities.
- Section 7: Legislation & Legal Proceedings – reference to The Forgery and Counterfeiting Act 1981.
- Section 9: Raising a Concern – now a standalone section, with details of avenues for raising concerns.

16. It has been necessary to update these Policy documents, prior to Member endorsement at Committee, as the platform for hosting the former 'Raise Your Concern' form is no longer available. Tracked changes versions of the respective policy documents have been provided to Members via email.

Conclusion

17. The Internal Audit division continues to deliver a professional anti-fraud and investigation service across the organisation; the volume and associated value of fraud cases continues to increase year on year, whilst investigations become more complex in their nature. Our new joint working arrangement with the City of London Police to undertake financial investigations in City Corporation criminal investigations will ensure that those that are intent on committing fraud against the City Corporation will face losing their assets as well and facing criminal prosecution. The team continue to provide important and valued fraud awareness training to staff, helping to give them the skills required to prevent and detect fraud committed against the City Corporation.

Appendices:

Appendix 1: Analysis of cases investigated during the current reporting year

Appendix 2: NFI outcomes summary

Appendix 3: Housing tenancy fraud caseload

Appendix 4: Miloudi ElAkil prosecution, press release

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Appendix 1 - Analysis of the number of cases investigated during the current reporting year 2017/18 to 06/11/2017.

1. The chart below provides a detailed analysis of the number of completed investigations, during the current reporting year 2017/18 to date, against the previous reporting year, showing all fraud and investigation types along with the value of investigated cases, including where these can be quantified, the value of corporate investigations.
2. The nature of the concerns raised under the City's whistleblowing channels mean that not all investigations completed under this discipline result in a financial value, as other outcomes such as disciplinary action, or control environment recommendations result from our whistleblowing investigations.

Activity	Completed Investigations 2016/17	Investigation Value (£'s) 2016/17		Completed Investigations 2017/18 to Date	Investigation Value (£'s) 2016/17 to Date
Social Housing Tenancy Fraud ²	19	342,000		12	216,000
Right to Buy ³	5	515,000		4	412,000
Housing Application Fraud ²	9	162,000		3	54,000
Disabled Parking	1	575		1	575
Corporate Investigations ⁴	13	27,832		8	28,927
Council tax investigations	Nil	Nil		1	103
Whistleblowing Referrals	2	15,900		2	Nil
Total	49	1,063,307		31	711,605

Notes:

¹ Previous year's data shows the position at year end, and is provided for comparative purposes.

² Successful possession gained and housing application fraud identified valued at £18,000 per property/application, in-line with nationally accepted values associated with social housing tenancy fraud.

³ Right to buy discount value currently £103,000.

⁴ Corporate Fraud Investigations include cases of fraud, corruption or conduct.

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Appendix 2 - National Fraud Initiative (NFI) Outcomes Summary – 2016/17 Exercise

Fraud Type	Number	Value (£)
Housing Waiting List ¹	23	414,000.00
Disabled Parking Permit ²	5	2,875.00
Personal Budgets	2	Nil
Pensions ³	1	1,495.51
Housing Benefit ⁴	1	4,972.00
Total	32	423,343.00
Notes: ¹ Housing waiting list cancelled application valued at £18,000. ² Disabled parking permit fraud valued at £575 per permit cancelled. ³ Pensions fraud calculated as overpaid pension value. ⁴ Housing benefit calculated as overpaid housing benefit.		

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Appendix 3 – Housing Tenancy Fraud Caseload as at 06/11/2017

Housing Tenancy Fraud Case Referrals		April 2017 to Nov 2017	April 2016 to March 2017
Housing tenancy fraud referrals received in current year		33	51
Right to buy referrals received in current year		14	40
Housing application referrals (Inc. NFI Appcheck) received in current year		84	74
Home purchase grant referrals received in current year		0	0
Cases carried forward from previous year (all disciplines)		23	44
Total		154	209
Cases/referrals currently under investigation		22	23
Cases/referrals closed with no further action ¹		109	143
Cases with Comptroller & City Solicitor for prosecution		2	4
Cases with Comptroller & City Solicitor for civil recovery		2	3
Cases where possession order granted		0	3
Cases where successful possession gained ²		11	17
Cases where successful prosecution action taken		1	2
Cases where fraudulent application identified		3	9
Right to buy fraud successfully identified		4	5
Total		154	209
Value where successful possession gained, housing application cancelled or right to buy fraud identified ³		£682,000	£1,019,000
Notes: ¹ The number of cases/referrals closed with no further action include housing application AppCheck referrals, where a large number are expected to proceed, following review. These closed referrals amount to 65 for 2016/17 YTD. ² Cases where successful possession has been gained will be considered for criminal action where suitable, and where offences committed are serious enough to warrant proceedings under the Prevention of Social Housing Fraud Act 2013 and/ or the Fraud Act 2006. ³ Successful possession gained value of £18,000 per property sourced from Audit Commission value of national average temporary accommodation costs to Local Authorities for one family. RTB discount value currently £103,000, per property.			

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Committee	Dated:
Audit and Risk Management Committee	28 November 2017
Subject: Outturn of the Risk Appetite Survey 2017	Public
Report of: The Chamberlain	For Discussion
Report author: Paul Dudley, Corporate Risk Advisor	

Summary

The purpose of this report is to inform the Committee of the key findings of the recent online senior manager and member risk appetite survey.

The external risk management review was reported to both Summit Group and the Audit and Risk Management Committee in late 2016. One of its recommendations was “*The organisation should consider providing a clearly articulated statement on its risk appetite and tolerance to address the current general misconception that the organisation is risk averse and to positively guide and influence the personal predispositions to risk which are maintained by key internal stakeholders.*”

Zurich Municipal was engaged to work with the City Corporation to develop risk appetites base upon ten broad areas of risk. A key part of this project was to undertake an online senior manager (mandatory) survey. The Chairman of Grand Committees as well as members of the Audit and Risk Management Committee were also invited to participate in the survey. The survey asked for respondent’s perceptions of the levels of risk to which the City Corporation was currently exposed and the amount of risk the City Corporation should be willing to accept/ seek to achieve its strategic objectives.

The overall survey response rate was 77.4% (86% of senior managers and 53% of members). The key findings include:

- Overall there was remarkable similarity between the views of both members and officers in both current risk exposure and future risk appetite.
- Both members and officers scored future risk appetite (i.e. the level of risk that the City Corporation, on average, should be taking in the future) as lower than the current risk exposure on most risk categories.
- The exception was innovation where this was **above** current risk exposure.

The results of the Survey were reported to the Chief Officer Risk Management Group on 19 September 2017 and subsequently by the Summit Group on 27 September 2017. The Summit Group welcomed the findings and requested additional comparative information before determining next steps at their January 2018 meeting.

Recommendation: The report be noted.

Main Report

1.0 Background

- 1.1 The external risk management review was reported to both Summit Group and the Audit and Risk Management Committee in late 2016. One of its recommendations was *“The organisation should consider providing a clearly articulated statement on its risk appetite and tolerance to address the current general misconception that the organisation is risk averse and to positively guide and influence the personal predispositions to risk which are maintained by key internal stakeholders.”* This recommendation was included in the Risk Management Plan which flowed from this review.
- 1.2 The Summit Group, at their meeting on 28 July 2017, received an update report on the Plan. The report advised that Zurich Municipal (ZM) Risk Engineering consultancy had been commissioned to help the City Corporation understand and develop its risk appetite based upon many risk categories. This work included a mandatory senior manager on line survey (132 officers) which took place during August 2017. In addition, Chairman of Grand Committees and members of the Audit and Risk Management Committee (32 members - including co-opted members) were also invited to participate in the survey.
- 1.3 The survey asked for respondent's perceptions of the levels of risk to which the City Corporation was currently exposed and the amount of risk the City Corporation should be willing to accept/ seek achieve its strategic objectives. Responses were required in respect of 10 broad risk category areas (see appendix 1 – key definitions, page 10). Respondents were also encouraged to support their assessments using examples or comments/issues.

2.0 Risk appetite survey results

- 2.1 The overall survey response rate was 77.4% (86% of senior managers and 53% of members). ZM have commented that this was a particularly high response rate compared to other surveys of this type they have conducted for clients.
- 2.2 ZM have provided a detailed analysis of the responses received from both senior managers and members. The detailed analysis includes a breakdown of results between corporate and service departments as well as by departmental management teams. However, the attached summary includes:
- a) An executive overview of the survey findings.
 - b) Two charts showing the average view (both officers and members) of the current risk exposure and future risk appetite across the ten categories of risk.
 - c) The placement of the City Corporation's corporate risks on a risk appetite matrix (as of October 2017). This chart illustrates where these risks are in relation to future risk appetite levels both in terms of current and target scores. Five out of the 12 corporate risks would be below risk appetite if

they achieved their target scores.

2.3 Key points from the survey (see charts in the Survey response section)

- Overall there was remarkable similarity between the views of both members and officers in both current risk exposure and future risk tolerance.
- Both members and officers scored future risk appetite (i.e. the level of risk that the City Corporation, on average, should be taking in the future) as lower than the current risk exposure on most risk categories.
- The exception was the innovation category where this was **above** current risk exposure (but see 3 below).
- Benchmarking data supplied by ZM (based upon 4 local authorities) has been used to show that there are several risk categories where the City Corporation has a similar future risk tolerance perspective. The innovation category however is above the benchmarking data (i.e. that we are willing to take more risk than the benchmark).

The results of the Survey were considered by the Chief Officer Risk Management Group on 19 September 2017 and subsequently by the Summit Group on 27 September 2017. The Summit Group noted the findings and has requested additional comparative information before determining next steps at their January 2018 meeting.

3.0 Key issues to be considered.
Innovation

3.1 The new (draft) corporate plan sets out the aims and ambitions of the City Corporation over the next few years. The survey has identified the amount of risk that the City Corporation is exposed to as well as the amount of risk it wishes to take in the future. The future risk appetite is below that of the current risk exposure which suggests that City Corporation is taking a higher level of risk in most risk areas than (on average) senior managers and members believe is appropriate. The only area where this was different was the innovation risk category.

3.2 Many respondents believed that the City Corporation is not an innovative organisation, its processes appear to slow down the decision making, and the importance of maintaining its reputation may hinder innovative decisions being made.

3.3 Whilst understanding the views registered by some respondents in the survey, Summit Group reviewed each of the risk appetite areas and considered that there were likely to be positive reasons why the City Corporation may be more risk averse than the local authorities in the benchmarking data. One example relates to the financial risk area - many local authorities have considerable financial pressures on them which may lead them to take decisions (to save public funds/provide services differently) with a higher degree of risk than would have previously been the case. This may not apply to the City Corporation to the same extent.

Member/Officer perceptions of risk appetite

3.4 The survey highlighted a close alignment of perceptions (members and officers)

on both current risk appetite and future risk appetite. One possible explanation for this alignment may be that officer risk perceptions have been led by members' risk averse perceptions making it less likely for officers to recommend decisions that may come with greater risks. There may also be an officer concern of blame if a new initiative/business activity does not perform as was anticipated.

Assessment of corporate/departmental risks against the proposed appetite

3.5 Appendix 1 includes a chart showing the position of the corporate risks, based upon their current risk scores, on the future risk appetite matrix (the shaded line). It also shows where these corporate risks would be on the risk appetite matrix if target risk scores were achieved. Subject to agreement by the Summit Group at their meeting in January 2018, the following steps are being proposed:

- a) request Chief Officers to review their corporate risks, in particular where, such risks (even after achieving their target scores) are **above** risk appetite. A decision will then need to be made to either implement further mitigations (to take the risk below appetite) or whether the risks will need to be recognised and accepted as being above appetite.
- b) adopt the same process as above in respect of all departmental level risks. This will provide an overall picture of which of the corporate and departmental level risks will remain above or below future appetite.
- c) agree to the stating of risk appetite levels for risks on risk register reports generated by the City Corporation's risk system.

4.0 Conclusion

4.1 This report highlights the key findings of the recent on-line risk appetite survey. This work was undertaken as a direct result of the external risk management survey recommendation in 2016. The on-line survey found that on most risk areas the City Corporation's future risk appetite was lower than its current risk exposure, except on the innovation category.

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Risk Appetite Development Output City of London City Corporation

Appendix 1

19th September 2017

Adam Lickorish – Senior Risk Consultant

**Audit and Risk Management Committee
28 November 2017**

Strategic Risk Practice



Contents



1. Risk Appetite Development Overview (Including terms used in the charts)
2. Survey Response Analysis
3. Future Risk Appetite Matrix

- Appendix A - Definitions

1. Risk Appetite Development Overview

In August 2017, Zurich was engaged by the City Corporation to support the development of an organisation wide Risk Appetite approach. Using an established methodology, Zurich facilitated a risk appetite survey across the City Corporation.

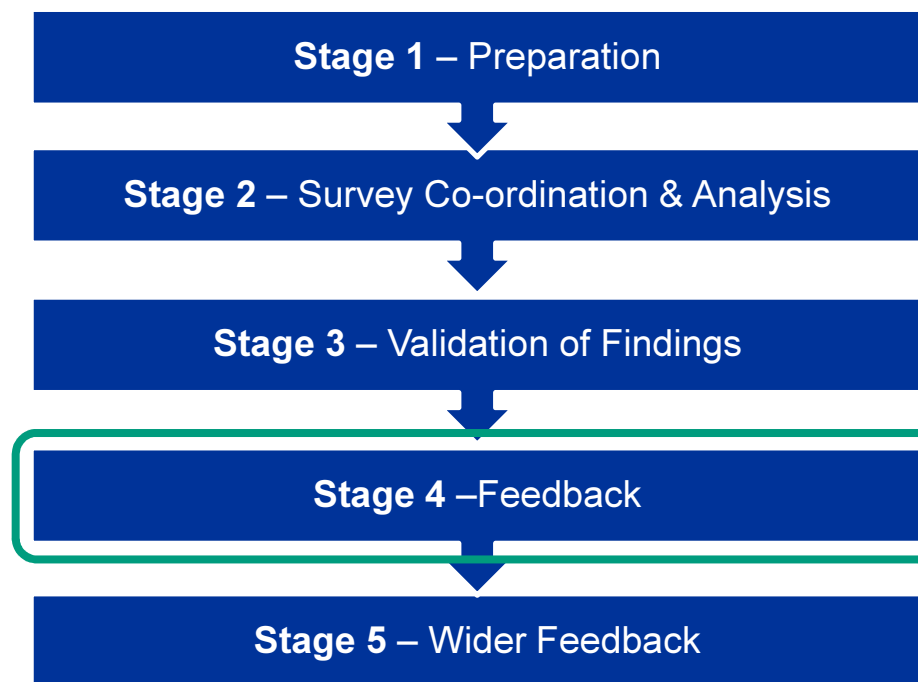
As part of the survey, individuals were asked, across a number of categories, where they believed the current level of risk exposure was for the organisation and where they thought the risk appetite should be in the future.

As part of Stage 4 of the risk appetite development, further sessions are to be held with the Summit Group and Audit & Risk Committee. This document represents the initial analysis from the survey and seeks to validate this against the corporate risks.

In addition to these steps, we anticipate on-going dialogue with Chief Officers as the development moves forward to ensure that it is fit for purpose as the risk landscape changes.

It should be appreciated that the City Corporation is different to many other Local Authorities in the way that it operates and approaches its activities and therefore the results shown within this report may differ from other LA's attitude to risk. The different stakeholders and drivers for are also varying to other LA's and this may have had an impact upon the results of the survey.

Previous projects with other organisations have indicated that they would like to take more risk in the future across the some of the risk categories than the City Corporation. See [chart Survey response analysis \(page 6\)](#) which compares the City Corporation's results against benchmarking data.



Key findings from the survey:

- High response rate – 127 from c 164 invitations (overall 77.4%). This includes Chief Officers, members of their respective DMTs and other senior managers (86% response) plus Chairman of Grand Committees, members of Audit and Risk Management Committee (53% response).
- Generally, respondents scored future appetite as lower than current exposure. This suggests that the organisation is taking on a higher level of risk in certain categories than is optimal at this point in time.

Risk Appetite Development Overview Continued

- There are categories where the difference between current and future appetites remain at the same level.
- The exception to this is Innovation, where respondents would like to a greater level of risk taken. This links to the Corporate Plan objectives.
- The Benchmarking data (see note below) suggests that there are a number of risk categories where the City Corporation is in line from a future tolerance perspective which is encouraging. This data is provided as a point of reference whilst recognising that the City Corporation's functions encompass only about one third of its responsibilities.
- The Innovation score, exceeds the benchmark for future risk tolerance, which as highlighted earlier, falls in line with the ambitions set out in the Corporate Plan objectives.
- The survey results also suggest that the City Corporation's current risk exposure to financial risk is considerably lower than the benchmark.

Note: The benchmarking data is based on the findings and survey results from 4 other Local Authorities. Benchmarking data was not available for all of the risk categories used as part of the survey as 3 of the categories are specific to the City Corporation. **The benchmarking data is included to provide a comparison and is not intended to be used as a measure of the City Corporations results against other Local Authorities.**

The benefits of understanding the Corporation's risk appetite(s) and putting it into practice:

- Clarity of risks faced by the Corporation and their links to the strategic objectives
- Articulation of the attitudes to risk
- Exercise appropriate oversight and governance by defining the nature and level of risks it considers acceptable
- Bring focus to higher priority issues (i.e. where appetite thresholds are under threat)
- Ensure the Corporation is only taking a level of risk, and the types of risks that it is comfortable with
- Empowerment so that staff have the tools to make judgements about which risks and opportunities are acceptable and which are not
- Ensure that the Corporation's response to risk is proportionate, and to enable informed risk based decisions.

Terms used in the charts

The following terms are used in the following slides and these may inform the understanding of the data presented.

Risk Appetite: Risk appetite is the amount and type of risk an organisation is willing to seek out in pursuit of its objectives. It is a core consideration in an organisation and their approach to the management of risk.

Current Risk Exposure: This is the perceived level of risk that the City Corporation is exposed to / faces for each risk category at this point in time. It is measured on a 1-5 basis.

Future Risk Tolerance: This is the level of risk, per category that is deemed acceptable for the City Corporation to accept in the future.

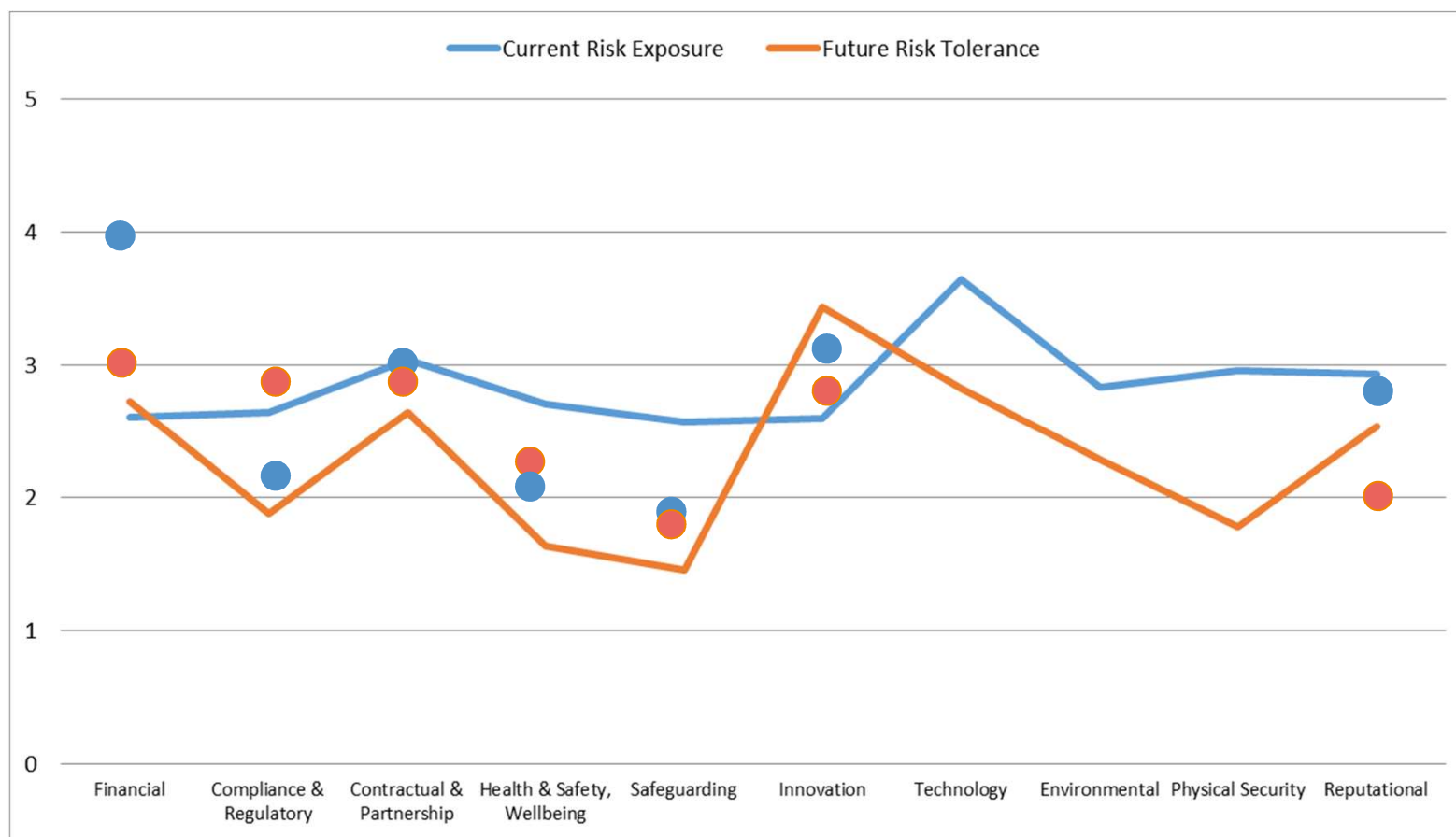
The table below shows the meaning the terms used in the survey response analysis charts



Risk Appetite Level	Risk Appetite Description
Negligible	Avoidance of risk and uncertainty is a key objective. Exceptional circumstances are required for any acceptance of risk.
Low	Preference for the ultra-safe options that have a low degree of risk and only have a potential for limited benefit.
Moderate	Preference for the safe options that have a moderate degree of risk and may only have limited potential benefits.
High	Willing to consider all options and choose the one that is most likely to result in successful delivery. Risk will be minimised while also providing an acceptable level of business benefit.
Very High	Eager to realise benefits and to choose options to achieve this despite the higher risk.

[Appendix A](#) outlines the definitions of the categories used in the survey

3. Survey Response Analysis

The chart below shows the average view of both the current risk exposure and future risk tolerance across the City Corporation (**Officers and Members**)

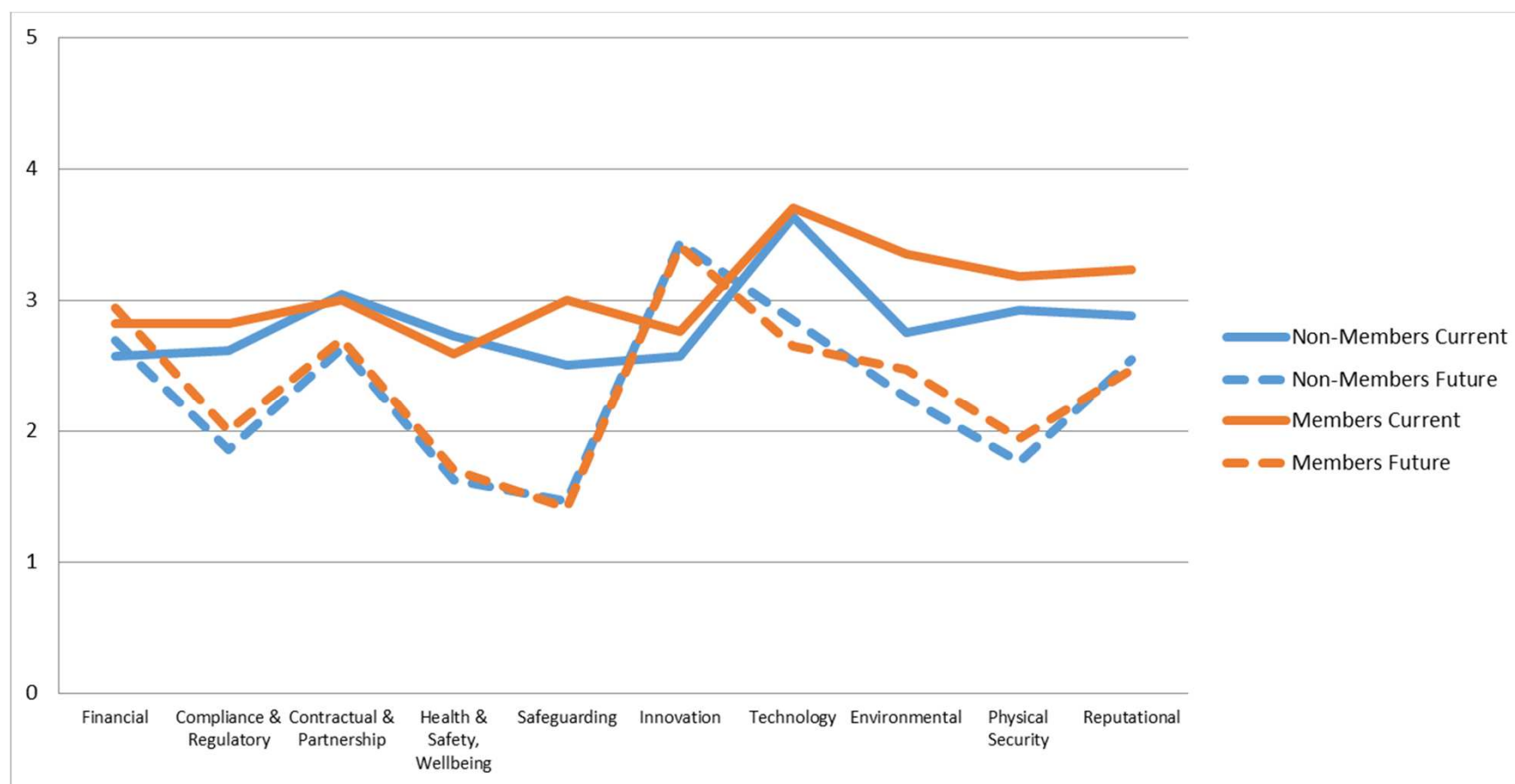


 Current Exposure Benchmark
 Future Risk Tolerance Benchmark
 N.B Where no benchmark is indicated, data was not available
 1= Negligible, 2=Low, 3= Moderate, 4= High, 5= Very High

Number of responses = 127

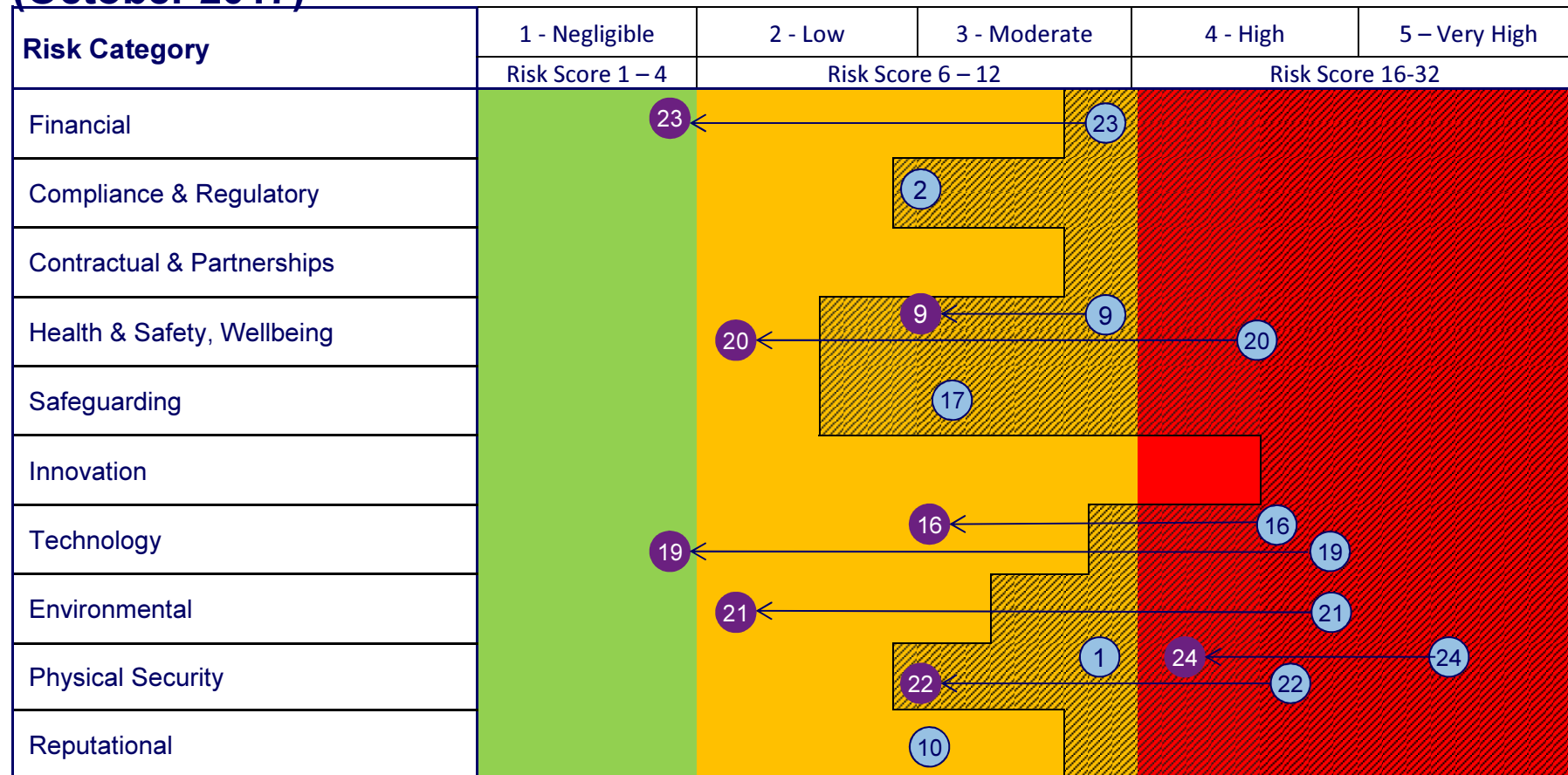
Risk Appetite Analysis Graph

The chart below shows the average **Officer** view of both the current risk exposure and future risk tolerance compared with **Members**



1= Negligible, 2=Low, 3= Moderate, 4= High, 5= Very High

3. Future Risk Appetite Matrix - Corporate Risks (October 2017)



This matrix shows the next development of the risk appetite methodology. The survey results have been taken to inform the matrix and its thresholds, combined with the City Corporation's risk assessment process. To validate this, the City Corporation's corporate risks have been mapped onto the matrix to demonstrate whether they are currently positions above or below the potential future risk appetite of the City Corporation. If there is an arrow and purple node, this has been used to show the movement to the risk's target score.

Risk Titles:

- | | |
|---|------------------------------|
| 1 Resilience Risk | 19 IT Service Provision |
| 2 Loss of Business Support for the City | 20 Road Safety |
| 9 Health and Safety Risk | 21 Air Quality |
| 10 Adverse Political Developments | 22 Barbican Centre Fire Risk |
| 16 Information Security | 23 Police Funding |
| 17 Safeguarding | 24 Operational Security |

Appendix A – Key Definitions

Key Definitions

Risk Categories:

1. Financial Risks affecting the ability of the City Corporation to meet its financial commitments. These include budgetary pressures, external macro-level economic changes, or consequences of proposed investment decisions.
2. Compliance and Regulatory Risks that expose the City Corporation to failures resulting in fraud, internal control failure, regulatory failings, changes in European or national law.
3. Contractual and Partnership Risks associated with the failure of partnerships and contractors to deliver services or products to the agreed cost and specification.
4. Health & Safety, Wellbeing Risks Hazards associated with staff, visitors, contractors and customers e.g. lone working, use of computers, verbal abuse.
5. Safeguarding Risks associated with the failure of the City Corporation to effectively identify and manage safeguarding concerns.
6. Innovation Risks associated with being innovative to maintain a competitive edge, potential impacts upon cost and/or quality of services, along with its ability to deliver best value.
7. Technology Risks associated with the capacity of the City Corporation to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. It may also include the consequence of internal technological failures on the City Corporation's ability to deliver its objectives.
8. Environmental Risks relating to the environmental consequences of progressing the City Corporation's strategic objectives and those relating to pollution, noise or the energy efficiency of on-going service operations. This may also include the loss of green space and environmental disease.
9. Physical Security Risks related to fire, security, accident prevention. (for example, hazard/risks associated with buildings, vehicles, plant and equipment).
10. Reputational Risks associated with the City Corporation's failure to deliver either its own business aims and objectives or local or central government policy that will have an impact on the City Corporation's reputation amongst both internal and external stakeholders

Committee(s)	Dated:
Audit and Risk Management	28 th November 2017
Subject: Deep Dive: CR 19 IT Service Provision Risk	Public
Report of: Chamberlain	For Discussion
Report author: Sean Green – IT Director	

Summary

Corporate Risk on IT Service Provision (CR19 – See Appendix 1) focuses on addressing the serious risk of IT Service disruption within the City of London Corporation (CoL) and City of London Police (CoLP) due to failure of essential networking and telephony infrastructure services. This risk is currently Red with a score of 16. Most of the work to mitigate this risk will be completed between December 2017 and March 2018 as result of the Network Transformation programme that is underway with both CoL and CoLP. The risk mitigation will be sustained through better reporting, monitoring and 6 monthly audits for IT communication rooms.

Recommendation(s)

Members are asked to:

- Note the report.

Main Report

Background

1. The whole CoLP IT Estate and parts of the CoL require further investment in the IT infrastructure to provide a secure and resilient IT service to the CoL and to mitigate critical failure of the CoLP IT Service.
2. This risk currently has a risk score of 16 making it a Red risk. The effect of the CR19 risk is loss of communications or operational effectiveness and a possible failure of critical CoL and CoLP applications and activities. The impact of this risk is financial loss and reputational damage.
3. During 2016 the CoL experienced several outages due to failing infrastructure. These failures necessitated a review and an investment plan to replace aged and poorly performing infrastructure in both the CoL and CoLP. This work was signed off by all required Officer and Member boards. Work is now underway.

Current Position

4. The Finance Committee agreed a Transformation plan in 2016/17 with an investment pot of £8.6m to invest in new Networking circuits and equipment for both CoL and CoLP.
5. The primary focus of this work has involved:
 - a. Remediation of 118 IT communications rooms across the CoL and CoLP estate (replacing power outlets, networking cabling and installing equipment cabinets) – see before and after pictures in Appendix 2 attached.
 - b. Investment in a new Wide Area Network (WAN) with BT. A BT internet circuit has been installed for the Guildhall site. Work continues delivering an additional circuit for the data centre at Powergate.
 - c. Investment in new Networking switches. The equipment has been ordered and the contract awarded to design, build and support the new Local Area Network (LAN)
 - d. Work is ongoing with Freedom the company designing, building and supporting our new Local Area Network (LAN). A Project Initiation Document (PID), including a high-level plan and major milestones, has been drafted and work on the LAN low level design is underway.
 - e. Governance groups to manage this work are in place with CoL and CoLP and there are regular stakeholder communications.
 - f. For CoLP
 - i. Work is ongoing on the WAN design.
 - ii. CoLP Communication Plan developed. It will update users on progress and pre-warn of planned disruptions.
 - g. All the work detailed above should be completed by March 2018.
6. The risk should move to Amber by the end of the year and Green by March 2018 (note this date reflects procurement delays that were outside the control of the Programme team).

Options

7. Endorsement and support for the management and delivery of CR19 management plan has been obtained directly from chief officers as well as strategically via papers to Summit Group, IT Sub and Finance Committees.

Proposals

8. Continue to implement the Network Transformation programme and progress the business cases for upgrading and replacing Telephony services for CoL and CoLP.
9. Implement improved monitoring with a minimum 6-month audits of all communications rooms to ensure the Transformation investment is being sustained.

Corporate & Strategic Implications

10. CoL and CoLP operates across multiple channels in multiple disciplines, the need to have a stable, resilient and secure IT infrastructure is a core requirement for all the work that is carried out by both organisations where an IT system is required.

Implications

11. Failure to demonstrate appropriate controls in this risk area will expose CoL and CoLP to unacceptable levels of risk and could hinder both organisations business as usual and strategic objectives.

Conclusion

12. There is an extensive programme of work required to mitigate the risks identified within CR19. This deep dive report articulates the work in progress and clearly identifies where we will be directing future effort to manage this risk to an acceptable level.
13. The breadth and scope of the necessary controls are cross-organisational and should not be entirely seen as a technical issue to be solved by the IT department. For example, the facilities team in City Surveyors or a remote team need to have access to an IT communications room or cabinet but this should be only carried out with the agreement of the Deputy IT Director and Agilisys to ensure the communications rooms and equipment do not get into the poor state that has been found during the remediation work. A Memorandum of Understanding was agreed with the City Surveyor earlier this year to mitigate this aspect of the risk.
14. Performance monitoring and new performance reports and indicators agreed with Agilisys will help ensure the sustainability of transformation investment and longer -term mitigation of this risk.

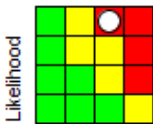
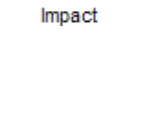
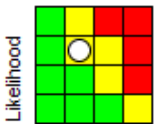
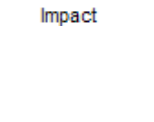

- Appendix 1 – CR19 - IT Service Provision Risk Description
- Appendix 2 – Before and After Remediation Photographs

Sean Green

IT Director City of London Corporation and
City of London Police

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Appendix 1 – CR19 Risk Description

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR19 IT Service Provision 14-Jul-2015 Sean Green	Cause: The whole Police IT Estate and parts of the Corporation are in need of further investment. Event: For the Corporation, poor performance of IT Service and for the Police critical failure of the Police IT Service. Effect: Loss of communications or operational effectiveness (may also lead to low staff morale). Possible failure of critical Corporation and Policing activities. Reputational damage.	 Likelihood	16  Impact	The primary focus of the team is on stabilisation, a more robust approach to managing change has been adopted, reducing the risk of service interruption. Team level approach to risk management is now aligned fully to the top level approach. IT Division is assessing how additional funds approved by Committee should be distributed to undertake more risk mitigation activity. The risk is expected to reduce to Amber by December 2017 followed by steady progress to Green in the following months. 25 Oct 2017	 Likelihood	6  Impact	31-Dec-2017	

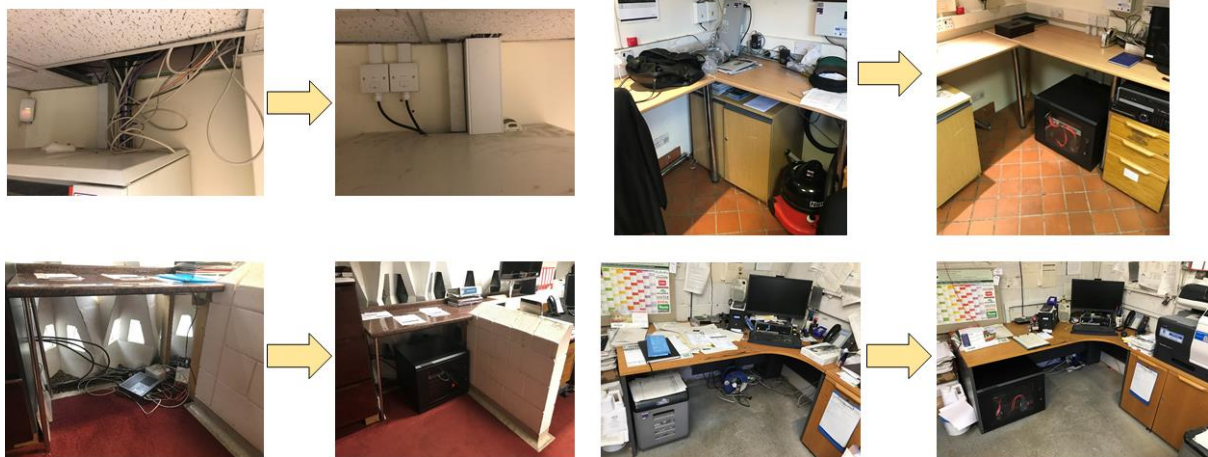
Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR19c	Investment in any retained IT infrastructure to ensure that this meets the same standards of resilience and continuity as delivered by the IaaS infrastructure.	Delivery of the new solution will take place throughout 2017. The LAN hardware has been procured. IT have awarded the contract for the LAN design, build and support. The WAN is slightly implementation is now underway.	Sean Green	25-Oct-2017	31-Dec-2017
CR19d	Investment in any retained IT infrastructure to ensure that this meets the same standards of resilience and continuity as delivered by the IaaS infrastructure	Remediation will continue throughout 2017.	Sean Green	25-Oct-2017	31-Dec-2017
CR19e	This is the first phase of the revised project to fully replace ageing unsupportable networking hardware from the City and City Police's infrastructure.	Implementation phase is in progress.	Sean Green	25-Oct-2017	31-Mar-2018
CR19f	The full delivery of a new network for the Corporation and city Police.	The WAN work has started. Remediation of communications rooms underway. LAN hardware has been procured. In the process of recruiting a LAN services partner.	Sean Green	25-Oct-2017	31-Mar-2018

Appendix 2 – Before and After Remediation Photographs

Shoe Lane Library



Cemetery and Crematorium



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Committee: Audit and Risk Management	Date: 28 November 2107
Subject: Terms of Reference and Frequency of Meetings of the Audit and Risk Management Committee	Public
Report of: Town Clerk	For Decision
Report Author: Julie Mayer	

Summary

As part of the post-implementation review of the changes made to the Governance Arrangements in 2011, it was agreed that all Committees/Boards should review their terms of reference annually. This will enable any proposed changes to be considered in time for the reappointment of Committees by the Annual Meeting of the Court of Common Council. The current Terms of Reference are attached for your consideration.

RECOMMENDATION – That:

1. Subject to Members' comments/suggestions, the Terms of Reference of the Committee be approved.
 2. The Committee continues to meet 6 times a year.
-
1. Appendix – Order of the Court of Common Council, April 2017

Contact:

Julie Mayer, Committee and Member Services
Telephone: 020 7332 1410
Email: julie.mayer@cityoflondon.gov.uk

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PARMLEY, Mayor	RESOLVED: That the Court of Common Council holden in the Guildhall of the City of London on Thursday 27th April 2017, doth hereby appoint the following Committee until the first meeting of the Court in April, 2018.
----------------	---

AUDIT & RISK MANAGEMENT COMMITTEE

1. **Constitution**

A Non-Ward Committee consisting of,

- nine Members elected by the Court of Common Council* at least one of whom shall have fewer than five years' service on the Court at the time of their appointment
- three external representatives (i.e. non-Members of the Court of Common Council with no voting rights)
- the Chairman and Deputy Chairman of the Finance Committee (ex-officio with no voting rights)
- a representative of the Policy & Resources Committee (ex-officio with no voting rights)

*The Chairmen of the Policy and Resources, Finance and Investment Committees are not eligible for election to this Committee and the Deputy Chairman of the Audit & Risk Management Committee for the time being may not be a Chairman of another Committee.

From April 2017 onwards, Members of the Court of Common Council are appointed for terms of three years. The maximum continuous period of service (except when serving as Chairman or Deputy Chairman) shall be nine years in any 12 year period.

2. **Quorum**

The quorum consists of five Members i.e. at least three Members elected by the Court of Common Council and at least one external representative.

3. **Membership 2017/18**

- 7 (4) Ian David Luder J.P., Alderman
- 5 (3) Charles Edward Beck Bowman, Alderman
- 5 (3) Jamie Ingham Clark, Deputy
- 2 (2) Henry Nicholas Almroth Colthurst
- 2 (2) Peter Estlin, Alderman and Sheriff
- 1 (1) Randall Keith Anderson
- 1 (1) Christopher Paul Boden
- 7 (1) Nicholas John Anstee, Alderman
- 1 (1) Paul Nicholas Martinelli

together with three external representatives :-

Caroline Mawhood (*appointed for a four year term expiring in March 2018*)

Hilary Daniels (*appointed for a three year term expiring in March 2019*)

Kenneth Ludlum (*appointed for a three year term expiring in March 2020*)

and together with the Members referred to in paragraph 1.

4. **Terms of Reference**

Audit

- (a) To consider and approve annually the rolling three-year plan for Internal Audit.
- (b) To consider and approve the annual External Audit Plan.
- (c) To commission and to receive reports from the Chief Internal Auditor on the extent that the City of London Corporation can rely on its system of internal control and to provide reasonable assurance that the City of London Corporation's objectives will be achieved efficiently.
- (d) To meet with the external auditors prior to the presentation of the Accounts to the Court, consider the audited annual accounts of the City Fund and the various non-local authority funds, to receive and consider the formal reports, letters and recommendations of the City of London Corporation's external auditors and to make recommendations relating to the approval of the accounts (to the Finance Committee).
- (e) To meet with the external auditors of the City's various funds at least once in each calendar year prior to the presentation of the financial statements to the Court.
- (f) In addition to (e), to meet with the external auditors of the City's various funds at least once in each calendar year.
- (g) To report back, as necessary and at least annually, to the Court of Common Council.

- (h) To appoint an Independent Audit Panel to make recommendations on the appointment of external auditors to the Court of Common Council.

Risk Management

- (i) To monitor and oversee the City of London Corporation's risk management strategy, anti-fraud and anti-corruption arrangements; and to be satisfied that the authority's assurance framework properly reflect the risk environment.
- (j) To consider all audit or external inspection reports relating to any department at the City of London Corporation and seek assurance that action has been taken where necessary.
- (k) To receive an annual report from the Chamberlain reviewing the effectiveness of the City of London's risk management strategy.
- (l) To consider and report back to the Court on any risks related to all governance issues.

Committee(s)	Dated:
Audit and Risk Management Committee	28 November 2017
Subject: Survey of Committee Effectiveness	Public
Report of: Town Clerk	For Discussion
Report author: Neil Davies, Town Clerk's Department	

Summary

This report presents proposals arising from the most recent (2016) survey of Members of the Audit and Risk Management Committee.

As reported previously to Members, the 2016 survey produced slightly more positive results than the previous survey and a range of useful suggestions and comments.

A number of these have been taken forward in other reports presented to this Committee meeting, in particular those on risk appetite and the External Quality Assurance of Internal Audit.

This report makes a number of suggestions for Members to consider, particularly in the areas of training and awareness, aimed at improving the effectiveness of the Committee in carrying out its key tasks.

Recommendation(s)

Members are asked to:

- Note the report.
- Consider the proposals made to improve the effectiveness of the Committee in carrying out its key tasks

Main Report

Background

1. The third effectiveness survey of Committee Members was undertaken in 2016 and the results reported to this Committee. These showed a slight improvement on the previous survey, both in terms of the percentage of positive responses, and in terms of the responses received. Overall, 89% of responses were “strongly agree” or “agree”, up from 85% in the previous survey in 2014. There were no responses of “strongly disagree”.
2. Following discussion of the results, Members agreed to receive a further report looking at proposed actions to be taken in response.

Current Position

3. The following sections summarise the key issues raised by Members, with comments and where appropriate possible actions for consideration.

Operation of the Committee

4. Members commented that reports could be shorter and recommendations clearer. The latest guidance note for Chief Officers and report authors on committee report writing (April 2016) is available for all staff on the Intranet. On the two specific issues raised, the guidance emphasises that reports should be kept to four pages or fewer on all but the most complex issues, and that recommendations should always be clear and never open to interpretation through ambiguous drafting. This guidance will be re-emphasised to the key officers reporting to this Committee.
5. Members also commented on the balance of items being considered by the Committee. As an initial step, a revised format for the forward work programme has been developed (Appendix 1) which is structured according to the key work areas for the Committee: financial statements, internal audit, governance, etc. This will enable Members to see more clearly the scheduling of reports across the key areas and the balancing of workloads between meetings, and thereby inform decisions on any rebalancing of the forward work programme.

Training and Awareness

6. This was the area with the lowest percentage of “strongly agree” or “agree” responses in the survey. Comments were made about induction training, regular updates and training requirements. Guidance strongly suggests that audit committees should receive regular briefings and training to help them to improve their effectiveness in providing challenge and undertaking their other roles.
7. Listed below are number of possibilities for Members to consider, which would assist in briefing Members on emerging developments in risk, audit and governance issues; enable Members to learn more about the City Corporation’s activities and services; add variety to the Committee’s meetings, and formalise induction arrangements.
 - i. Regular circulation of the CIPFA Better Governance Forum Audit Committee updates, to increase general awareness of topical issues and good practice. These are published three time per year and each issue includes a summary of new guidance, legislation, consultations and reports that may be of interest. The most recent issue (from September 2017) is attached as Appendix 2.
 - ii. Audit committee members can also access other resources on the Better Governance Forum website (<http://www.cipfa.org/services/networks/better-governance-forum>), including training and other supporting resources.
 - iii. Circulation of other published papers with specific relevance to the Audit & Risk Management Committee – for example the National Audit Office recently published a good practice guide on cyber security and information risk guidance for audit committees, and in December, CIPFA is due to publish a revision of their Practical Guidance for Local Authority and Police Authority Audit Committees.

- iv. Formally capturing Members' skills and experience and developing training programmes, where appropriate, to address any gaps.
- v. Occasional briefings or presentations to the Committee on topics of interest or on specific functions or service areas – including from external sources. Following the expansion some while ago of the Committee's remit to include Risk Management, two briefings were given by an external risk expert from the Better Governance Forum at the start of the formal meeting of the Committee.
- vi. Development of a standard Committee induction/welcome pack including: the Audit and Risk Management Committee handbook; the Corporate Plan; annual accounts; code of conduct and ethical statements; key internal and external audit reports; forward work programme; background information on other Committee Members and key policies relating to the work of the Committee.

Functions of the Committee

8. Members made several comments on the Committee's effectiveness in overseeing internal audit planning and operation, and in respect of fraud and whistle-blowing arrangements, which were the two functional areas with the lowest percentage of "strongly agree" or "agree" responses in the survey.
9. A report elsewhere on the agenda provides an update on the External Quality Assessment (EQA) of the internal audit section. Implementation of the recommendations from that review will enable Members to be provided with better information on audit planning, the implementation of Internal Audit recommendations, and the use of Internal Audit Staffing resources. Members should also be provided with greater assurance regarding staff skills and capabilities and generally more informative reporting.
10. In respect of fraud and whistle-blowing arrangements, Members requested more information on the anti-fraud and corruption strategy and the whistle-blowing policy, and more information on the establishment of appropriate arrangements throughout the organisation. It is proposed that a report on these issues is presented to the Committee as a companion piece to the Annual Governance Statement when this is presented for approval in May 2018.
11. On risk management, Members highlighted the development of a risk appetite as a key area. This is covered by another report on the agenda.
12. It was also suggested that to improve the focus on Internal Audit and fraud prevention, those areas are also incorporated into the informal Chief Officer sessions along with risk management.

CIPFA Survey of Audit Committees

13. In 2016, CIPFA undertook a survey on audit committees in local authorities across the UK, which included a section on audit committee effectiveness. The recommendations arising from the work on effectiveness are:
 - All audit committees should review their performance and seek feedback from those who regularly work with the committee or rely on its assurances.

- Audit committees should identify any barriers to improving their effectiveness and seek to address them.
- Those committees that do not already do so should consider producing an annual report to explain their role and demonstrate the value they have added. (In the survey 35% of local authorities produced an annual report available to the public.)
- All audit committees should ensure that they have a clear and accessible statement on the website that explains their role and helps stakeholders to understand their work and contribution.

14. Members are invited to consider whether it would be appropriate to produce an annual report on the work of the Committee and to publish this on the City's website.

Future reviews of Committee effectiveness

15. This is the third survey to have been undertaken, following those in 2012 and 2014. At a previous meeting, Members suggested that the committee effectiveness review/survey could be scheduled less frequently and the Town Clerk agreed to check whether there was any guidance on frequency and good practice.

16. A review of guidance regarding the evaluation of audit committee effectiveness in the public and private sectors shows that although there is a clear steer for some form of review to take place on a "regular" basis, there is no hard and fast guidance over the frequency of conducting self-assessment questionnaires. In 2016, CIPFA stated that reviews help organisations to evaluate the committee's success in fulfilling their terms of reference, meet expectations and add value. In their survey (see above) 50% of local authorities had undertaken a self-assessment in the previous year.

17. An option for Members to consider would be for an annual desk-top assessment against the practical guidance issued by CIPFA, supplemented by a survey every, say three or four years. This should not, of course, prevent Members from making suggestions at any time on improving the effectiveness of the Committee. Future effectiveness reviews could also incorporate an element of formal consultation with other Internal Audit sections to determine best practice from elsewhere that may be transferrable to the City Corporation.

Conclusion

18. The 2016 effectiveness survey of Committee Members produced slightly more positive results than the previous survey and a range of useful suggestions and comments. A number of these have been taken forward in other reports presented to this Committee meeting, in particular those on risk appetite and the External Quality Assurance of Internal Audit. This report makes several suggestions for Members to consider, particularly in the areas of training and awareness, aimed at improving the effectiveness of the Committee in carrying out its key tasks.

Appendices:

- Committee Workplan - revised format – at Item 5 on this agenda.
- CIPFA Better Governance Forum – Helping Audit Committees to be Effective.

Background Papers:

- Audit and Risk Management Committee Survey (26/1/16)
- Results of 2016 Survey of Committee Members (8/11/16)

Neil Davies

Corporate Performance Manager

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CIPFA Better Governance Forum

Audit Committee Update

– helping audit committees to be effective

Issue 23

- **2017 edition of the Public Sector Internal Audit Standards**
- **Understanding the risks and opportunities from Brexit**
- **Recent developments and resources**

September 2017

Introduction

Dear audit committee member,

Welcome to Issue 23 of our briefings for audit committee members in public sector bodies.

It has been produced by the CIPFA Better Governance Forum and is free to our subscribing organisations. Its aim is to provide members of audit committees with direct access to relevant and topical information that will support them in their role.

This issue's main article focuses on changes to the Public Sector Internal Audit Standards that are likely to come before the audit committee. Having oversight of internal audit and supporting the professional practice of internal auditing is one of the key roles of the audit committee so it is helpful to be aware of new developments.

A second article considers some of the risks that may be featuring in your risk registers around Brexit. This is of course an area where there is a lot of uncertainty, however, it is helpful for a public sector organisation to think through any likely implications for service delivery and resources management.

I hope you will find this issue helpful. We welcome feedback on these briefings and suggestions for future topics. Please let us know if we are getting them right.

Best wishes

Diana Melville
Governance Advisor
CIPFA Better Governance Forum
diana.melville@cipfa.org

Sharing this Document

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Receive our Briefings Directly

This briefing will be sent to the main contact of organisations that subscribe to the CIPFA Better Governance Forum with a request that it be sent to all audit committee members. If you have an organisational email address (for example jsmith@mycouncil.gov.uk) then you will also be able to register on our website and download any of our guides and briefings directly. Register now, please click here <https://www.cipfa.org/Register>.

Previous Issues of Audit Committee Update

You can download all the previous issues from the CIPFA Better Governance Forum website. The earlier issues are on the archive site. Click on the links below to find what you need.

Principal Content	Link
Issues from 2010 – the content in these issues has been replaced by more recent issues	
Issues from 2011	
Strategic Risk Management, Governance Risks in 2011, Role of the Head of Internal Audit	Issue 4
Understanding the Impact of IFRS on the Accounts, Key Findings from CIPFA's Survey of Audit Committees in Local Government	Issue 5
Partnerships from the Audit Committee Perspective	Issue 6
Issues from 2012	
Assurance Planning, Risk Outlook for 2012, Government Response to the Future of Local Audit Consultation	Issue 7
Commissioning, Procurement and Contracting Risks	Issue 8
Reviewing Assurance over Value for Money	Issue 9
Issues from 2013	
Public Sector Internal Audit Standards and Updates to Guidance on Annual Governance Statements	Issue 10
Local Audit and Accountability Bill, the Implications for Audit Committees Update of CIPFA's Guidance on Audit Committees	Issue 11
Reviewing Internal Audit Quality, New CIPFA Publication, Audit Committees Practical Guidance for Local Authorities and Police, Regular Briefing on Current Issues	Issue 12
Issues from 2014	
Reviewing the Audit Plan, Update on the Local Audit and Accountability Act, Briefing on Topical Governance Issues	Issue 13
External Audit Quality and Independence, Government Consultation on Local Audit Regulations, CIPFA's Consultation on a new Counter Fraud Code, Regular Briefing on Current Issues	Issue 14
CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, The Audit Committee Role in Countering Fraud, Regular Briefing on Current Developments	Issue 15

Issues from 2015	
What Makes a Good Audit Committee Chair? Governance Developments in 2015	Issue 16
The Audit Committee Role in Reviewing the Financial Statements, Regular Briefing on Current Developments	Issue 17
Self-assessment and Improving Effectiveness, Appointment and Procurement of External Auditors, Regular Briefing on Current Issues	Issue 18
Issues from 2016	
Good Governance in Local Government – 2016 Framework, Appointing Local Auditors, Regular Briefing on Current Issues	Issue 19
CIPFA Survey on Audit Committees 2016, Regular Briefing on Current Issues	Issue 20
The Audit Committee and Internal Audit Quality, Briefing on Topical Issues	Issue 21
Issues from 2017	
Developing an Effective Annual Governance Statement, Regular Briefing on Current Developments, Audit Committee Training	Issue 22

Workshops and Training for Audit Committee Members in 2017

Development day for police audit committees

The Better Governance Forum and Police Network have run workshops for members of police audit committees over the past two years. These workshops provide the opportunity to receive briefings on current issues in policing, audit and governance. The workshops are a practical way to improve the focus and impact of audit committees and extend the knowledge and skills of audit committee members.

[20 September 2017, London](#); [21 September 2017, York](#)

In house training

In house audit committee training tailored to your needs is available. Options include:

- key roles and responsibilities of the committee
- effective chairing and support for the committee
- working with internal and external auditors
- public sector internal audit standards
- corporate governance
- strategic risk management
- value for money
- fraud risks and counter fraud arrangements
- reviewing the financial statements
- assurance arrangements.

For further details contact chris.o'neill@cipfa.org or email diana.melville@cipfa.org or visit the CIPFA website where we have a [brochure](#) to download outlining our services for audit committees.

Need some help in improving your committee?

As a BGF subscriber you have access to all the previous issues of Audit Committee Update listed on pages two and three. The CIPFA publication *Audit Committees: Practical Guidance for Local Authorities and Police* also contains resources to help you assess and improve your committee. Audit committee training and facilitation is also available.

Changes to the Public Sector Internal Audit Standards

The [Public Sector Internal Audit Standards](#) (PSIAS) were updated in April 2017 following the consultation earlier in the year. The standards are mandatory for internal audit in the public services, including local government, health and central government. The update reflects the changes made to the *International Professional Practices Framework* (IPPF) of the Global Institute of Internal Auditors on which the PSIAS is based. In addition, amendments were made to the public sector requirements and public sector interpretations which form part of the PSIAS.

As the standards are mandatory your internal audit team should now be working to them and making any changes required to their local practices. It would be expected that the Internal Audit Charter would be updated to reflect the new standards and brought to the audit committee for approval.

Roles beyond internal auditing

One area of significant change is the introduction of a new standard: *1112 Chief Audit Executive Roles Beyond Internal Auditing*. If the head of internal audit (referred to as the chief audit executive in the standards) takes on roles or responsibilities that fall outside of internal auditing, then safeguards must be put in place to limit impairments to independence or objectivity. The head of internal audit must highlight any actual or perceived impairment to the board or audit committee and safeguards should be considered to protect internal audit independence.

CIPFA welcomes this addition to the standards as it takes account of a trend for heads of internal audit to have other responsibilities. For example, some heads of internal audit are also responsible for risk management or corporate counter fraud. Audit committees should note that the standards **do not** say that a head of internal audit cannot have responsibility for other functions, but they rightly emphasise the importance of internal audit independence and the need to ensure it is safeguarded. It is vital that this principle is considered locally and the head of internal audit is adequately supported to meet professional requirements. The audit committee should exercise its responsibility for oversight of internal audit and support internal audit's ability to meet professional standards.

Planning for external quality assessments

Local authorities have until 31 March 2018 to complete their external quality assessment (EQA) in compliance with the PSIAS. The standards require an external assessment to test conformance with the standards at least once every five years. Since the PSIAS were introduced on 1 April 2013, the five-year period will end soon. The assessment can be delivered in several ways, including the external validation of a self-assessment, having a peer review or using an external assessor. There are a range of providers of EQAs, including CIPFA and more information is available on the [CIPFA website](#).

Further details of the audit committee role in supporting the assessment can be found in [Issue 21 of Audit Committee Update](#). The 2017 update to PSIAS now requires that the chief audit executive communicate the results to senior management and the board, which in most cases means the audit committee, and include them in the annual report.

Audit committees should also be aware that the EQA should be based on the PSIAS, not the IPPF (which tends to be used in the private sector in the UK) and for local government it should also include requirements set out in the [Local Government Application Note](#) published by CIPFA. If your internal audit service is provided by a contractor or shared

service then you should ensure that their EQA covers the client relationship with you. Further guidance on this is available from the [Internal Audit Standards Advisory Board](#).

The ultimate goal of professional standards is to ensure a consistent high quality internal audit service. By supporting internal audit to comply with the standards means that the audit committee will be able to confidently rely on the work of internal audit and its work will have greater credibility within the organisation.

Key Questions to Ask	
1	Does the head of internal audit undertake any roles beyond internal auditing?
2	If so, what does this mean for the independence or objectivity of internal audit?
3	Are safeguards needed and what would be appropriate?
4	What is the current position of our EQA? Did it/will it include both the PSIAS and the Local Government Application Note (applicable for local government bodies only) and cover the client relationship?
5	Is the audit committee doing enough to support internal audit in meeting professional standards?

Diana Melville

Governance Advisor

Brexit, the Public Services and the Audit Committee

The implementation of Brexit is likely to have a significant impact on the public services. As we enter a period of negotiations the final deal won't be known for some time, but it is likely that the impact will be felt well before then. Partly this will be a consequence of political and economic uncertainty which could start to settle down, but could worsen before it improves.

So what does this have to do with the audit committee? I think it is important that the committee is aware of the areas of potential risk to the organisation and encourages and supports a pragmatic approach to risk management and contingency planning. Some of the agenda items of the audit committee may include these risk areas, so it is important for the audit committee member to have an understanding of the context. Not every organisation will have the same set of risks. Factors such as the local economy, local labour market and local key employers will make a difference.

Has your organisation already identified any risks and opportunities? And is it taking steps to monitor and manage those risks?

CIPFA has founded [The Brexit Advisory Commission for Public Services](#) to examine the risks and consequences for the public services and its work will help public bodies develop their understanding of the risks.

The following may be a helpful starting point for your local risk assessment.

Potential Risk Area	Potential Impact on a Public Service Organisation
Public finances Overall national economic performance will impact on tax revenue, and may have consequences for funding for public services, either positively or negatively.	Different parts of the public sector have varying degrees of reliance on public funding, however, any change to grants or funding levels will have an impact on service provision.
National economic trends Fluctuations in the exchange rate, particularly the dollar which affects fuel prices and the euro if this is important for your supply chain.	If the exchange rate worsens against the dollar this will make fuel more expensive, impacting on running costs. Some aspects of the supply chain may also be impacted if imported goods are a significant cost.
Workforce and students New rules on immigration may restrict availability of eligible applicants Potential to recruit employees from EU states and other countries outside the EU may be reduced if the UK is seen as less attractive because of an unfavourable exchange rate or	Some sectors have been identified as being highly reliant on international staff, for example the NHS and social care providers. Universities may also be impacted by reduced EU and international students and appointment of academic staff. There is the potential for reduced pressure

negative publicity.	on local services such as school places or housing if immigration reduces.
Local economy and key employers Impact of Brexit on the local economy will vary according to sector and area. This is a complex factor that needs to be looked at locally.	The strength of the local economy has implications for local generation of income and collection of business rates. Local employment rates and wage levels will impact on demand-led public services such as payment of benefits, social housing demand etc.
Availability of funding for investment or regeneration Local areas or schemes that have previously received EU funding will need to establish the likelihood of replacement UK funding.	Some continuity of funding has been guaranteed by the government but there remains uncertainty. For example, the Local Government Association (LGA) has recently called for £8.4bn of EU funding to be replaced after Brexit to support investment in local growth. Organisations in receipt of or anticipating EU funding will need certainty over future funding.
Policy changes In the short term there is unlikely to be any significant change but longer term could bring changes to environmental policy or regulations affecting employment or procurement.	Future policy changes may present opportunities to deliver services in a different way or to reduce regulatory requirements. Implementing significant changes may have consequences, for example additional resources may be need to reconfigure services and supporting processes.
Government priorities There are a range of other pressing issues for public services, including affordable housing supply, funding of social care and security. The government's ability to adequately address these issues while pursuing the Brexit negotiations will also have consequences for public services.	If legislation or reform of other policy matters is delayed then there may be consequences for the delivery of services and achievement of objectives.

Once a risk assessment has been completed, organisations should plan mitigations or contingencies where appropriate and practical. As new information is received it is likely that the risk assessment and plans will need to be updated. The audit committee may also seek assurances on how effectively any significant risks are being monitored and managed.

For further information on The Brexit Advisory Commission for Public Services please visit [the website](#).

Recent Developments You May Need to Know About

Legislation and Consultations

Data Protection Bill – Statement of Intent

The government has published a Statement of Intent setting out its vision for the digital economy and its planned data protection reforms. The bill will bring the provisions of the General Data Protection Regulation into UK law from May 2018. Key changes for public bodies include the requirement to have a nominated data protection officer. Where changes are needed to meet the requirements the audit committee could support the implementation work and monitor key actions.

[Department for Digital, Culture, Media & Sport](#)

Reports, Recommendations and Guidance

Annual governance statements 2016/17

The latest date for approval of the annual government statement for local government bodies is 30 September. The statements are the first to reflect the new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) and the new principles of good governance. The previous [issue of Audit Committee Update](#) contained an article about developing an effective statement so audit committee members are recommended to review this when considering their statement.

One question that regularly comes up is whether the statement needs to be updated if new information comes to light after 31 March of the year in question. The guidance is that the statement should be up to date at the time of publication, so a significant governance issue that comes to light between 1 April and the final date of publication should be considered for inclusion in the statement.

[Delivering Good Governance in Local Government: Framework](#)

External audit appointments

Public Sector Audit Appointments (PSAA) has announced the results of the procurement exercise for external auditors of local authority, police and fire bodies. A number of contracts have been awarded and PSAA is now working on the allocation of auditors to specific clients. One of the key criteria is to avoid any conflicts of interest. PSAA plans to consult clients on its proposals before finalising appointments by 31 December 2017. Audit committees should contribute to the consultation process for their organisation. Details of fees will not be known until March when PSAA launches its consultation.

[Public Sector Audit Appointments](#)

External audit contract and quality monitoring

PSAA is responsible for monitoring the current audit contracts and publishes an annual report on the results of its work. The *Regulatory Compliance and Quality Review Programme* report for 2017 is now available. Overall the compliance and contract monitoring rating is 'amber' using a red, amber, green scale. PSAA draws on the quality review work of the Financial Reporting Council and highlights relevant areas for improvement. Audit committees should be aware that one of the areas for improvement is that external auditors should report more thoroughly to audit committees. PSAA also publishes reports for each external audit firm. More detail about the audit committee role in monitoring external audit is contained in [Issue 14 of Audit Committee Update](#). [Public Sector Audit Appointments](#)

Reports on the results of external auditors' work

PSAA also publishes an annual report drawing together the results from external audit opinion, one for health bodies and one for local government bodies. The report for health audits concluded for 2016/17 is now available, the local government report will be available later in the year. None of the trusts had a qualified true and fair opinion on the financial statements, but 19% had an adverse conclusion on their value for money arrangements.

[Public Sector Audit Appointments](#)

Scrutiny of treasury management

The Centre for Public Scrutiny (CfPS) has published a second edition of *Treasure Your Assets*. This guidance covers the basics of treasury management and explores the scrutiny role that is a requirement of CIPFA's [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (2011). Audit committees may sometimes undertake the scrutiny role in relation to treasury management. If this is the case then this publication will be useful in understanding more about this complex area.

[Centre for Public Scrutiny](#)

How well does scrutiny work? Scrutiny Self-evaluation Framework

As part of the annual governance review process it is helpful to consider the effectiveness of the scrutiny process. Good scrutiny is one of the contributors to good governance and the absence of effective internal challenge has been a contributing factor to governance failures. The CfPS has developed a self-evaluation framework to support improvement and it can inform the annual governance statement.

[Centre for Public Scrutiny](#)

Look Out For

Guidance for audit committees

CIPFA is currently updating the 2013 edition of *Audit Committees: Practical Guidance for Local Authorities and Police*. The new edition will reflect legislative changes and recent updates to governance and internal audit standards. Some of the key changes include:

- audit committees for combined authorities
- external audit appointments
- *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016)
- *Public Sector Internal Audit Standards* (2017)
- developments in good practice for audit committees to monitor and support external audit ethical standards.

The publication is due to be published in November 2017. Further details are available from [CIPFA](#).

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Certificate No.

Committee	Date
Policy and Resources Committee(for decision)	21 September 2017
Establishment Committee (for decision)	17 October 2017
IT Sub-Committee (For Information)	23 November 2017
Audit and Risk Management Committee (For Information)	
Subject: General Data Protection Regulation (GDPR)	Public
Report of: Michael Cogher Comptroller & City Solicitor	For Information

Summary

This report summarizes the new requirements of the General Data Protection Regulation (GDPR) and the work required by the Corporation to secure compliance with it by 25th May 2018 including the appointment of a data protection officer (DPO). GDPR substantially updates data protection law, including changing conditions for processing, strengthening privacy and other rights and increasing penalties for breaches of the rules.

Recommendations

1. Note the report (All Committees)
2. That the Comptroller & City Solicitor is appointed as the Corporation's Data Protection Officer (P&R and Establishment Committees).

1. Introduction

The current data protection regime is based on an EU Directive from 1995 and implemented in the UK by the Data Protection Act 1998. Since then there have obviously been significant advances in IT and fundamental changes to the ways in which organizations and individuals communicate and share information.

As a result the EU has introduced updated and harmonized data protection regulations known as the General Data Protection Regulation ("GDPR") which is due to come into force on 25 May 2018.

It will be implemented in the UK, notwithstanding Brexit, by legislation announced in the Queen's Speech.

This Report outlines the steps that the Corporation will need to take in order to ensure that it is GDPR compliant.

2. Impact

The Information Commissioner's Office (ICO) which is responsible for guidance and enforcement of data protection has said:

"Many of the principles in the new legislation are much the same as those in the current Data Protection Act. If you are complying properly with the current law, then you have a strong starting point to build from. But there are some important new elements, and some things will need to be done differently".

GDPR introduces several new concepts and approaches. Equally many of the existing core concepts of personal data, data controllers and data processors are broadly similar. It remains founded on a principles based approach.

Whilst much detail and in particular the domestic legislation and ICO guidance is not yet available the Corporation needs to review its organizational and technical processes both Corporately and Departmentally.

3. Key Changes

The principal changes relevant to the Corporation are briefly summarised below:-

1. **Increased enforcement powers** – fines for breaches of the DPA are currently limited to £500,000. This will be increased to £10 million or 2% of annual turnover or £20 million or 4% of annual turnover depending on the nature of the breach, with the latter applying to breaches of the data protection principles and data subject rights.
2. **Consent will be harder to obtain** – consent is one of the various conditions which can be relied on for processing and the GDPR will require a higher standard of consent by clear affirmative action demonstrating a freely given, specific informed and unambiguous consent. The burden of proof for establishing this will be on the data controller. It will therefore be necessary to review current processing based on consent to ensure that it will meet the new standards or identify alternative grounds for processing. In addition, Public bodies will no longer be able to rely on their own "legitimate interests" for processing and will again have to identify alternative grounds – this is likely to be that the processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority in most cases. (NB it is anticipated that the Corporation's hybrid nature will be properly reflected in the legislation).
3. **A risk based approach to compliance** – organizations will bear responsibility for assessing the degree of risk that their processing activities pose to data subjects. This is reflected in the "privacy by design and default" provisions and other requirements described below.
4. **Privacy by design and default** – having regard to the state of the art and the cost of implementation and the nature, scope and context of the processing, organizations will be required to implement data protection "by design and by

default” at the time of determination of the means of processing and the processing itself. This recasts and strengthens the current duty under the Seventh Data Protection Principle.

5. **Privacy Impact Assessments (PIA'S)** – organizations will be required to carry out PIAs before introducing processing by new technologies likely to pose a risk to data privacy and in other circumstances to be specified. Mandatory consultation with the ICO may be required in certain circumstances.
6. **Records of Processing Activities** – organizations will need to maintain detailed documentation recording their processing activities. The information required includes the purposes of the processing, categories of data subjects, personal data, and those to whom data will be disclosed and general technical and security measures in place.
7. **Appoint a Data Protection Officer** – certain organizations, including all public authorities, will have to appoint a Data Protection Officer. This is dealt with in more detail below.
8. **New Breach Notification Rules** – breaches will have to be notified to the ICO within 72 hours where feasible unless the breach is unlikely to result in risk to individuals. Where a high risk to individuals arises they will also have to be notified unless an exception applies.
9. **Additional Rights for Individuals** – these comprise the right to be forgotten, a right to object to profiling and to data portability.
10. **Less Time for Subject Access Requests** – the time limit for responding to SAR's will be reduced from 40 days to 1 month and the information which must be provided will be extended.

4. Appointment of a Data Protection Officer (DPO)

As a public authority the Corporation will be required to appoint a DPO whose minimum tasks are defined in Article 39 as:

- To inform and advise the organization and its employees about their obligations to comply with the GDPR and other data protection laws.
- To monitor compliance with the GDPR and other data protection laws, including managing internal data protection activities, advise on data protection impact assessments; train staff and conduct internal audits.
- To be the first point of contact for supervisory authorities and for individuals whose data is processed (employees, customers etc.).

It is recommended that the DPO holds a senior position in the organisation with direct access to “board” level. In the Corporation's context it is therefore recommended that the Comptroller and City Solicitor, a member of Summit Group, who currently manages the Data Protection and Freedom of Information Compliance Team and who is chairman of the Information Board be appointed as DPO.

5. Preparation and Project Plan

Preparations for GDPR will involve a review of the Corporation's information governance practices, policies and procedures; training and awareness raising; and ensuring the necessary technical IT and information security systems are GDPR compliant. These tasks are the subject of detailed project plans to be overseen by the Information Board and IS Steering Group.

(a) Information Governance

Work in this area will include:-

- A programme of awareness raising and training from September 2017
- Documenting data held (including considering the reasons for its collection and retention)
- Reviewing Privacy Information
- Inclusion of new rights into policies
- Amending Subject Access Request procedures
- Reviewing the basis of processing (particularly in relation to consent and future lack of reliance on "legitimate interest" grounds qua public body)
- Reviewing the Data Breach procedures
- Ensuring procedures incorporate data protection by design and default
- Reviewing relevant contractual provisions

(b) Information Technology Systems

Work in this area will include:-

- Audit of IT contracts to ensure new responsibilities of IT Suppliers are adequately provisioned for
- Review of systems capability to support Privacy Impact Assessments – Privacy requirements to be specified in any new IT contracts
- Information retention schedules and the right to be forgotten
- Review and changes to IT policies impacted by GDPR responsibilities

6. Validation of Approach & Implementation

Because of the risks presented by GDPR it has been agreed that a review of the Corporation's approach will be undertaken by its internal auditors, Mazars, and their findings reported to Summit and committees as appropriate.

It is proposed that the Governance and IS Project Plans will be reviewed in September 2017 and with an audit of progress against the Plans taking place in January 2018.

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