



## Audit and Risk Management Committee

**Date:** TUESDAY, 13 MAY 2014  
**Time:** 1.45pm  
**Venue:** COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

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

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

Lunch will be served in the Guildhall Club at 1pm

John Barradell  
Town Clerk and Chief Executive

# AGENDA

## Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **ORDER OF THE COURT OF COMMON COUNCIL**  
To receive the Order of the Court of Common Council from 1 May 2014.  
**For Information**  
(Pages 1 - 4)
4. **ELECTION OF CHAIRMAN**  
To elect a Chairman in accordance with Standing Order 29.  
**For Decision**
5. **ELECTION OF DEPUTY CHAIRMAN**  
To elect a Deputy Chairman in accordance with Standing Order 30.  
**For Decision**
6. **MINUTES OF THE PREVIOUS MEETING**  
To agree the public minutes and non-public summary of the meeting held on 4 March 2014.  
**For Decision**  
(Pages 5 - 14)
7. **OUTSTANDING ACTIONS OF THE COMMITTEE**  
Report of the Town Clerk.  
**For Decision**  
(Pages 15 - 18)
8. **CORPORATE RISK 2 - SUPPORTING THE BUSINESS CITY**  
Report of the Director of Economic Development.  
**For Decision**  
(Pages 19 - 24)
9. **CORPORATE RISK 16 - INFORMATION SECURITY**  
Report of the Chamberlain.  
**For Information**  
(Pages 25 - 36)
10. **RISK MANAGEMENT UPDATE**  
Report of the Chamberlain.  
**For Decision**  
(Pages 37 - 122)
11. **ANTI FRAUD AND INVESTIGATION UPDATE**  
Report of the Chamberlain.  
**For Information**  
(Pages 123 - 142)

12. **USE OF ON-LINE TRAINING AND LESSONS LEARNT**  
Joint report of the Chamberlain and Director of HR.  
**For Information**  
(Pages 143 - 146)
13. **REPLACEMENT WHISTLEBLOWING POLICY**  
Joint Report of the Chamberlain and the Director of HR.  
**For Decision**  
(Pages 147 - 160)
14. **INTERNAL AUDIT UPDATE REPORT**  
Report of the Chamberlain.  
**For Information**  
(Pages 161 - 170)
15. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT**  
Report of the Chamberlain.  
**For Information**  
(Pages 171 - 180)
16. **PUBLIC SECTOR INTERNAL AUDIT STANDARDS - PEER REVIEW**  
Report of the Chamberlain.  
**For Information**  
(Pages 181 - 192)
17. **HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT - TO FOLLOW**  
Report of the Head of Internal Audit and Risk Management.
18. **ANNUAL GOVERNANCE STATEMENT 2013/14**  
Report of the Town Clerk.  
**For Decision**  
(Pages 193 - 220)
19. **COMMITTEE WORK PROGRAMME**  
Report of the Town Clerk.  
**For Decision**  
(Pages 221 - 222)
20. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
21. **ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT**
22. **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.

## **Part 2 - Non-Public Agenda**

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

To agree the Non-Public minutes of the meeting held on 4 March 2014.

**For Decision**  
(Pages 223 - 224)

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

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

## **Part 3 - Confidential Agenda**

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

# Agenda Item 3

WOOLF, Mayor	<b>RESOLVED:</b> That the Court of Common Council holden in the Guildhall of the City of London on Thursday 1st May 2014, doth hereby appoint the following Committee until the first meeting of the Court in April, 2015.
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## 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 (ie. 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.

### 2. **Quorum**

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

### 3. **Membership 2014/15**

- 2 (2) Charles Edward Beck Bowman, Alderman, *for two years*
- 2 (2) Jamie Ingham Clark, *for two years*
- 2 (2) Timothy Russell Halles, Alderman, *for three years*
- 4 (3) Nigel Kenneth Challis
- 4 (3) Oliver Arthur Wynlayne Lodge, T.D, B.Sc.
- 4 (2) Nicholas John Anstee, Alderman
- 1 (1) Graeme Martyn Smith, *for three years*
- 4 (1) The Revd. Dr. Martin Dudley
- 4 (1) Ian David Luder, B.Sc.(Econ.), Alderman

together with three external representatives:-

Hllary Danlels (*appointed for a four year term expiring in March 2016*)  
Kenneth Ludlum (*appointed for a three year term to expire in March 2017*)  
Carollne Mawhood (*appointed for a four year term expiring in March 2018*)

and together with the Members referred to in paragraph 1.

### 4. **Terms of Reference**

#### **Audit**

- (a) To consider and approve the annual internal and external audit plans.
- (b) 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.
- (c) 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).
- (d) 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.
- (e) To report back as necessary to the Court of Common Council.
- (f) To appoint an Independent Audit Panel to make recommendations on the appointment of external auditors to the Court of Common Council.

#### **Risk Management**

- (a) 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.



- (b) 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.
- (c) To receive an annual report from the Chamberlain reviewing the effectiveness of the City of London's risk management strategy.
- (d) To consider and report back to the Court on any risks related to all governance issues.

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## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 4 March 2014

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

### **Present**

#### **Members:**

Alderman Nick Anstee	Hilary Daniels (External Member)
Nigel Challis	Kenneth Ludlam (External Member)
Revd Dr Martin Dudley	Caroline Mawhood (External Member)
Jamie Ingham Clark	Roger Chadwick (Ex-Officio Member)
Oliver Lodge	Jeremy Mayhew (Ex-Officio Member)
Jeremy Simons	Hugh Morris (Ex-Officio Member)

#### **Officers:**

Simon Murrells	- Assistant Town Clerk
Neil Davies	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Chris Bilsland	- Chamberlain
Michael Cogher	- Comptroller and City Solicitor
Sue Ireland	- Director of Open Spaces
Huw Lewis	- City Surveyor's Department
Caroline Al-Beyerty	- Chamberlain's Department
Suzanne Jones	- Chamberlain's Department
Paul Nagle	- Chamberlain's Department
Chris Keesing	- Chamberlain's Department
Chris Pelham	- Community and Children's Services
Heather Bygrave	- External Auditor, Deloitte
Angus Fish	- External Auditor, Deloitte
Lucy Nutley	- Moore Stephens
Adrian Brook	- Moore Stephens
Simon Maddocks	- London Borough of Croydon

### **1. APOLOGIES**

Apologies were received from Jeremy Mayhew and Oliver Lodge for late arrival.

### **Announcement by Chairman**

Before commencing the business on the agenda, the Chairman paid tribute to Chris Bilsland, Chamberlain, who would be retiring shortly. Members asked for their thanks to Mr Bilsland to be recorded and particularly noted the following achievements under his stewardship:

- Establishing the first independent audit appointment panel; appointing Moore Stephens to audit the Corporation's non-local authority functions.

- Three external members appointed to the Audit and Risk Management Committee.
- Publishing the full set of City's Cash Accounts.
- The City Corporation's social investment fund.
- The 'PP2P' project and outsourcing of the City of London's IS Service.
- Local Government Chronicle's Finance Officer of the year, in recognition of the City of London's top performing Pension Fund.

The Chairman welcomed Mr Simon Maddocks (Head of Governance at the London Borough of Croydon) to the meeting. Mr Maddocks had conducted the Peer Review of the Internal Audit service and the outcome would be reported to the Audit and Risk Management Committee on 13 May 2014.

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

There were no declarations.

**3. MINUTES OF THE PREVIOUS MEETING**

The public minutes and non-public summary of the meeting held on 28 January 2014 were approved as a correct record, subject to an amendment recording Mr Jamie Ingham Clark's name in full.

**4. OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received the outstanding actions list and noted those items which would be discharged on today's agenda, along with the updates and additional items.

Members agreed that 'anti-fraud investigations' could be removed from the list. However, the Director of Business Services advised that the Establishment Committee had received a 'lessons learnt' report on the anti-fraud on line course and this would be presented to the Audit and Risk Management Committee in May.

The Chairman suggested and members agreed, that report authors should avoid repeating background detail contained in previous reports on the same subject, for example, in the Strategic Risk reports. As an alternative, it would be more helpful to keep this information in an appendix. It would also be helpful to summarise key changes since the previous reports, under a separate heading, after 'background' on the report template.

**RESOLVED, that:**

The current status of the outstanding actions list be approved.

**5. NEW STRATEGIC RISK SR17 - SAFEGUARDING**

The Committee considered a report of the Director of Community and Children's Services in respect of the new Safeguarding Strategic Risk (SR17). The report covered the protection of children and vulnerable adults who might be at risk of significant harm.

In response to a question about training, the Assistant Director for Community and Children's Services advised that safeguarding 'champions' would ensure that this is directed at the appropriate level. The Director agreed to consider rolling this out further, possibly beyond the department where necessary, and would update the Committee in due course. In respect of a further question about risk management, the Director also agreed to add the names of the control owners.

**RESOLVED, that:**

1. The new Strategic Risk (SR17) be added to the Strategic Risk Register.
2. The enhancements suggested by the Audit and Risk Management Committee, in respect of training and risk control owners, be included in the Safeguarding Policy.

**6. STRATEGIC RISK 11 - FAILURE OF ANY DAMS UNDER THE OWNERSHIP OR MANAGEMENT OF THE CITY OF LONDON CORPORATION: HAMPSTEAD HEATH HYDROLOGY; HIGHAMS PARK LAKE**

The Committee considered a joint report of the City Surveyor and the Director of Open Spaces in respect of Strategic Risk 11 (Failure of any Dams under the Ownership or Management of the City of London Corporation). Members noted that the report covered the new strategic risk on dam failure; detailed risk registers for Hampstead Heath and Epping Forest; Hampstead Heath, Highams Park and Eagle Pond project updates and should be read in conjunction with items 20 and 21 on the non-public part of this agenda.

There was some frustration expressed about the slow progress of the project, considering it posed a potential threat to life. Furthermore, following the recent heavy floods in parts of the UK, various agencies had been severely criticised. Members also asked that subsequent strategic risk reports made clear the significant changes from previous reports.

During the debate and discussion the following matters were raised:

- Since the report had been published, a project lead had been identified (Director of Environmental Services).
- The outcome of the consultation was being analysed, following over 4,000 responses.
- Members had welcomed the opportunity to visit the Heath on 28th January 2014 as this had enabled them to fully understand the issues.
- Officers were working with Camden in respect of the planning permission.
- In respect of the opposition to the Reservoir Legislation by the Hampstead Heath Society, members noted that, in the event of a judicial

review, preparatory works could continue and Counsel's advice had been to proceed.

- The Panel Engineer would be able to impose a 'Section 10' Notice, in order to specify a timeframe and this effectively acted as an 'insurance policy' for the City. Members noted that officers were working closely with the Panel Engineer and he was satisfied with progress.
- The Hampstead Heath project was being developed to address the impact from summer convection storms, which were very rare but would have a catastrophic impact.

**RESOLVED, that:**

1. A new Strategic Risk (SR11) be adopted to cover the failure of any dam under the ownership or management of the City of London Corporation.
2. Detailed Risk Registers for Hampstead Heath, Highams Park Lake and any other identified dam will remain and shall contain the details of issues and mitigation planned or taken.
3. The updates on the above 3 projects be noted.
4. A single Chief Officer (Director of Open Spaces) be named as the risk owner of the dams.

**7. RISK MANAGEMENT UPDATE**

The Committee considered a report of the Chamberlain, which presented members with a draft risk management strategy, a risk management policy and recommendations for the Strategic Risk Register, following the workshop held with the Chief Officers Group on 4 December 2013.

Members noted that, given the Committees Terms of Reference provided for 'monitoring and oversight' of the Risk Management Strategy, this should be reflected in the resolution. The Director advised that the Risk Management Strategy (at Appendix 2 to the report) was still in draft and would be presented to the May Committee as a final version. Members were encouraged to provide their comments to the Business Support Director outside of the meeting.

The Chairman suggested and members agreed, that a logical extension to the current arrangements for reviewing strategic risks, would be to invite Chief Officers as well as Chairman to review their top level Departmental Risks. Officers agreed that this would be a more pro-active approach and suggested that the roll out of the new risk management software would assist with this. Members agreed to receive a new rota for reviewing the top departmental and strategic risks at the next meeting and, given that the July meeting would receive just the Statements of Accounts, the new procedure would commence from the September 2014 meeting.

**RESOLVED, that:**

1. The Draft Risk Management Policy Statement and Strategy be endorsed.
2. The changes to the Strategic Risk Register, following the Chief Officers' Workshop, be endorsed.
3. The updated cyclical review of strategic risks be noted, with the risk review programme developed further, to include departmental top risks and inviting Chief Officers, in rotation, to attend the Committee to discuss their departmental risk registers.

**8. 2014/15 INTERNAL AUDIT PLANNING**

The Committee considered a report of the Chamberlain, which presented the Internal Audit Plan for 2014/15. During the discussion and debate on this item, the following matters were raised:

- The Head of Internal Audit and Risk Management were confident that, assuming the outcome set out in Appendix 1 to the report, the plan would be on schedule by the end of 2014/15.
- The Internal Audit Team was well placed to provide advice on efficiency and value for money, as their role extended beyond regularity and probity. However, they would not be taking management responsibilities for delivering this.
- Members noted that the Service Based Reviews, currently being considered as part of the 'star chamber' meetings, could not be delivered without new and bigger risks to the organisation. The Chairman therefore stressed the importance of the correct levels of resource, competency and skill being in place.
- Assurance mapping was being developed in order to understand how much reliance could be placed on other areas of assurance.
- The Terms of Reference for the Efficiency and Performance Sub Committee were being reviewed this week and it was noted that some areas might need support from the Audit and Risk Management Committee.
- The Head of Internal Audit and Risk Management offered to provide members' with the 5 year plan.

**RESOLVED, that:**

The Internal Audit Plan for 2014/15 be approved.

9. **INTERNAL AUDIT UPDATE REPORT**

The Committee received a report of the Chamberlain, which provided an update on internal audit activity since the last Audit and Risk Management Committee on 11<sup>th</sup> December 2013.

During the debate and discussion the following matters were raised:

- It was suggested that, given there were so many 'green' ratings, were the appropriate areas being audited? The Head of Internal Audit and Risk Management advised that this was not always the case and, at a similar time last year, there had been two red assurance audit reviews. The Head of Internal Audit's Annual Report would provide assurance on the overall level of control and set out extent of recent audit coverage and assurance outcomes that inform that opinion.
- A shorter timeframe; i.e. 3 weeks rather than 5, might be more effective for the Key Performance Indicator relating to the timely agreement and issue of final reports. Members noted that, in some instances, 5 weeks had been required in order to place reports on management team agendas.
- It would be helpful if the report highlighted how the recommendations were being sustained.
- Given that the Committee would not meet again until the 13<sup>th</sup> May, the Head of Internal Audit and Risk Management agreed to provide members with a further update on the completion of the 2014/15 audit plan at the end of March.

**RESOLVED, that:**

The Internal Audit Update Report be noted.

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

The Committee received a report of the Chamberlain, which provided an update on the implementation of audit recommendations, by management, since the last report to the Audit and Risk Management Committee on 11 December 2013.

**RESOLVED, that:**

1. The Recommendations Follow-up report be noted.

2. The actions being taken to improve performance be noted; i.e. ensuring that originally agreed timescales for the implementation of recommendations are achieved.

**11. ANTI FRAUD AND INVESTIGATION UPDATE REPORT**

The Committee received a report of the Chamberlain, which provided an update on investigation activity since the December 2013 Committee. Members noted that it also provided detailed analyses of the housing benefit and housing tenancy fraud caseload in appendices 1 and 2 of the report.

In response to a query about a complaint received from a resident, the Head of Internal Audit and Risk Management advised that the complainant had been contacted and procedures reviewed as a result. The Committee also noted that a members' fraud awareness training session had been arranged for 29<sup>th</sup> May.

**RESOLVED, that the following be noted:**

1. The positive publicity for the City's counter-fraud work.
2. The liaison arrangements with the UKBA.
3. The data-sharing and joint working protocols with the Guinness Trust.
4. The outcomes of investigations undertaken since the last update report.

**12. ANNUAL LETTER FROM DELOITTE ON THE CERTIFICATION OF GRANTS CLAIMS**

The Committee received a report of the External Auditors on the Certification of Grants Claims. The Chamberlain confirmed that the fees were down by 40% and an unqualified opinion had been given.

**RESOLVED, that:**

The External Auditors' Certification of Grants Claims be noted.

**13. ANNUAL GOVERNANCE STATEMENT - METHODOLOGY**

The Committee considered a joint report of the Town Clerk and the Chamberlain, which proposed the methodology for the production of the Annual Governance Statement for 2013/14. Members agreed to use the existing format and were encouraged to contact the Head of Corporate Performance and Development, outside of the meeting, with any suggestions.

During the discussion, the following additions were suggested:

- The Review of the Corporation's Role as BHE Trustee (Agenda Item 22)
- Recent achievements in Internal Audit and Risk Management (Agenda Item 9)
- Pro-active investigations and prosecutions (Agenda Item 11)

**RESOLVED, that:**

The proposals, as set out in the report, for the production and presentation of the Annual Governance Statement for 2013/14, be approved.

**14. OFFICER SCHEME OF DELEGATION**

The Committee considered a report of the Town Clerk in respect of the Officer Scheme of Delegation, which had recently been reviewed. Members noted that all Service Committees had been invited to comment on their specific areas and this would form part of a final report to the Court of Common Council. The Audit and Risk Management Committee were also invited to comment on the entire scheme, as part of the City of London Corporation's Governance package.

Members noted that it would have been more helpful if the report had clarified where there had been any changes but noted that, for the Chamberlain, there were none. The Chamberlain further advised that the role of 'Vice Chamberlain' was in ceremonial matters but, operationally, the Financial Services Director was his Deputy.

**RESOLVED, that:**

1. The delegations relating to the Chamberlain, in respect of the Audit and Risk Management Committee, as set out in items 1, 6 and 14, in Appendix 1 to the report, be approved.
2. The proposed amendment to Standing Orders, relating to the declaration of operational property assets, which are surplus to requirements, be noted.

**15. COMMITTEE WORK PROGRAMME**

The Committee received its work programme and noted those items added since the last meeting, shown in italics. Members also noted that the final version of the Risk Management Strategy, referred to in item 7 above, would be presented to May agenda as would a 'lessons learnt' report on the anti-fraud on-line course. Subsequent to the consideration of this item, members also agreed to add a further report on Project BE (at agenda item 22 on the non-public agenda) looking at the maintenance and enforcement of the governance arrangements.

**RESOLVED, that:**

The Committee's work plan be approved.

**16. POSITION OF THE DEPUTY CHAIRMAN AND OTHER CONSTITUTIONAL ISSUES**

The Committee considered a report of the Town Clerk, in response to a request from Members to review the restriction placed on the Deputy Chairman of the Audit and Risk Management Committee, which prohibited them from becoming



the Chairman of other committees. The report also explored whether the membership of the Committee should be increased.

**RESOLVED, that:**

1. The current arrangement whereby the Deputy Chairman of the Audit and Risk Management Committee is not able to be the Chairman of another Committee be retained. However, a prospective Deputy Chairman (of the Audit and Risk Management Committee) would only resign his/her existing Chairmanship once elected.
2. No action be taken with regard to the position of the Chairman on the basis that he or she can stand down from the Chair in the event that the Committee considers or reviews decisions of other Committees in which the Chairman has participated.
3. Having approved items 1 & 2 above, the number of members serving on the Committee remain the same, for the time being.

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

There were no questions.

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

There were no items of urgent business.

**19. EXCLUSION OF THE PUBLIC**

**RESOLVED, that:**

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

**Item No (s)**

**Paragraph No (s)**

20 – 24

3, 5

**20. STRATEGIC RISK 11 - FAILURE OF ANY DAMS UNDER THE OWNERSHIP OR MANAGEMENT OF THE CITY OF LONDON CORPORATION: HAMPSTEAD HEATH HYDROLOGY; HIGHAMS PARK LAKE**

The Committee received a report of the City Surveyor and the Director of Open Spaces in respect of new Strategy Risk 11 (also referred to in item 6). Members noted that this report served as an appendix to agenda item 6, which was resolved in the public section of the meeting.

**21. EAGLE POND RESERVOIR**

The Committee considered a report of the City Surveyor and Director of Open Spaces in respect of the Eagle Pond Reservoir. Members noted that this report should be considered in conjunction with items 6 and 20 on the agenda.

**22. PROJECT BE- TRANSFER OF ASSETS**

The Committee received a report of the Chamberlain and Comptroller and City Solicitor, following a query at the last meeting of the Audit and Risk Management Committee about Project BE – Transfer of Assets.

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

There were no questions

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

There were no items of urgent business

**The meeting closed at 3.40 pm**

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Chairman

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## AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
<b>Internal Audit Recommendations follow-up report</b>	<p>Deputy Town Clerk agreed that the timely implementation of Internal Audit recommendations would be included in Chief Officer appraisals.</p> <ol style="list-style-type: none"> <li>1. For Chief Officer Appraisals, held in April/May each year, the Corporate Performance and Development Team will gather information from Internal Audit relating to the whole of the financial year being reviewed, and provide that to the Town Clerk.</li> <li>2. The Corporate Performance and Development Team also contact Internal Audit prior to every Chief Officer Performance Improvement Meeting (with the Deputy Town Clerk) to gather the most up-to-date information on un-implemented recommendations, and other relevant issues. After each meeting, feedback is provided to Internal Audit.</li> </ol>	Susan Attard/Neil Davies	<ol style="list-style-type: none"> <li>1. Expected May 2014. End of Year Information has been provided by internal audit.</li> <li>2. This procedure is in place for every Chief Officer Performance Improvement Meeting</li> </ol>
<b>Internal Audit Planning</b>	Provide members with the 5 year plan	Paul Nagle	Actioned – March 2014
<b>Internal Audit Update report</b>	Provide members with a further update at the end of March	Paul Nagle	Actioned – 7 <sup>th</sup> April 2014
<b>International Centre for Financial Regulation</b>	Chamberlain advised Members to await the outcome of the police report, before taking a view about risk assurance implications.	Chamberlain	An individual had been charged and the Committee would receive an update on the outcome of the Court Hearing.
<b>Agenda Management</b>	Report authors should avoid repeating background detail contained in previous reports on the same subject, for example, in the Strategic Risk reports. As an alternative, it would be more helpful to keep this information in an appendix. It would also be helpful to summarise key changes since the previous reports, under a separate heading, after 'background' on the report template.	All to note/action	On-going.
<b>Internal Audit Peer Review</b>	Scheduled for the last week of February 2014	Paul Nagle	Complete - Outcome on May Committee Agenda.

## AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
<b>Strategic Risk Review (SR5) – Flooding in the City</b>	The engineering solutions be investigated further, by the Planning and Transportation Committee, along with the effect of the overtopping of the dams at Hampstead Heath and the outcome be reported to the Audit and Risk Management Committee	Paul Beckett	Resolution sent to the Planning and Transportation Committee on 6 February 2014. P&T Committee considered a report on flood risk matters on 25 <sup>th</sup> February, which included the ARM Committee's concerns and their resolution. Consultation on the draft Local Flood Risk Management Strategy will follow for several months. The ARM Committee will receive an update in June/July.
<b>Committee Effectiveness Review</b>	To include the feedback from Chairmen who have attended the Committee when their strategic risks were considered	Neil Davies	Effectiveness Review to be presented to the Committee in July.
<b>New Strategic Risk SR17 – Safeguarding</b>	Roll out further, possibly beyond the department, where necessary and update the Committee in due course. Add the names of the control owners.	Chris Pelham	The new Corporate Safeguarding Policy was agreed by the Chief Officers Group. A process for identifying Safeguarding Champions across the key departments is underway with an initial meeting for all the champions planned for May. A safeguarding awareness campaign for staff and members of the community is currently being developed and due to be launched by July.
<b>Risk Management Update</b>	The risk review programme to be developed further, to include departmental top risks and inviting Chief Officers, in rotation, to attend the Committee to discuss their departmental risk registers	Paul Nagle/Suzanne Jones/Sabir Ali	New review programme will be presented to the Committee once new procedure agreed with Chairman. New programme intended to commence in September 2014.

## AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
<b>Annual Governance Statement - Methodology</b>	Following to be added: <ul style="list-style-type: none"> <li>• The Review of the Corporation's Role as BHE Trustee (Agenda Item 22)</li> <li>• Recent achievements in Internal Audit and Risk Management (Agenda Item 9)</li> <li>• Pro-active investigations and prosecutions (Agenda Item 11)</li> </ul>	Neil Davies	AGM to be presented to the Committee in May.
<b>BHE Trustee Review</b>	The Audit and Risk Management Committee receive a further, composite report looking at the BHE trustee responsibilities and their application to the project.	Caroline Al-Beyerty Michael Cogher	Report to July meeting

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# Agenda Item 8

<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee	13 <sup>th</sup> May 2014
<b>Subject:</b> Corporate Risk 2 - Supporting the Business City	<b>Public</b>
<b>Report of:</b> Director of Economic Development	<b>For Decision</b>
<b>Summary</b>  Corporate Risk 2 – Supporting the Business City – has been reviewed and updated to take account of recent developments and initiatives.  Although there are more external factors beyond the City Corporation’s control such as the moves towards closer Eurozone integration and the debate about the UK’s relationship with the EU, this risk is mitigated by a comprehensive and evolving programme of work either directly by City Corporation or facilitated by it (e.g. through organisations such as TheCityUK). It is specifically directed at supporting City and international businesses, both in the UK and overseas, notably in Europe, and providing the best possible business environment for the financial and professional services industry. Activity includes regular dialogue with relevant Government departments and opinion formers.  <b>Recommendations</b>  The Committee is asked to consider this report and whether any recommendations should be made with regard to the management of the risk by officers.	

## Main Report

### **Background**

1. This report has been prepared in accordance with the request of the Audit and Risk Management Committee. It provides an account of SR2 and the mitigating arrangements in place.
2. Current specific threats to a stable and thriving business environment include domestic and EU tax and regulation, and uncertainty following the Eurozone crisis. In particular the continuing debate about the UK’s relationship with the EU and a possible referendum creates uncertainty about London’s long-term attractiveness as a business centre. UK membership of the Single Market is key to attracting and retaining international businesses and maintaining the UK’s international competitiveness. Other changes and uncertainties to be managed in 2014 include elections for the European Parliament, a new European Commission, and Scotland’s referendum on independence. The impact of the latest challenge to the financial services industry over alleged manipulation of the

foreign exchange market (London is the world's largest) has yet to be determined but will be significant. The impact of the overall risk could be a reduction in business activity in the City, and lower income and engagement with the City Corporation.

3. Corporate Risk 2 – Supporting the Business City is described as follows: “the City Corporation fails to act to support the business city which suffers a major competitive disadvantage in its position as the world leader in international financial and business services”. As with some other Corporate Risks (e.g. SR1) there are two dimensions to consider. The first is the threat to the overall business environment which is subject to a number of external influences. For example, the impact of the financial crisis from 2008 which has led to pressure for tougher domestic and EU regulation, and on-going negative perceptions of the financial services industry, especially the banking sector. The City Corporation's ability to influence external factors is limited. However, the City Corporation's ability to act in support of the business City is largely an internal policy matter and, as described below, is a factor of the City Corporation's relationships with a range of key organisations and institutions including City stakeholders, HM Government, and EU policy and decision makers.
4. Competition from other developing financial centres is growing. Factors such as taxation, the nature and cost of regulatory controls, operating in the EU Single Market, the ability to attract the best talent, and availability of property and infrastructure are all important considerations for business locational decisions. As one of the City Corporation's key roles is supporting 'the City brand', managing this risk is of strategic importance to delivering our Corporate Plan objectives, essential to maintaining the Corporation's position in the City.

## **Current Position**

5. Mitigating controls are reviewed quarterly and those currently in place include:
  - The comprehensive programme of work by the Economic Development Office to maintain the City's competitiveness and the City Corporation's role (as detailed in EDO's Business Plan). This includes activities led by the City Office in Brussels and the City Offices in China and India.
  - Domestic (UK) considerations – e.g. migration (Visa issues), input to Parliamentary and other consultations, events and briefings of key UK decision makers and opinion formers (e.g. Banking Standards Review); and other actions to support social investment, entrepreneurship and new business challenges e.g. the management of huge quantities of data (the FinTech initiative).
  - The work of TheCityUK, the principal promotional body for the financial services industry (which the City Corporation helped establish in 2010 to promote City competitiveness, and which it continues to support).
  - The International Regulatory Strategy Group, established in 2010 jointly with TheCityUK, is the leading cross-sectoral practitioner-led body comprising leading UK based figures from the financial and professional services industry, regulators and officials from HM Government (HMT, FCO, BIS). A



primary function is to identify, assess and respond to regulatory issues and promote the Single Market. This includes the EU Engagement Strategy (in which the Lord Mayor and Policy Chairman play a major role), building on the work of the Anglo-French dialogue, initiated in January 2011; and wider EU/US issues such as the Transatlantic Trade and Investment Partnership (TTIP) (led by the Chairman of Policy and Resources).

- Research to influence major policy debates on City competitiveness e.g. Financial Transactions Tax, and survey of UK financial and professional services firms on attitudes to the EU.
- The extensive overseas visits programme of the Lord Mayor with accompanying City business delegations (20 plus countries a year, including many to fast-growing emerging economies).
- Encouraging and keeping the City at the forefront of innovation e.g. facilitating work on trade with China through developing London as a centre for the Renminbi (the Chinese currency) which is now formally part of a wider initiative by HMG Government, to support the industry.
- An on-going partnership with the CBI to explain the importance of financial services in the wider economy and link to the jobs and growth agenda (and joint working with the CBI's French counterpart, MEDEF, to promote a more joined up European approach to a shared problem).

## **Conclusion**

6. The risk is being actively managed. In addition to the above mitigating controls the risk is monitored, together with the EDO Business Plan, on a quarterly basis, and actions amended accordingly.
7. The EDO's work is overseen by the Policy and Resources Committee, whose Chairman and Deputy Chairmen are also directly involved in EDO's programme of work and engagement with key City business stakeholders, both in UK and internationally.
8. EDO works closely with other Departments to ensure close engagement with City stakeholders and effective delivery of the work programme, in particular with PRO, Mansion House and the Remembrancer's Department. The PR/ED Sub-Committee also facilitates closer joint working.

## **Appendices**

- **Appendix 1: Risk Supporting Statement: CR2**

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## Risk Supporting Statement: CR2

Risk Owner: Director of Economic Development

<b>Risk</b>	The City Corporation fails effectively to defend and promote the competitiveness of the business city which loses its position as the world leader in international financial and business services.  <b>Links to: Strategic Aims SA1 &amp; SA3 and Key Policy Priorities KPP1 &amp; KPP3</b>	<b>Gross Risk</b>	<b>R</b>
		<b>Likelihood</b>	<b>Impact</b>
		4	4

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

<b>Summary</b> At any given time there are a number of issues that could undermine the City's position as a world leader in international financial and business services. Specific issues will be refreshed at each review with appropriate mitigation.	<b>Net Risk</b>	<b>A</b>
	<b>Likelihood</b>	<b>Impact</b>
	3	4
	<b>Control Evaluation</b>	
<b>G</b>		

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# Agenda Item 9

<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee	13 <sup>th</sup> May 2014
<b>Subject:</b> Corporate Risk 16: Information Governance	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For information</b>
<p><b>Summary</b></p> <p>The City Corporation routinely manages a considerable volume of information across the organisation that can vary in terms of scale, format, content and complexity.</p> <p>Information can be personal, reputational and commercially sensitive data, available via online and/or hardcopy. The information explosion' over the past few years has increased the volume and nature of data/content itself: from webpages, video, images to social content. In addition the volume of requests for access to information has increased substantially since legislation such as the Data Protection Act and Freedom of Information Act came into force. The significance of access to and disclosure of business and government information has reached new heights in recent years through a series of high profile cases. While the City Corporation has taken a number of steps in recent years to address the information it handles, access to that information and to comply with current legislation the discipline has evolved substantially and more needs to be done to address the issue.</p> <p>Issues such as these have highlighted the need for the City Corporation to view information as a business asset. There is a need to approach the handling and care of information in a new way if we are to maximise opportunity as well as mitigating risk.</p> <p>This paper asks to note the following developments since the last report of 2013:</p> <ul style="list-style-type: none"><li>• Explanation of current 'risk' (Amber) associated with information governance at the City Corporation</li><li>• 2013 developments: City partnership with IT partner Agilisys, protective marking and risk mitigation activity over the past year</li></ul> <p><b>Recommendations</b></p> <p>Members are asked to note this report.</p>	

## **Main Report**

### **Background**

1. A variety of legislation covers the governance and management of information in public and private organisations. Key legislation such as the Data Protection Act 1988 (DPA) and The Freedom of Information Act 2000 (FOI) are particularly relevant, yet there may be other Acts which now cover, for example, information security in relation to procurement and investments. However the majority of our current effort is focussed on compliance with DPA and FOI.
2. Increasingly, organisations are required to adhere to growing and evolving guidance around information handling and act upon official guidance provided e.g. Protective Marking of Government Information from HMSC. The Information Asset Maturity Model and Assessment Framework are currently being promoted by the Cabinet Office as a bid to encourage organisations to adopt a strategic rather than reactive approach to information governance in response to the opportunities of information sharing. This reflects a growing call for organisations to improve the way information is shared in order to improve service delivery while complying with government legislation. This calls for a redefinition of 'information risk' in organisations
3. The overall risk for CR16 is Amber. While seemingly the biggest risk posed to the City Corporation is a breach of the Data Protection Act that can incur fines of up to £500,000, this is by no means the only risk. Breach of use of the PSN (public sector network) as well as other regulation breaches may result in security blocks to system access impacting service delivery and/or substantial reputational damage.
4. In addition, failure to consider the possibilities to drive service improvement through appropriate information sharing may result in harm to individuals. For example in case studies involving vulnerable citizens within social care/residents/Police systems this is of particular relevance. The within and between department complexities of the nature (commercial, personal) and flow of information need to be understood and monitored with appropriate guidance and best practice provided where appropriate beyond the walls of DPA and FOI.

### **Current Risk level 'Amber'**

5. The overall risk for CR16 is Amber. The current perceived biggest risk posed to the City Corporation is a breach of the Data Protection Act that can incur fines of up to £500,000. This is because other people's personal information is processed continually by staff, Members, and by third parties on our behalf and there is a medium-high opportunity for error. Processing can range from a small action, such as using a personalised email address, to a large action, such as the relocation to new offices of a paper-based filing system, containing sensitive personal information about children or vulnerable people. However processing also occurs throughout the organisation, including Town Clerk's (HR function and Committee Teams both process sensitive personal information) and the IS Division of Chamberlain's who maintain the security for, and have access to, all information held by the CoL.

6. The risk owner for Corporate Risk 16 is the Chamberlain. However, every Department has a responsibility for the information it holds and a shared responsibility for this risk. In November 2002, a report to the Policy and Resources Committee made this clear: "For effective management I it will be necessary for departments to take responsibility for the co-ordinated implementation and management of the FOIA and DPA".

### **Data Protection:**

7. The Data Protection Act 1998 (DPA) covers all personal information, and applies to the whole of the City Corporation, although the following are legally separately responsible for their own compliance with the Act: the City of London Police; Sir John Cass's Foundation Primary School; Members with regard to their Ward work; and the Electoral Registration Officer. A breach of any areas of risk as defined by the Data Protection (DP) Principles would be a breach of the Act and is subject to enforcement action, including fines of up to £500,000.
8. DPA compliance is monitored and guided centrally by an Information Officer and Assistant Information Officer, working with an Access to Information Network (AIN). This resourcing is shared with the resourcing of compliance with the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004 (EIRs).
9. Mitigating actions against risk of DPA breach include the following ongoing measures:
  - Mandatory training for all staff in Data Protection :
    - 208 staff undertook training in 2013, making a total of 568 since the programme was started in September 2011
    - a total of 18 Members attended training in 2013 including newly elected Members
    - DP compliance is on the Induction Checklist for new joiners
  - Regular engagement with staff via quarterly emails and other relevant communications via corporate channels and the Access to Information Network (AIN)
  - Provision of online guidance around information handling available online
  - Governance arrangements,
  - Systematic Checks and auditing every six months via AIN representative
  - IT security measures to ensure relevant areas have automatic protective marking e.g. social care documentation.
  - Guidance re next steps in the event of a breach is provided online
  - A DP auditing process of compliance checks for the CoL was initiated in November 2013. Audited areas since March 2014 have been: Comptroller and City solicitor's, City Surveyor's Department, Department of the Built Environment, Department of Community and Children's Services, Department of Markets and Consumer Protection, Open Spaces

Department,, Remembrancer's Office, the IS Division, and Corporate HR and Occupational Health. Overall compliance with DP is considered high.

- Following the retirement of the Assistant Town Clerk, Peter Nelson, both the Information Officer and the Assistant Information Officer both report to Neil Davies, Head of Corporate Performance and Development.

#### **Breaches/potential breaches since last report and up to 5 March 2014**

- 4 breaches, or potential breaches, reported to the Information Officer.
- Of these, 7 were considered not proven, and of these 5 related to lost or stolen Blackberries, an iPhone and an iPad.
- Of the remaining 2 unproven breaches, one related to wrong use of an email address and one to the publishing of a committee report.
- Most proven breaches all involve accidental disclosure of non-sensitive personal information (within the meaning of the DPA).

Of these:

- 3 related to the failure to blind copy ('Bcc') the names / email addresses of third parties in external emails to multiple recipients;
- 3 related to the unintended sharing of information through a failure to spot the presence of the personal information in documents;
- 1 related to sharing information due to human error.
- While none of the breaches was considered to reach the threshold required for it to be reported to the Information Commissioner, the breach relating to the accidental publishing of non-public minutes concerning personal data has highlighted the need for improved communication and internal reporting of breaches within the City Corporation. It has been noted that such incidents should now include immediate communication to include the relevant Chief Officer, SIRO, Comptroller (as monitoring officer) and Chamberlain. An initial recommendation to review this process will be considered by the Information Management Governance Board at their next meeting in May 2014.

#### **IS security measures in partnership with Agilisys**

10. In September 2013, The City Corporation entered into partnership with Agilisys, strategic partner for the delivery of IS services. Agilisys are now responsible for managing the City Corporation's IT infrastructure and have provided the City Corporation with a detailed report of the measures taken to ensure data and cyber/system security, avoid data corruption and hacking/, backup to protect against data loss (personal as well as commercial), compliance with relevant standards such as ISO 27001 and other regulation as required with regular guidance refresh. The report is available on request.
11. Comprehensive procedures already exist for the encryption of USB sticks and password protection of mobile devices, such as ipads. If, therefore, devices are



lost or stolen, any information should remain inaccessible. In addition, staff and Members are required to report such losses as soon as possible to the IS Division, which in turn immediately reports them to the service provider, who immediately terminates service provision. Should there be any delays in reporting by staff or Members to IS Division of loss or theft, this will be investigated by the Information Officer or Assistant Information Officer

12. The Public Sector Network (PSN) is a network of networks of public organisations responsible for the delivery of public services at local, regional and national levels. Complex security compliance demands are in place and CoL has undertaken steps to work the Cabinet Office to meet requirements and is now PSN compliant. Any breaches of PSN compliance result in an information security incident management procedure where internal audit are the single point of contact.
13. The IS Division have recently appointed a Technical Support Officer whose role is to scrutinise all current CoL policy and guidance documents to ensure technical security compliance. The Technical Support Officer will work with the relevant Communications Officer and Information Officers in Town Clerk's department to ensure policies are agreed by all relevant parties, up to date and fit for purpose.

### **Protective Marking**

14. Protective Marking, or guidance around the classification of material as set out by HM Government, has recently undergone changes and those changes come into effect from 1 April 2014. An overview of those classifications in terms of 'as and 'to be' is outlined in Appendix 2. A paper highlighting the HM Government recommendations and our response to those changes was agreed by the Information Management Governance Board in 2013 with respect to the nature of the information we currently handle. The Board agreed that the City Corporation was not required to adopt Protective Marking fully as the majority of the information we hold can be classified as 'official' and, in accordance with official guidelines, does not need to be explicitly marked. However, guidance and information have been provided to those areas that may deal with confidential or sensitive information (e.g. Community and Children's Services). Information about the changes to the protective marking system has been communicated to key departments within the City Corporation and external organisations have taken place via the Joint Emergency Planning and Business Continuity Group. However, further communications at a corporate level informing staff generally about the changes and where to go for further information is now published on the intranet with clear links to relevant pages around information governance.

### **Information Governance in the City Corporation:**

#### **Current Issues and recommendations**

15. The current overall approach to information governance within the City Corporation is focussed on risk mitigation to comply with the DPA and FOI. Since the introduction of both Acts a great deal of effort has been channelled into

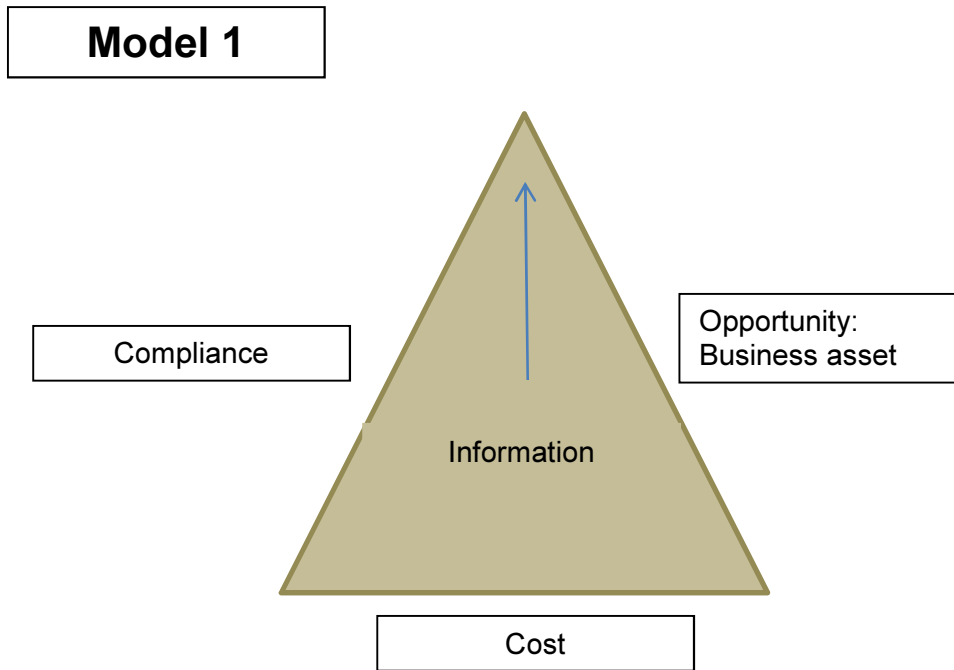
ensuring CoL compliance: including staff awareness, guidance and training as well as the establishment of an Information Governance Management Board (IMGB).

16. The IMGB while providing useful advice and guidance for individuals and departments on information management has suffered from lack of ownership and organisation as a result of recent staff changes within the IS division. However with the recent staff changes in the IS Division, the IMGB will be reinstated and reinvigorated to review and refresh policy and communications where relevant fit for the digital age.
17. New legislation and guidance on the value of information as a business asset is evolving with great speed. The City Corporation risks being on the backfoot if it does not seize the opportunity to explore the opportunities as well as the risks, and focus is only on mitigation of information risk could result in 'compliance paralysis' which can hinder innovative thinking.
18. Information cost: contract arrangements with our IS partners Agilisys mean the City Corporation has reduced the potential costs of data storage considerably. However, there is a cost risk involved in the longer term unless we install lifecycle information management (creation, distribution, use, maintenance, disposal) more fully in the City Corporation. Therefore, development of guidance and communication in this area will be a remit of the IMGB. Model 1 illustrates the connection between opportunity, cost and compliance with relation to information.
19. Furthermore, other organisations including the City of London Police, other local authorities and public sector organisations are adopting a more 'discipline wide' approach to information strategy beyond mitigation of risk where terms of reference for governance groups include opportunities to share data, resources etc.

### Proposed next steps

20. After initial consultation with relevant colleagues within the 'information' and 'knowledge' field in the City Corporation, as well as official best practice the following next steps and timetable is proposed:

Action	Timetable
Reinvigorate and re-instate the IMGB with clear terms of reference, accountability and governance	Spring 2014
Agree relevant policy and guidance revision against the following e.g. information lifecycle, access, sharing and disclosure, use of social media, digital platform and device use in line with wider project and programme delivery organisational strategy and values.	Summer 2014
Work with colleagues in IS and HR to develop appropriate policy and guidance for knowledge capture and sharing within the City Corporation in line with programme of change work	Summer 2014
Board agree appropriate communications and training against policies going forward	Autumn 2014



## Conclusion

21. A more holistic approach to Information Governance where key experts (policy, IT, training, social media) work together on a fresh programme of activity via the IMGB, covering legislation, policy, education, training, communication and measurement of success is suggested.
22. At present it is unlikely that the net risk could move from Amber to Green, given that personal data processing is such a considerable, widespread and routine activity within most of our functions, and the continuing possibility of human error. However improved communication and awareness of this

## Appendices

- **Appendix 1: Risk Supporting Statement: CR16**
- **Appendix 2: Protective Marking Outline**

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## Appendix Two: Protective Marking 'From' and 'To Be' from April 1 2014

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/251480/Government-Security-Classifications-April-2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/251480/Government-Security-Classifications-April-2014.pdf)

The new Government Security Classification comes into effect on the 1st April 2014 replacing the Government Protective Marking Scheme (GPMS). In summary, the new policy rationalises the existing six tier protective marking scheme into a three tier model.

**At the IMGB in October 2013 it was agreed that this model is not mandatory for CoL.**

**Further communications and a 'user guide' for key departments such as Community and Children's Services is currently underway as this report is submitted.**

Classification	
Government Protective Marking Scheme 'As Is'	Government Security classification policy 'To Be'
Unclassified	Official
Protect	Official (mostly)
Restricted	Official Official sensitive (some)
Confidential	Official sensitive Secret (some)
Secret	Secret
Top Secret	Top Secret

### OFFICIAL

The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.

### SECRET

Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.

### TOP SECRET

HMG's most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.

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**Risk Supporting Statement: CR16**

**Risk Owner: Chamberlain**

<b>Risk</b>	Loss or mishandling of personal or commercial information could result in harm to individuals, a breach of legislation such as the Data Protection Act 1988 which incurs a monetary penalty of up to £500,000. Breaches can also incur compliance enforcement action, corruption of data and significant reputational damage. To ensure the protection of information at the City Corporation a number of controls and risk owners must be exerted which span IT infrastructure, information policy, physical handling, online access and sharing and everyday behaviour within and outside the City Corporation  <b>Links to: All Strategic Aims and Key Policy Priorities.</b>	<b>Gross Risk</b>	<b>R</b>
		<b>Likelihood</b>	<b>Impact</b>
		5	3

<b>Detail</b>	There is a need to emphasise the importance of information governance as a discipline and the challenges it presents in the digital age (wider than the Data Protection Act) encompassing guidance and linkages to compliance, controls, behaviours, risks etc in relation to different types of information we handle and to sustain this engagement within organisation. Suggestions of how this can be achieved is provided in the accompanying report.
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<p><b>Issues</b></p> <ul style="list-style-type: none"> <li>- Lack of Member and staff awareness of, and engagement with required behaviour with regards to information handling</li> <li>- Office moves/relocations increase the possibility of losing or misplacing personal information.</li> <li>- Transferring personal information to third parties, e.g. when contracting out services.</li> <li>- Incorrect/accidental disclosure or loss of personal information, e.g. when sending personal information using any medium.</li> <li>- Insufficient security in place to protect personal information across the City Corporation: only social care information is encrypt/protectively marked.</li> <li>- lack of attention to risks posed by NOT sharing appropriate information - e.g. danger to life of vulnerable adults</li> <li>- Increasing complexity and volume of information increasing costs</li> </ul>	<p><b>Controls</b></p> <ul style="list-style-type: none"> <li>* Central monitoring &amp; issuing of guidance and communications exists for data protection compliance (DP) (since 2003), along with nominated senior officer responsibility, Access to Information Network with departmental reps (<b>Deputy Town Clerk</b>)</li> <li>* DP awareness written into corporate employee policies as a requirement (<b>Director of HR</b>)</li> <li>* DP: Employee Data Protection Policy requirement to complete the corporate DPA e-learning course (<b>Director of HR</b>)</li> <li>* DP: Rolling program of tailored DPA training presentations for all staff and Members (<b>Information Officer</b>)</li> <li>* DP: Record of all presentation attendees and e-learning sign-offs kept for audit purposes (<b>Information Officer</b>)</li> <li>* DP: Awareness emails sent biannually to all staff (<b>Information Officer</b>)</li> <li>* DP: Other awareness raising tools used when highlighting key issues (<b>Information Officer</b>)</li> <li>* DP: Some monitoring of data processor contracts to ensure DPA compliance (<b>Chief Officers of All Departments where Data Processors Operate</b>)</li> <li>* IS recently appointed a Technical Solutions Officer to scrutinise and refresh existing policy around cybersecurity and technology infrastructure risk in partnership with Agilisys the IS strategic partner to the City.</li> </ul>
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**Summary**

\* All Members and officers should be aware of 'good practice' in relation to handling information - but more needs to be done to address the opportunity and risk of information as business asset in CoL via policy refresh, staff and Member engagement, training and guidance. The accompanying report makes recommendations for next steps.

\* Personal information, in whatever format it is held, should be kept secure at all times. Appropriate policies, procedures and tools should be in place, regarding the management of personal information, including share, transfer, disclose, transport and destruction of information.

\* Compliance audits undertaken by Town Clerk's Information Officers are underway across the organisation to monitor DP adherence and suggest improvements.

\* The e-learning training course should be reviewed at regular intervals. At present the module covers DP however there is scope for this module to cover wider issues in relation to information security and management

\* In addition, the IS division will work in partnership with the Town Clerk's department in ensuring that relevant policies are refreshed at regular intervals, communicated and understood and to enforce necessary technological controls.

\* The risk owner for CR16 is the Chamberlain. However, every Department has a responsibility for the personal information it processes, and therefore all Chief Officers must assume responsibility to ensure compliance with Information Governance.

<b>Net Risk</b>	<b>A</b>
<b>Likelihood</b>	<b>Impact</b>
3	3
<b>Control Evaluation</b>	
<b>A</b>	



# Agenda Item 10

<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee	13 <sup>th</sup> May 2014
<b>Subject:</b> Risk Management Update	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For decision</b>

## Summary

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

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

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

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

## **Recommendations**

Members are asked to

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

## **Main Report**

### **Background**

1. The Corporate risk register (previously known as the Strategic Risk register) was last reviewed by the Chief Officers Summit Group on 22<sup>nd</sup> April 2014.
2. In accordance with the established risk framework, each risk has been reviewed and updated by the responsible risk owner. The latest Corporate Risk register contains 10 risks, a reduction of 3 since last reported (Appendix 1).

### **Current Position**

3. The Corporate Risk register is the new name for the Strategic Risk register. As a result the reference codes of the risk register has been updated to begin with CR instead of SR with the numbering of each risk remaining the same to ensure an appropriate audit trail.
4. Key updates to the Corporate risk register are summarised below:
  - i. CR1 (Resilience Risk): Risk has been merged with SR13 (Public Order and Protest) and encapsulates the wider resilience related risks for the Corporation.
  - ii. CR9 (Health and Safety): Health and Safety audits are being undertaken and once complete the control evaluation will be reduced to Green. Risk status remains at Amber.
  - iii. CR11 (Pond Embankment Failures): Risk has been revised to capture a number of reservoirs where there is a risk to life in the event of a breach, currently three on Hampstead Heath and two at Epping Forest. Risk status remains at Red.
  - iv. CR14 (Financial Viability Risk): Risk has been merged with SR3 (Financial Uncertainty) to capture the wider financial risk for the Corporation.

- v. CR16 (Information Governance): Risk has been revised from the previous data protection focus to capture the wider information governance perspective, with the new risk owner being the Chamberlain.
- vi. CR17 (Safeguarding): New risk added to the Corporate risk register.
- vii. CR18 (Workforce planning): New risk added to the Corporate risk register.
- viii. SR4 (Planning Policy), SR5 (Flooding in the City) and SR6 (Project Risk) have been withdrawn from the Corporate Risk register following approval at the last Audit and Risk Management Committee in March 2014. It was recommended that these risks be managed at respective departmental levels.

### **Risk Management Strategy (Appendix 2 and Appendix 3)**

5. As part of the review process feedback was sought from all Members, Chief Officers and Risk Coordinators to provide commentary on the new Risk Management Strategy. As a result a few key changes were made, noted below:
  - i. Opportunity and threats sentences have been separated within the 'Appetite for Risks' section of the risk management policy statement (Page II, Appendix 2).
  - ii. Role of committee amended so that their position is set to oversee the risk management framework and not set or approve the Corporate Risks (Page 16 and Page 17, Appendix 2).
  - iii. The Opportunity risk framework has been moved to a future strategic development section within the strategy.
6. It is recommended that once the new risk management software is in place, the Gross Risk score is replaced with a Target risk score to emphasise that risks must be forward looking and actions to reduce the Net Risk are realistic. It is suggested the definition below is used:

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

## **Cyclical Review of Corporate and Departmental Risks**

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

## **Conclusion**

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

## **Appendices**

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

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# City of London Corporation

## Corporate Risk Register

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<b>Corporate Risk Register</b>	<b>Owned By</b>	Chief Officers' Group	<b>Version</b>	2014 - 05
	<b>Administered By</b>	Sabir Ali	<b>Date</b>	13/05/2014

# Summary Risk Register

Risk No.	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
CR1	City Corporation fails to work effectively with related parties to respond appropriately following a major incident/severe business disruption to restore service delivery, assist business	4	5	Town Clerk	City Police proactively managing the risk of terrorism. Disaster recovery/contingency plan in place, includes responsibilities under the Civil Contingencies Act.	1	5	A ↔	Maintain existing controls.	G
CR2	The City Corporation fails effectively to defend and promote the competitiveness of the business city which loses its position as the world leader in international financial and business services.	4	4	Director of Economic Development	Economic Development Office engaged in a programme of work to support, defend and enhance the business city, in accordance with the EDO Business Plan.	3	4	A ↔	Maintain existing controls.	G
CR3	Negative publicity and damage to the City Corporation's reputation.	4	4	Director of Public Relations	Communications Strategy in place, experienced media/communications team, Departmental Communication Representatives meetings, PR Toolkit.	3	4	A ↔	On-going work with PR Consultants to improve City Corporation's ability to manage increasingly challenging reputational issues.	G
CR9	Major failure of health and safety procedures resulting in a fatality in an accident on City of London Corporation premises or to a member of the City of London workforce.	4	4	Health and Safety Committee / Relevant Chief Officer	Officer Health and Safety Committee in operation, monitoring key H&S issues and having oversight of the Health and Safety Top X risks.	1	4	A ↔	The Corporate Safety Team will be carrying out their own audits on departments.	A

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KEY	1	2	3	4	5	Control Evaluation:
Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain	R: Existing controls are not satisfactory
Impact	Insignificant	Minor	Moderate	Major	Catastrophic	Y: Existing controls require improvement/Mitigating controls identified but not yet implemented fully
*Direction relates to change in assessment since last review (up/down/no change)						G: Robust mitigating controls are in place with positive assurance as to their effectiveness

# Summary Risk Register

Risk No.	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
CR10	Adverse political developments undermining the effectiveness of the City of London Corporation.	5	5	Remembrancer	Promotion of the good work of the City Corporation, City Corporation needs to remain relevant and “doing a good job” and be seen as such.	2	4	A ↔	Maintain existing controls.	G
CR11	Major flooding caused as a result of pond embankment failure at Hampstead Heath.	3	5	Director of Open Spaces	On-going monitoring of water levels, emergency action plan, public consultation, project management. Major project to upgrade the pond embankments by 2015/16	3	5	R ↔	Planning permission to be sought in late June 2014.	A
CR12	Likely reductions in future spending rounds will reduce grant income for the City Corporation resulting in the Corporation being unable to maintain a balanced budget and maintain healthy reserves in City Fund significantly impacting on service delivery levels. Whilst it is almost certain that reductions in grant income will occur in 2016/17 and 2017/18, we do not know the magnitude.	5	4	Chamberlain	Maintaining prudent management of City Fund finances, Robust financial planning, Scrutiny of the achievement of savings options by the Efficiency Board and Efficiency and Performance Sub-Committee	5	4	R ↔	Service based review to address the forecast deficits	R

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KEY	1	2	3	4	5	Control Evaluation:
Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain	R: Existing controls are not satisfactory
Impact	Insignificant	Minor	Moderate	Major	Catastrophic	A: Existing controls require improvement/Mitigating controls identified but not yet implemented fully
*Direction relates to change in assessment since last review (up/down/no change)						G: Robust mitigating controls are in place with positive assurance as to their effectiveness



# Summary Risk Register

Risk No.	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
CR16	Loss or mishandling of personal or commercial information could result in harm to individuals, a breach of legislation such as the Data Protection Act 1988 which incurs a monetary penalty of up to £500,000. Breaches can also incur compliance	5	3	Chamberlain	Central monitoring & issuing of guidance including DP awareness . Annual awareness emails and other awareness raising tools. Some monitoring of data processor contracts to ensure DPA compliance.	3	3	A ↔	Compliance audits to be undertaken by the Town Clerk's Information Officers. E-learning training course to be kept up to date and reviewed at regular intervals.	A
CR17	Failure of the City of London's statutory obligation to safeguard adults at risk and children	3	5	Director of Communities and Children Services	Corporate Safeguarding Policy established highlighting training requirements for departmental Safeguarding Champions	1	5	A	Awareness campaign, Establishing safeguarding champions	A
CR18	Loss of capacity due to changes in the working environment, reducing the ability to achieve our strategic aims and objectives	4	3	Director of HR	HR Business Plan 2014/17 (succession planning, sourcing strategy, employer of choice) Regular pay survey	3	3	A	L&D Strategy to move to a culture of self-development improving capacity of the organisation	A

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KEY	1	2	3	4	5	Control Evaluation:
Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain	R: Existing controls are not satisfactory
Impact	Insignificant	Minor	Moderate	Major	Catastrophic	Y: Existing controls require improvement/Mitigating controls identified but not yet implemented fully
*Direction relates to change in assessment since last review (up/down/no change)						G: Robust mitigating controls are in place with positive assurance as to their effectiveness



**Risk Supporting Statement: CR1**

**Risk Owner: Town Clerk**

<b>Risk</b>	City Corporation fails to work effectively with related parties to respond appropriately following a major incident/severe business disruption to restore service delivery, assist business recovery and support the community.  <b>Links to: Strategic Aims SA1 &amp; SA2 and Key Policy Priority KPP3</b>	<b>Gross Risk</b>	<b>R</b>
		<b>Likelihood</b>	<b>Impact</b>
		4	5

<b>Detail</b>	This risk has a number of components for the City Corporation resulting from the roles as an employer, a Local Authority and as the Police Authority for the square mile. The risk from the policing perspective (operational policing) is managed by the Commissioner of Police, the remaining elements cover a range of operational areas e.g. disaster recovery/business continuity, building management, employee and community safety. The City Corporation also has a responsibility under the Civil Contingencies Act 2004 to its businesses and residential communities to support them in the aftermath of an emergency. This risk is directly linked to CR2 (Supporting the Business City), CR3 (Financial Stability) and CR8 (Reputation Risk), any changes on this risk's assessment may lead to reassessment of these risks.
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<p><b>Issues</b></p> <ul style="list-style-type: none"> <li>* Public/business confidence in the City as a safe environment and international reputational issues</li> <li>* Specific locations as potential targets (high profile areas/buildings in the City and City Corporation assets)</li> <li>* Employee/community welfare issues (visitors, residents and workers)</li> <li>* Pre-planned events, whether in the City or elsewhere, that adversely affect business, property or communities for which the City Corporation has a statutory or corporate responsibility</li> </ul>	<p><b>Controls</b></p> <ul style="list-style-type: none"> <li>* Iconic sites within the City have been assessed by the Security Services and plans concerning these are regularly exercised (<b>Assistant Town Clerk and relevant Chief Officers</b>)</li> <li>* Generic Emergency Management Plan and Corporate and Departmental Business Continuity arrangements are in place and are regularly exercised (<b>Assistant Town Clerk and all Chief Officers</b>)</li> <li>* Disaster Recovery and backups are in place and are regularly tested (<b>Chief Technical Officer and relevant Chief Officers</b>)</li> <li>* Guidance and support is provided to businesses and residents on how they can better prepare for the potential impacts of emergencies (<b>Assistant Town Clerk</b>)</li> <li>* The City Corporation has held a series of thematic workshops focusing on the potential impacts of various emergencies on the Square Mile's business community and a publication to help firms be better prepared has been produced (<b>Assistant Town Clerk</b>)</li> <li>* The City Corporation leads on the multiagency forum for the Square Mile and plays an active role in the Central London sub-Regional Resilience Forum and other pan-London bodies (<b>Town Clerk and Assistant Town Clerk</b>)</li> <li>* The City Corporation conducts and takes part in multiagency exercises focusing on the key risks (<b>Assistant Town Clerk</b>)</li> <li>* Systems are in place to warn and inform the community (visitors, residents and businesses) (<b>Assistant Town Clerk and Director of Public Relations</b>)</li> <li>* Procedures are regularly reviewed, incorporating lessons learned from recent incidents and near misses, enabling greater coordination of the City's response. (<b>Assistant Town Clerk and relevant Chief Officers</b>)</li> </ul> <p><b>Other relevant controls:</b></p> <ul style="list-style-type: none"> <li>* Building safety and evacuation/invacuation plans are in place for City of London Corporation's corporate premises (<b>Assistant Town Clerk and relevant Chief Officers</b>)</li> </ul>
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<p><b>Summary</b></p> <p>* This risk relates specifically to the City Corporation’s ability to address the impacts of a major incident/severe business disruption through its role as the lead for coordinating the activities of its service departments and other public services to restore the business and residential infrastructure.</p> <p>* The City of London Corporation arrangements are tested regularly and a programme of local and pan-London tests and exercises ensures the City Corporation remains able to respond appropriately to emergencies.</p> <p>* The City of London Corporation, along with the Police undertakes a range of activities with other agencies to prevent and prepare for emergencies. The Current Threat Level for the United Kingdom is at Substantial (meaning a terrorist attack is a strong possibility) therefore it is essential that the City Corporation maintains a high a level of preparedness to ensure that, together with its partner agencies, it is ready to respond to and lead the recovery phase of the emergency response to an incident.</p>	<b>Net Risk</b>	<b>A</b>
	<b>Likelihood</b>	<b>Impact</b>
	1	5
	<b>Control Evaluation</b>	
	<b>G</b>	

## Risk Supporting Statement: CR2

Risk Owner: Director of Economic Development

<b>Risk</b>	The City Corporation fails effectively to defend and promote the competitiveness of the business city which loses its position as the world leader in international financial and business services.  <b>Links to: Strategic Aims SA1 &amp; SA3 and Key Policy Priorities KPP1 &amp; KPP3</b>	<b>Gross Risk</b>	<b>R</b>
		<b>Likelihood</b>	<b>Impact</b>
		4	4

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

<b>Summary</b> At any given time there are a number of issues that could undermine the City's position as a world leader in international financial and business services. Specific issues will be refreshed at each review with appropriate mitigation.	<b>Net Risk</b>	<b>A</b>
	<b>Likelihood</b>	<b>Impact</b>
	3	4
	<b>Control Evaluation</b>	
<b>G</b>		

## Risk Supporting Statement: CR8

Risk Owner: Director of Public Relations

<b>Risk</b>	Negative publicity and damage to the City Corporation's reputation.  <b>Links to: Strategic Aims SA1, SA2 &amp; SA3 and Key Policy Priorities KPP1, KPP2, KPP3, KPP4 &amp; KPP5</b>	<b>Gross Risk</b>	<b>R</b>
		<b>Likelihood</b>	<b>Impact</b>
		4	4

<b>Detail</b>	<p>This risk may materialise as a result external factors or failure to manage risk within the operations of the organisation. There will always be an inherent risk around reputation, but the specific threats present at any one time will vary depending on the nature of key projects, internal and external developments or factors. A shortlist of the most significant issues is maintained, updated by the Director of Public Relations on a quarterly basis using information gained from on-going liaison with departments and, in future as risk management becomes embedded, through examination of departmental risk registers. In addition to the shortlist below, there is a broad risk in relation to negative publicity or adverse media comment following failure of service delivery. The likelihood and impact of this is very much dependent upon the circumstances and outcome of the failure.</p>
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<p><b>Issues</b></p> <p>n/a Page 48</p>	<p><b>Controls</b></p> <ul style="list-style-type: none"> <li>* Communications strategy in place (<i>Director of Public Relations</i>)</li> <li>* Experienced media/communication team with the right skills to handle reputation issues (<i>Director of Public Relations</i>)</li> <li>* Regular liaison with Committees and departments including through Departmental (<i>Director of Public Relations</i>)</li> <li>* Communication Representative Meetings etc., aiming to ensure the overall reputation of the organisation is kept under close review during all policy deliberations (<i>Director of Public Relations</i>)</li> <li>* PR Tool kit prepared for departmental communications representatives (<i>Director of Public Relations</i>)</li> <li>* Examination of departmental risk registers to identify emerging issues (on-going) (<i>Director of Public Relations</i>)</li> <li>* Working with PR Consultants to improve City Corporation's ability to respond to PR challenges (<i>Director of Public Relations</i>)</li> </ul>
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<b>Summary</b>	Likelihood	Impact	<b>Net Risk</b>	<b>A</b>
* Hampstead Heath Hydrology and related issues	2	5	<b>Likelihood</b>	<b>Impact</b>
* London Living Wage	3	3		
* Debate around the transparency and accountability for City's Cash	4	3	3	4
* Adverse comment or publicity on the role, purpose and governance of the City Corporation	3	3	<b>Control Evaluation</b>	
* Managing the impact of street works on visitors, residents and workers	5	3		
* External website project fails to meet delivery timetable and objectives as a communication tool	1	3	<b>G</b>	
* Adverse publicity from any failures of performance by City Schools.	1	3		
* Any failure on the children's safeguarding procedures	1	5		

**Risk Supporting Statement: CR9**

**Risk Owner: Health and Safety Committee / Relevant Chief Officer**

<b>Risk</b>	Major failure of health and safety procedures resulting in a fatality in an accident on City of London Corporation premises or to a member of the City of London workforce.  <b>Links to: Strategic Aims SA2 &amp; SA3 and Key Policy Priority KPP2</b>	<b>Gross Risk</b>	<b>R</b>
		<b>Likelihood</b>	<b>Impact</b>
		4	4

<b>Detail</b>	Corporate oversight of health and safety risk is maintained by Corporate Human Resources, an officer Health and Safety Committee is in operation, chaired by the Town Clerk. A health and safety risk management system is in place, with monitoring and review mechanisms, ensuring that the key risks identified across the organisation are controlled and escalated accordingly. The committee monitors progress to address significant issues as they arise. For the purpose of maintaining the Strategic Risk Register, a shortlist of the most significant current health and safety risks will be maintained.
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<p><b>Issues</b> Management of Contractors.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 49</p>	<p><b>Controls</b></p> <ul style="list-style-type: none"> <li>* Policy in place to meet legal requirement (<b>Director of HR</b>)</li> <li>* Corporate Training is in place and effective (<b>Director of HR</b>)</li> <li>* H&amp;S Plans being developed and working groups in operation in all departments (<b>All Chief Officers</b>)</li> <li>* Top X being reported – further work on content improvement planned (<b>All Chief Officers - coordinated by Corporate Health &amp; Safety Manager</b>)</li> <li>* Accidents &amp; Near Misses being reported &amp; investigated via a new system (<b>All Chief Officers</b>)</li> <li>* Departmental Competencies Improved and departmental H&amp;S committees being monitored (<b>Corporate Health &amp; Safety Manager</b>)</li> <li>* A new health and safety management system for buildings is being trialled within City Surveyors. The new system will help identify where health and safety risk exists within City of London property assets and assess how well it is being managed with a view to improving performance. (<b>Health &amp; Safety Manager Property</b>)</li> </ul>
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<b>Summary</b> The Action plan is nearing completion. The H&S systems across the Corporation of London to ensure H&S compliance have been reviewed and the new Policy, approved by the Establishment Committee on 18th April 2013, is now prompting procedural reviews in some departments. The Town Clerk has communicated to all chief officers the importance of the responsibilities highlighted in the policy and a further training event is planned for all managers in March/April. Member training on the impacts of Health & Safety and decision making was delivered to new members. Near Miss reporting is happening, though this could still be improved in some departments.	<b>Net Risk</b>	<b>A</b>
	<b>Likelihood</b>	<b>Impact</b>
	1	4
	<b>Control Evaluation</b>	
	<b>A</b>	

**Risk Supporting Statement: CR10**

**Risk Owner: Remembrancer**

<b>Risk</b>	Adverse political developments undermining the effectiveness of the City of London Corporation.  <b>Links to: All Strategic Aims and Key Policy Priorities.</b>	<b>Gross Risk</b>	<b>R</b>
		<b>Likelihood</b>	<b>Impact</b>
		5	5

<b>Detail</b>	Owing to its nature and geographical size, the City Corporation is particularly vulnerable to political developments concerning London government. There are two main issues at present: the continuing aftermath of the financial crisis with the resulting close scrutiny of the City Corporation, and the longer term threat to the Corporation's local authority functions from sharing of services and a possible London Government review.
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<b>Issues</b> * The current problems in the financial system have provoked allegations of undue influence and partial accounts of the City Corporation's lobbying activities and deployment of City's Cash.  * A review of London government is not currently envisaged but the increased interest in sharing services (and offices) between authorities and Boundary Commission proposals may reinstate earlier suggestions for 5 or 6 "super boroughs", raising concerns around the viability of a separate administration for the Square Mile.	<b>Mitigating Actions</b> * Promotion of the good work of the City Corporation. The City Corporation needs to remain relevant and "doing a good job" and be seen as such. <b>(Remembrancer)</b>
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<b>Summary</b> The organisation needs to ensure it is seen as important and relevant across a wide field of activities that are not geographically limited to the Square Mile or to the future of the financial sector alone. Current public affairs activities should be maintained to this end. Any functions which may be vulnerable on account of their size if kept as free standing operations need to be identified and the case for ameliorating action (e.g. partnerships, shared services) considered.	<b>Net Risk</b>	<b>A</b>
	<b>Likelihood</b>	<b>Impact</b>
	2	4
	<b>Control Evaluation</b>	
<b>G</b>		

**Risk Supporting Statement: CR11**

**Risk Owner: Director of Open Spaces**

<b>Risk</b>	Major flooding caused as a result of pond or reservoir failures	<b>Gross Risk</b>	<b>R</b>
	<b>Links to: Strategic Aim SA3 and Key Policy Priority KPP4</b>	<b>Likelihood</b>	<b>Impact</b>
		3	5
<b>Detail</b>	<p>The City is responsible for a number of water bodies, some of which are classified as “Large Raised Reservoirs” under the provisions of the Reservoirs Act 1975 and Flood &amp; Water Management Act 2010. “Large Raised Reservoirs” currently this refers to those raised bodies of water with a capacity of more than 25,000m3. It is anticipated that this will be reduced to 10,000m3 when the provisions of the 2010 Act are fully brought into force. Those reservoirs where there is a risk to life in the event of breach, the EA can define them as “high risk” – currently 3 on Hampstead and two at Epping Eagle Pond and Highams Park but not Wanstead. It is anticipated that the full enactment of the 2010 Act will result in more of the City’s raised water bodies being categorised as “high risk” – particularly those in cascade. The City of London Strategic Flood Risk Assessment 2012 with new surface water modelling identified 4 areas of risk in the City from upstream run-off (including Hampstead Heath). Epping Forest dams are already subject to a section 10 notice of improvement issued by the panel engineer and works are planned to commence on site in April 2014.</p>		
<b>Issues</b>	<b>Controls</b>		
<ul style="list-style-type: none"> <li>* Insufficient warning given of flooding</li> <li>* Inadequate response to dam overtopping</li> <li>* Sensitivities of the local community regarding the natural aspect of the Heath</li> </ul>	<ul style="list-style-type: none"> <li>* Telemetry system installed and managed by the City Surveyor as an integral part of the on-site Emergency Action Plan for reservoir dam incidents enabling early warning where pre-determined water levels at key ponds in both the Hampstead and Highgate chains of ponds are breached. <b>(City Surveyor/Director of Open Spaces)</b></li> <li>* Emergency Action Plan for on-site and off site response is in place with Camden and Waltham Forest. <b>(City Surveyor/Director of Open Spaces)</b></li> <li>* The City continues to undertake extensive consultation with local stakeholders about why these public safety projects are required. <b>(City Surveyor)</b></li> <li>* When the preferred design options are developed, wider public consultation may produce new issues, not yet anticipated by the Project Board. <b>(Director of Open Spaces)</b></li> </ul> <p>There remains a potential risk for Judicial Review. This is most likely to arise in relation to the City’s need to adhere to current Guidance that sets standards for dams and reservoirs that is opposed by certain Groups/individuals.</p>		

\* Non delivery of project to upgrade pond embankments (includes slippage from agreed timetable and budget)

\* The City has appointed a specialist consultants (Atkins) to undertake a review of the current risk of flooding based on storm predictions and based upon that assessment they are preparing a number of options to mitigate this risk for consideration by the CoL. The final agreed option will form the basis of a planning application planned for June 2014. with a planed start on site The appointed of contracts for Epping Forrest will take place in January 2014 to allow a start on site in April 2014. **(City Surveyor)**

\* Responsibilities and implications for adjacent landowners

To be reviwed against each identified project

**Summary**

The projects to upgrade the pond and reservoir embankments is progressing, but until such time the projects completed (2015/16) there remains a risk if the dams are breached the water normally stored in the ponds will also be released and combine with the flood water – very quickly and in a completely uncontrolled way – with risk to life and property downstream. Day to day management of the ponds and the community welfare aspects of this risk lies with the Director of Open Spaces.

<b>Net Risk</b>	<b>R</b>
<b>Likelihood</b>	<b>Impact</b>
3	5
<b>Control Evaluation</b>	
<b>A</b>	



## Risk Supporting Statement: CR14

Risk Owner: Chamberlain

<b>Risk</b>	Likely reductions in future spending rounds will reduce grant income for the City Corporation resulting in the Corporation being unable to maintain a balanced budget and maintain healthy reserves in City Fund significantly impacting on service delivery levels. Whilst it is almost certain that reductions in grant income will occur in 2016/17 and 2017/18, we do not know the magnitude.	<b>Gross Risk</b>	<b>R</b>
	<b>Links to: Strategic Aim SA2 and Key Policy Priority KPP2</b>	<b>Likelihood</b>	<b>Impact</b>
		5	4
<b>Detail</b>	<p>This risk is already headlined in the medium term financial strategy approved by the Court of Common Council in March 2014. The financial strategy last year was to make further efficiencies to generate small surpluses for the next two years. These surpluses were to bolster our reserves, allowing time to plan for future government spending cuts. The 2013 Autumn Settlement announced a 15.8% reduction for 2015/16 for non-police services. Due to savings already made, the City Fund is able to accommodate this loss within a breakeven position for 2015/16.</p> <p>Further cuts are likely in future spending rounds and coupled with the financial impact of other pressures such as our share of the likely appeals losses under the new Business rates system and the progressive adoption of the London Living Wage, the 2017/18 forecast deficit is likely to be £8.9m. However we have sufficient reserves to allow us to plan for managed savings once the magnitude of any reduction is known.</p>		
<b>Issues</b>	<b>Controls</b>		
<ul style="list-style-type: none"> <li>* Reduction in grant income to the City Corporation</li> <li>* Increasingly difficult to maintain a balanced budget</li> <li>* Increased pressure on reserves</li> </ul>	<ul style="list-style-type: none"> <li>* Service based review to address the 2016/17 and 2017/18 forecast deficit, including a review of spend not in line with City Fund duties that may potentially be better funded from Bridge House Estates. <b>(The Town Clerk, Chamberlain and Financial Services Director)</b></li> <li>* Review of operational assets. <b>(The Chamberlain and Financial Services Director)</b></li> <li>* Robust financial planning. <b>(The Chamberlain and Financial Services Director)</b></li> <li>* Direct engagement with central government on grant formula <b>(The Chamberlain and Financial Services Director)</b></li> <li>* Scrutiny of implementation of savings options by the Efficiency Board and Efficiency and Performance Sub-Committee. <b>(The Town Clerk, Chamberlain and Financial Services Director)</b></li> </ul>		
<b>Summary</b>	The financial strategy already addresses this risk in the development of a package of proposals of £20m per annum for consideration by Resource Allocation Sub Committee. The savings programme will need to be developed for implementation over the next 18 months. Savings will begin to be reflected in budgets for 2015/16 with full impact by or before 2017/18. There is also a risk that the financial position will further deteriorate post 2018, so savings proposals above the £13m needed to balance City Fund and City's Cash will help mitigate this risk.	<b>Net Risk</b>	<b>R</b>
		<b>Likelihood</b>	<b>Impact</b>
		5	4
		<b>Control Evaluation</b>	
		<b>R</b>	

## Risk Supporting Statement: CR16

Risk Owner: Chamberlain

<b>Risk</b>	Loss or mishandling of personal or commercial information could result in harm to individuals, a breach of legislation such as the Data Protection Act 1988 which incurs a monetary penalty of up to £500,000. Breaches can also incur compliance enforcement action, corruption of data and significant reputational damage. To ensure the protection of information at the City Corporation a number of controls and risk owners must be exerted which span IT infrastructure, information policy, physical handling, online access and sharing and everyday behaviour within and outside the City Corporation	<b>Gross Risk</b>	<b>R</b>
		<b>Likelihood</b>	<b>Impact</b>
		5	3
<b>Links to: All Strategic Aims and Key Policy Priorities.</b>			

<b>Detail</b>	There is a need to emphasise the importance of information governance as a discipline and the challenges it presents in the digital age (wider than the Data Protection Act) encompassing guidance and linkages to compliance, controls, behaviours, risks etc in relation to different types of information we handle and to sustain this engagement within organisation. Suggestions of how this can be achieved is provided in the accompanying report.
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<p><b>Issues</b></p> <ul style="list-style-type: none"> <li>- Lack of Member and staff awareness of, and engagement with required behaviour with regards to information handling</li> <li>- Office moves/relocations increase the possibility of losing or misplacing personal information.</li> <li>- Transferring personal information to third parties, e.g. when contracting out services.</li> <li>- Incorrect/accidental disclosure or loss of personal information, e.g. when sending personal information using any medium.</li> <li>- Insufficient security in place to protect personal information across the City Corporation: only social care information is encrypted/protectively marked.</li> <li>- lack of attention to risks posed by NOT sharing appropriate information - e.g. danger to life of vulnerable adults</li> <li>- Increasing complexity and volume of information increasing costs</li> </ul>	<p><b>Controls</b></p> <ul style="list-style-type: none"> <li>* Central monitoring &amp; issuing of guidance and communications exists for data protection compliance (DP) (since 2003), along with nominated senior officer responsibility, Access to Information Network with departmental reps (<b>Deputy Town Clerk</b>)</li> <li>* DP awareness written into corporate employee policies as a requirement (<b>Director of HR</b>)</li> <li>* DP: Employee Data Protection Policy requirement to complete the corporate DPA e-learning course (<b>Director of HR</b>)</li> <li>* DP: Rolling program of tailored DPA training presentations for all staff and Members (<b>Information Officer</b>)</li> <li>* DP: Record of all presentation attendees and e-learning sign-offs kept for audit purposes (<b>Information Officer</b>)</li> <li>* DP: Awareness emails sent biannually to all staff (<b>Information Officer</b>)</li> <li>* DP: Other awareness raising tools used when highlighting key issues (<b>Information Officer</b>)</li> <li>* DP: Some monitoring of data processor contracts to ensure DPA compliance (<b>Chief Officers of All Departments where Data Processors Operate</b>)</li> <li>* IS recently appointed a Technical Solutions Officer to scrutinise and refresh existing policy around cybersecurity and technology infrastructure risk in partnership with Agilisys the IS strategic partner to the City. (<b>Chief Information Officer</b>)</li> </ul>
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**Summary**

\* All Members and officers should be aware of 'good practice' in relation to handling information - but more needs to be done to address the opportunity and risk of information as business asset in CoL via policy refresh, staff and Member engagement, training and guidance. The accompanying report makes recommendations for next steps.

\* Personal information, in whatever format it is held, should be kept secure at all times. Appropriate policies, procedures and tools should be in place, regarding the management of personal information, including share, transfer, disclose, transport and destruction of information.

\* Compliance audits undertaken by Town Clerk's Information Officers are underway across the organisation to monitor DP adherence and suggest improvements.

\* The e-learning training course should be reviewed at regular intervals. At present the module covers DP however there is scope for this module to cover wider issues in relation to information security and management

\* In addition, the IS division will work in partnership with the Town Clerk's department in ensuring that relevant policies are refreshed at regular intervals, communicated and understood and to enforce necessary technological controls.

\* The risk owner for CR16 is the Chamberlain. However, every Department has a responsibility for the personal information it processes, and therefore all Chief Officers must assume responsibility to ensure compliance with Information Governance.

<b>Net Risk</b>	<b>A</b>
<b>Likelihood</b>	<b>Impact</b>
3	3
<b>Control Evaluation</b>	
<b>A</b>	

**Risk Supporting Statement: CR17**

**Risk Owner: Director of Community and Children Services**

<b>Risk</b>	Failure of the City of London's statutory obligation to safeguard adults at risk and children  <b>Links to: Strategic Aim SR2 and Key Policy Priority KPP2</b>	<b>Gross Risk</b>	<b>R</b>
		<b>Likelihood</b>	<b>Impact</b>
		3	5

<b>Detail</b>	The risk could lead to harm to our service users and severely damage the City of London's reputation, including the possible investigation and lack of public confidence in the services provided. Although primarily this risk sits with the Community and Children's Services department there will be close working arrangements with departments such as Culture, Heritage and Libraries and Open Spaces who also provide services for children and adults at risk.
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<p><b>Issues</b></p> <p>* Weaknesses have been identified embedding safeguarding across the City of London and within schools located within the City..</p>	<p><b>Controls</b></p> <p>* Corporate Safeguarding Policy, as approved by the Chief Officers Group on 19 March 2014 and Community and Children's Services Committee on 11 April 2014, highlights training requirements for departmental Safeguarding Champions. Safeguarding Champions for the following departments will be identified by the end of May 2014 - Town Clerks, City Bridge trust, Culture heritage and Libraries, Open Spaces, Markets and Consumer Protection and Built Environment. <b>(Service Managers for Children and Adult Services)</b></p> <p>* Awareness raising campaign to commence in June 2014. An impact analysis will be carried out in December 2014 to assess the success of the campaign and to identify if further actions need to be implemented. <b>(Strategic Communications Manager)</b></p> <p>* Partnership arrangements in place with Health, Housing, City of London Police and Voluntary sector to monitor reports of harm. <b>(Service Managers for Children and Adult Services)</b></p> <p>* Term based reviews with the Guildhall School of Music and Drama and City Schools. <b>(Assistant Director - People Division)</b></p> <p>* Governor training sessions have commenced in December 2014 and are on-going. <b>(Assistant Director - People Division)</b></p>
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<b>Summary</b> Work is ongoing to embed safeguarding issues within the City of London and Schools located in the City. This will be supported by the Corporate Safeguarding Policy and the implementation of the associated training and communication plans. Annual reports on both Adult and Children's safeguarding have been reported to the Safeguarding sub committee in September to report on progress and to update the cross partnership training planned.	<b>Net Risk</b>	<b>A</b>
	<b>Likelihood</b>	<b>Impact</b>
	1	5
	<b>Control Evaluation</b>	
<b>A</b>		

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**Risk Supporting Statement: CR18**

**Risk Owner: Director of Human Resources**

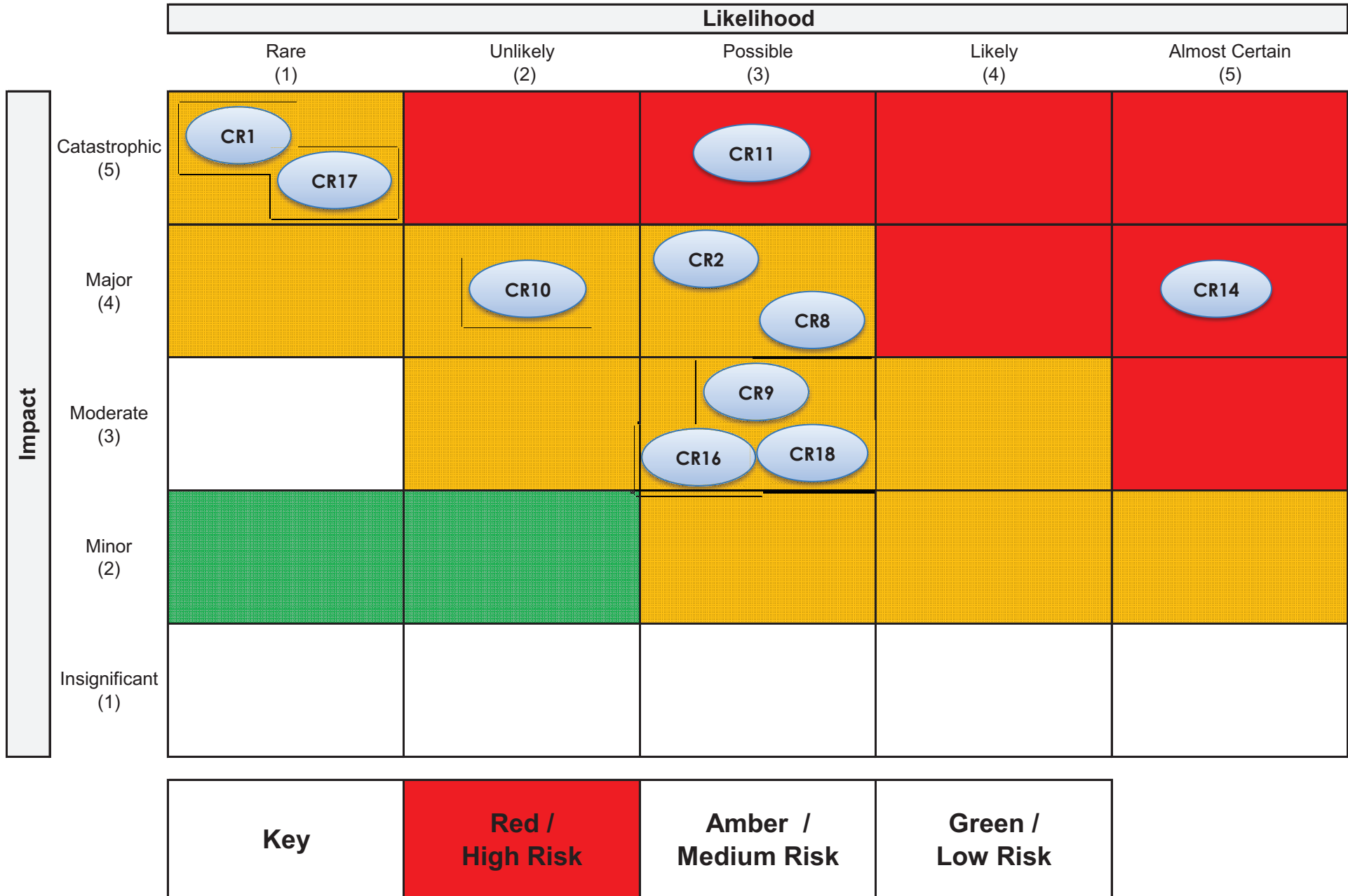
<b>Risk</b>	Loss of capacity due to changes in the working environment, reducing the ability to achieve our strategic aims and objectives  <b>Links to: All Strategic aims and key policy priorities.</b>	<b>Gross Risk</b>	<b>A</b>
		<b>Likelihood</b>	<b>Impact</b>
		4	3

<b>Detail</b>	The fact that we have been less affected by the economic downturn than most and have largely protected our employees through this time, actually increases the risk for the next 3 years. Other organisations are starting to slowly recover and the market value of specialist skills is beginning to increase (we see that now with IS), this is at a time we are doing service reviews and taking large amounts out of the budget this has the potential to increase turnover of our most marketable staff. We can no longer predict turnover on the basis of age so the risk of losing skills and experience and corporate knowledge without adequate time to prepare is greater than before. In addition we operate in so many different markets for jobs it is not just the value of the posts in the markets which affect our ability to attract and retain staff. Technology and ways of working is affecting all 'professions', being 'leading edge' and having the jobs most sought after in different fields is also dependant on being at the forefront of the industry. If we fall behind in that we will have to recruit from different levels in the market.
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<b>Page 57</b>	<b>Issues</b>	<b>Controls</b>
	<ul style="list-style-type: none"> <li>* Removal of Default retirement age</li> <li>* New Pension regulations</li> <li>* Moving of Statutory Pension Age</li> <li>* Key staff leaving the organisation as job market improves</li> <li>* Working environment lacks application of latest technology and is unattractive to retain and attract new staff</li> </ul>	<ul style="list-style-type: none"> <li>* The HR Business Plan for 2014/17 includes development of succession planning and a revised sourcing strategy which is intended maintain our position in our critical markets as the employer of choice. <b>(Head of Corporate HR and Business Services)</b></li> <li>* The Business Plan also includes a regular pay survey to better inform the market rates which in turn informs our sourcing strategy for key posts and improves our response and conversion rates. <b>(Head of Corporate HR and Business Services)</b></li> <li>* That the revised PDF scheme addresses these issues specifically and is better aligned to developing staff for the future needs of the business and that staff are asked to indicate their medium term plans if known. <b>(Head of Corporate HR and Business Services)</b></li> </ul>

<b>Summary</b> The risk remains at Amber but the likelihood has been reduced by the controls.	<b>Net Risk</b>	<b>A</b>
	<b>Likelihood</b>	<b>Impact</b>
	3	3
	<b>Control Evaluation</b>	
	<b>A</b>	

# Strategic Risk Profile



## Guidance Notes

The following notes have been prepared to assist users of this document.

Risk Register Headings	Description
Risk No.	Unique reference for the risk.
Risk Details	Description of the risk.
Gross Risk	Assessment of the risk before taking into account any existing mitigating controls, Likelihood and Impact having been assessed against the risk assessment framework.
Risk Owner	Officer responsible for the overall management of specific risks
Control Owner	Officer responsible for coordinating the activity to control the risk
Existing Controls	Controls in place to mitigate the risk.
Net Risk	Assessment of the risk having taken into account the mitigating controls in place.
Risk Status & Direction	Overall status of Red, Amber or Green calculated in accordance with the assessment of Likelihood and Impact, having applied the risk assessment matrix.
Planned Action	Details of further action required to mitigate the risk to an acceptable level.
Control Evaluation	An assessment of the adequacy of controls in place

Ratings	Risk Status	Control Evaluation
R	High risk, requiring constant monitoring and deployment of robust control measures.	Existing controls are not satisfactory
A	Medium risk, requiring at least quarterly monitoring, further mitigation should be considered.	Existing controls require improvement/Mitigating controls identified but not yet implemented fully
G	Low risk, less frequent monitoring, consideration may be given to applying less stringent control measures for efficiency gains.	Robust mitigating controls are in place with positive assurance as to their effectiveness

## Guidance Notes

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

Impact Scores	Description
1 Insignificant	An event where the impact can be easily absorbed without management effort.
2 Minor	Impact can be readily absorbed although some management input or diversion of resources from other activities may be required. The event would not delay or adversely affect a key operation or core business activity.
3 Moderate	An event where the impact cannot be managed under normal operating conditions, requiring some additional resource or Senior Management input or creating a minor delay to an operation or core business activity.
4 Major	Major event or serious problem requiring substantial management/Chief Officer effort and resources to rectify. Would adversely affect or significantly delay an operation and/or core business activity or result in failure to capitalise on a business opportunity.
5 Catastrophic	Critical issue causing severe disruption to the City of London, requiring almost total attention of the Leadership Team/Court of Common Council and significant effort to rectify. An operation or core business activity would not be able to go ahead if this risk materialised.



# City of London Corporation

## Risk Management Strategy

Version 2.0



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## Version History

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

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

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

### Version control:

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

# **CITY OF LONDON CORPORATION'S** **RISK MANAGEMENT POLICY STATEMENT**



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

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

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

**These key objectives will be achieved by:**

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

## **APPETITE FOR RISK**

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

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

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

APPROVED BY:

Alderman Nick Anstee

(Chairman of the Audit and Risk Management Committee)

John Barradell

(Town Clerk and Chief Executive)

<sup>1</sup>Accounts and Audit Regulations 2011

## Chapter 1: Introduction

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

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

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

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

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

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

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

## **What is risk and risk management?**

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

The following definition for risk<sup>2</sup> has been adopted by the City of London Corporation:

***“The effect of uncertainty on objectives”***

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

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

<sup>2</sup> OGC: Management of Risk

## **Purpose of this strategy**

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

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

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

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

## Chapter 2: Managing risks

### Why manage risks

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

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

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

### Choosing whether to eliminate or innovate

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

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

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

### Roles and Responsibilities



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

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

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

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

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

## Chapter 3: The risk management process

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

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

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

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

## The risk management cycle

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

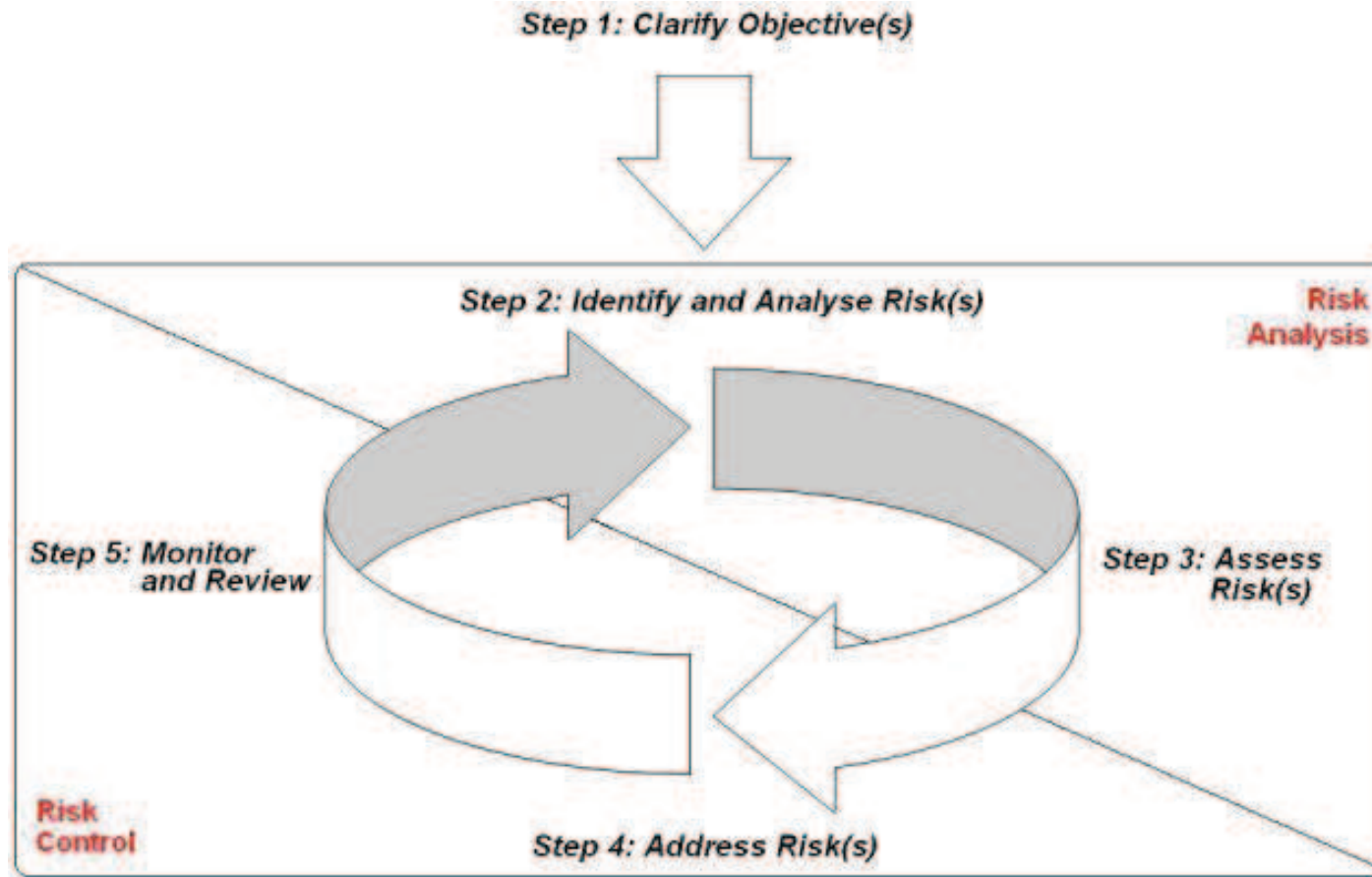


Figure 1: City of London's risk management cycle

## **Step 1: Clarify Objectives**

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

This will include an understanding of:

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

### ***This includes:***

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

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

## **Step 2: Identify and Analyse risks**

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

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

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

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

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

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

### Step 3: Assess Risks (4x4)

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

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

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

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

Figure 2: COL risk matrix

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

## Step 4: Address Risks

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

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

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

### Threat responses

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

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



## **Ownership of Risks and Controls**

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

### Risk Owner

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

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

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

### Control Owner

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

It is important to note that:

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

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

### Step 5: Monitor and Review

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

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

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

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

## **Chapter 4: Reporting risks**

### **Reporting framework**

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

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

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

### **Role of Audit and Risk Management Committee**

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

### **Role of Other Committees and Departments**

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

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

# Review and Reporting Framework

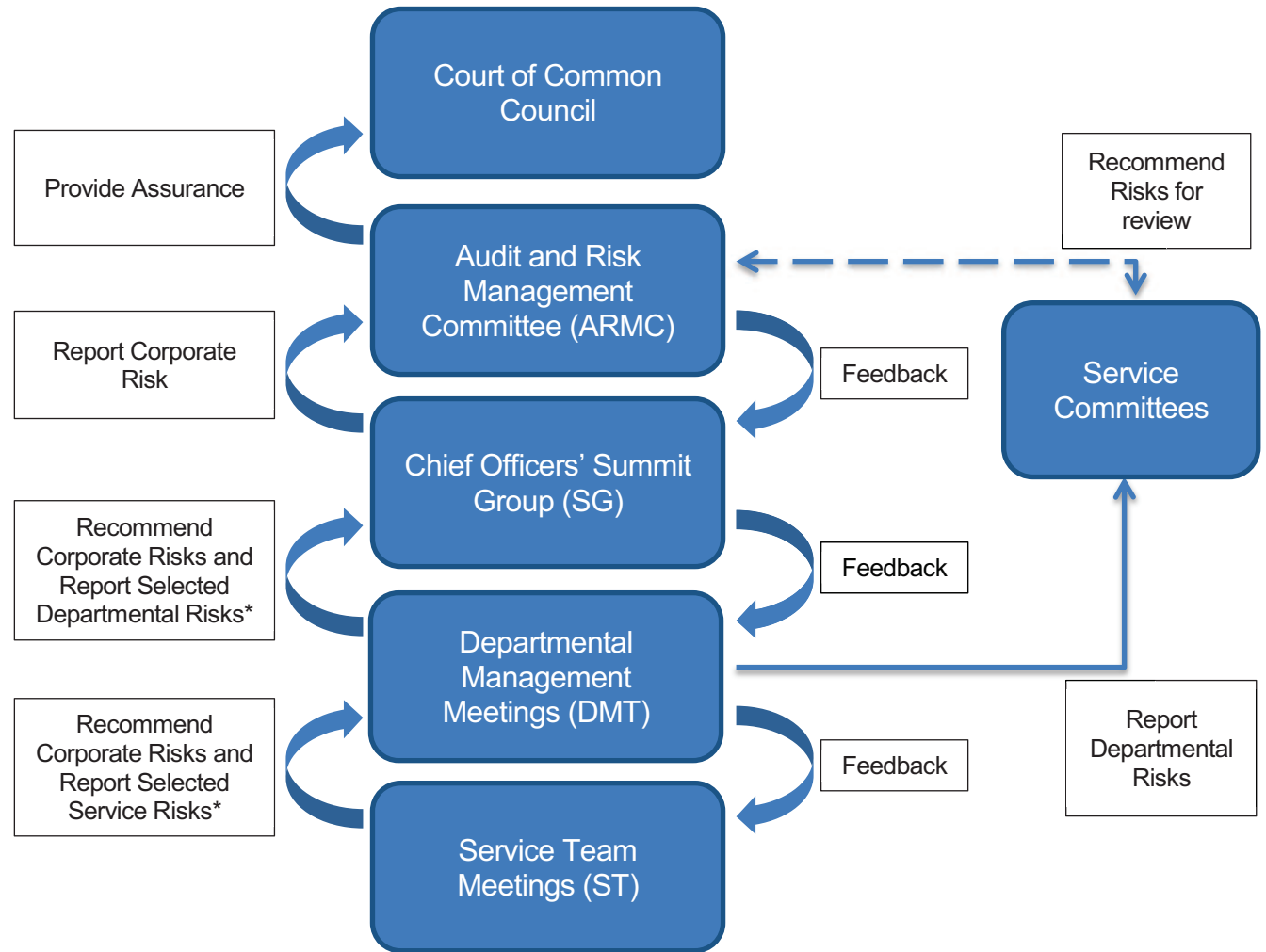
Risks will be escalated using a bottom up process depending on the risk score (i.e. Risk tolerance) and/or management recommendation.

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

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

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

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



*\*exception basis*

## Risk Registers

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

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

## Challenging environment

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

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

## Chapter 5: Strategic Improvement

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

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

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

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

## Glossary

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

Term	Definition
Cause	<p>Definite events or sets of circumstances which exist in the department, programme/project, partnership or their environments, and which give rise to uncertainty.</p> <p>Causes themselves are not uncertain since they are facts or requirements.</p>
Control Evaluation	A measure to determine how effective the controls are.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Controls	Measures taken to control the impact or likelihood of risks to an acceptable level.
Corporate risk	<p>Strategic or Operational risks reported to the Audit and Risk Management Committee for assurance purposes.</p> <p>One or more of the following criteria must apply:</p> <ul style="list-style-type: none"> <li>▪ The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities.</li> <li>▪ A risk that has significant impact on multiple operations if realised.</li> <li>▪ There are concerns over the adequacy of departmental arrangements for managing a specific risk.</li> </ul> <p>Corporate risks can also be those requested by the Audit and Risk Management Committee specifically.</p>
Current / Net risk	The re-assessed level of risk taking in to account the existing controls.
Effect	<p>Unplanned variations from objectives, either positive or negative, which would arise as a result of risks occurring.</p> <p>Effects are contingent events, unplanned potential future variations which will not occur unless risks happen.</p>
Operational Risk	Risks arising from or relating to the execution of day-to-day operations and service delivery.



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

## Appendix 1 - Risk scoring

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

### Definitions

1. **Original/Gross score:** the level of risk perceived before any mitigating actions/controls have been put in place.
2. **Current/Net score:** the level of risk currently perceived by the user/management, taking in-to account any controls.
3. **Target score:** the preferable score for the risk to be in order for it to be manageable, thinking in term of what resources are available, and the ability of the Corporation to directly manage the risk once external factors are considered.

### Risk scoring method

Risks are scored in terms of likelihood and impact

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

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

**Likelihood scoring guide**

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

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

## Impact scoring guide

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

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

**Risk Matrix**

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

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

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

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

Figure 2: COL risk matrix

**What the colours mean (as a guide):**

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

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# City of London Corporation

## Risk Management Strategy

Version 2.0



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## Version History

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

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

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

### Version control:

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



# CITY OF LONDON CORPORATION'S

## RISK MANAGEMENT POLICY STATEMENT

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

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

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

### These key objectives will be achieved by:

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

### APPETITE FOR RISK

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

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

- i. The risks have been properly identified and assessed;
- ii. The risks will be appropriately managed, including the taking of appropriate actions and the regular review of risk(s);
- ~~ii.~~
- ~~iii. The potential benefits accruing to the City justify the level of risk to be taken.~~

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

APPROVED BY:

Alderman Nick Anstee

(Chairman of the Audit and Risk Management Committee)

John Barradell

(Town Clerk and Chief Executive)

<sup>1</sup>Accounts and Audit Regulations 2011

Approved on 4th March 2014

## Chapter 1: Introduction

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

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

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

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

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

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

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

## **What is risk and risk management?**

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

The following definition for risk<sup>2</sup> has been adopted by the City of London Corporation:

***“The effect of uncertainty on objectives”***

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

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

<sup>2</sup> OGC: Management of Risk

## Purpose of this strategy

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

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

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

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

## Chapter 2: Managing risks

### Why manage risks

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

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

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

### Choosing whether to eliminate or innovate

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

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

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

## Roles and Responsibilities

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

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



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

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

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

## Chapter 3: The risk management process

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

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

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

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

## The risk management cycle

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

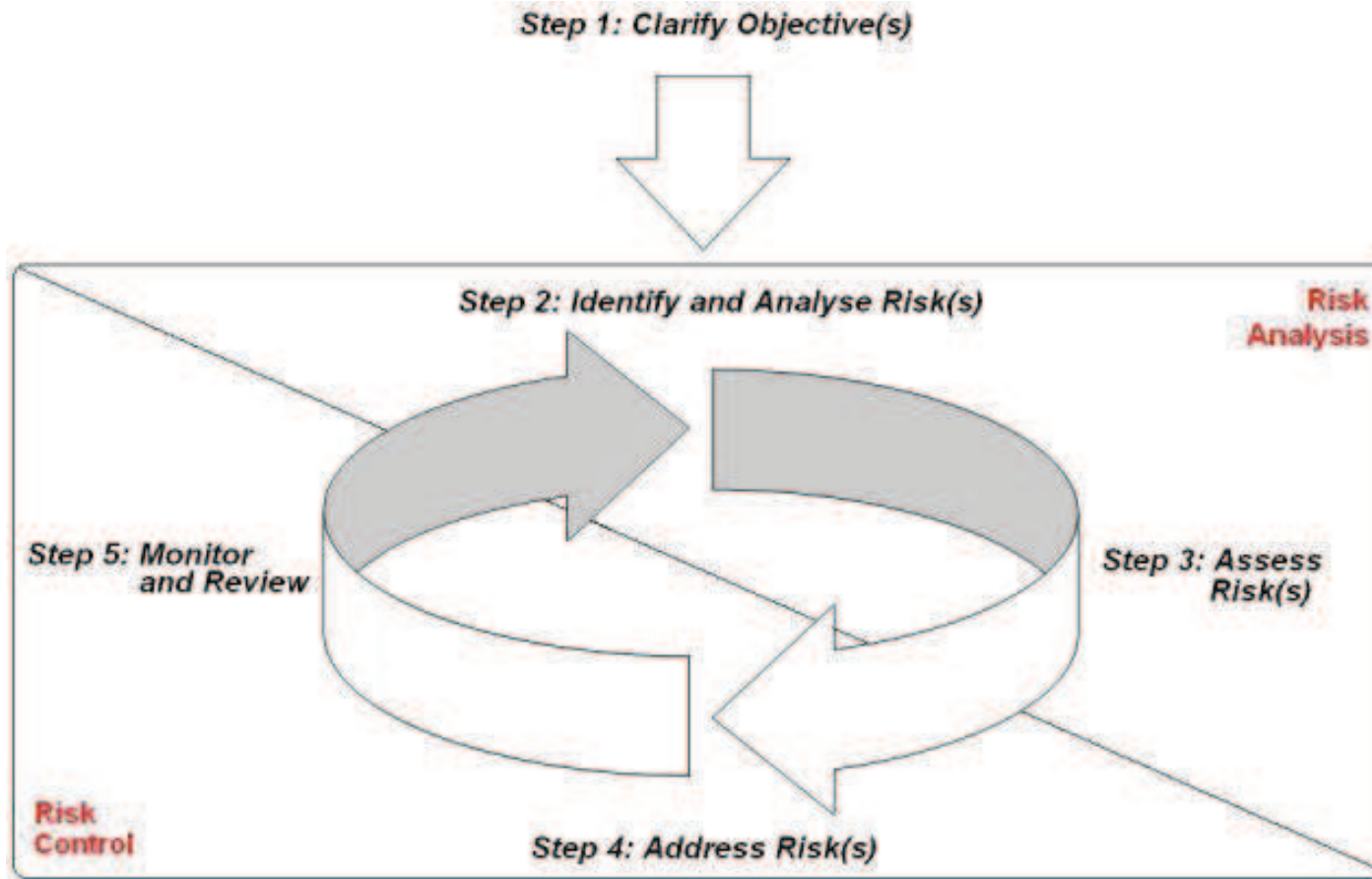


Figure 1: City of London's risk management cycle

## Step 1: Clarify Objectives

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

This will include an understanding of:

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

### ***This includes:***

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

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

## **Step 2: Identify and Analyse risks**

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

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

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

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

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

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

### Step 3: Assess Risks (4x4)

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

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

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

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

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

Figure 2: [City's COL risk matrices](#)

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

## Step 4: Address Risks

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

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

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

### Threat responses

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

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

•

## Opportunity responses

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

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



## Risk Ownership of Risks and Controls

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

### Risk Owner

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

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

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

### Control Owner

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

It is important to note that:

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

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

### Step 5: Monitor and Review

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

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

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

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

## Chapter 4: Reporting risks

### Reporting framework

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

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

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

### Role of Audit and Risk Management Committee

As set out in its formal terms of reference, the Audit and Risk Management Committee is responsible ~~for setting and approval, as well as~~ monitoring and overseeing the City Corporation's risk management strategy and ~~for ensuring that the framework in place is fit for purpose.~~ be satisfied that the assurance framework properly reflects the risk environment ). It is through this Committee that the Court of Common Council discharges its responsibility for obtaining assurance that those risks faced by the Corporation are being appropriately managed.

### Role of Other Committees and Departments

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

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

## Review and Reporting Framework

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

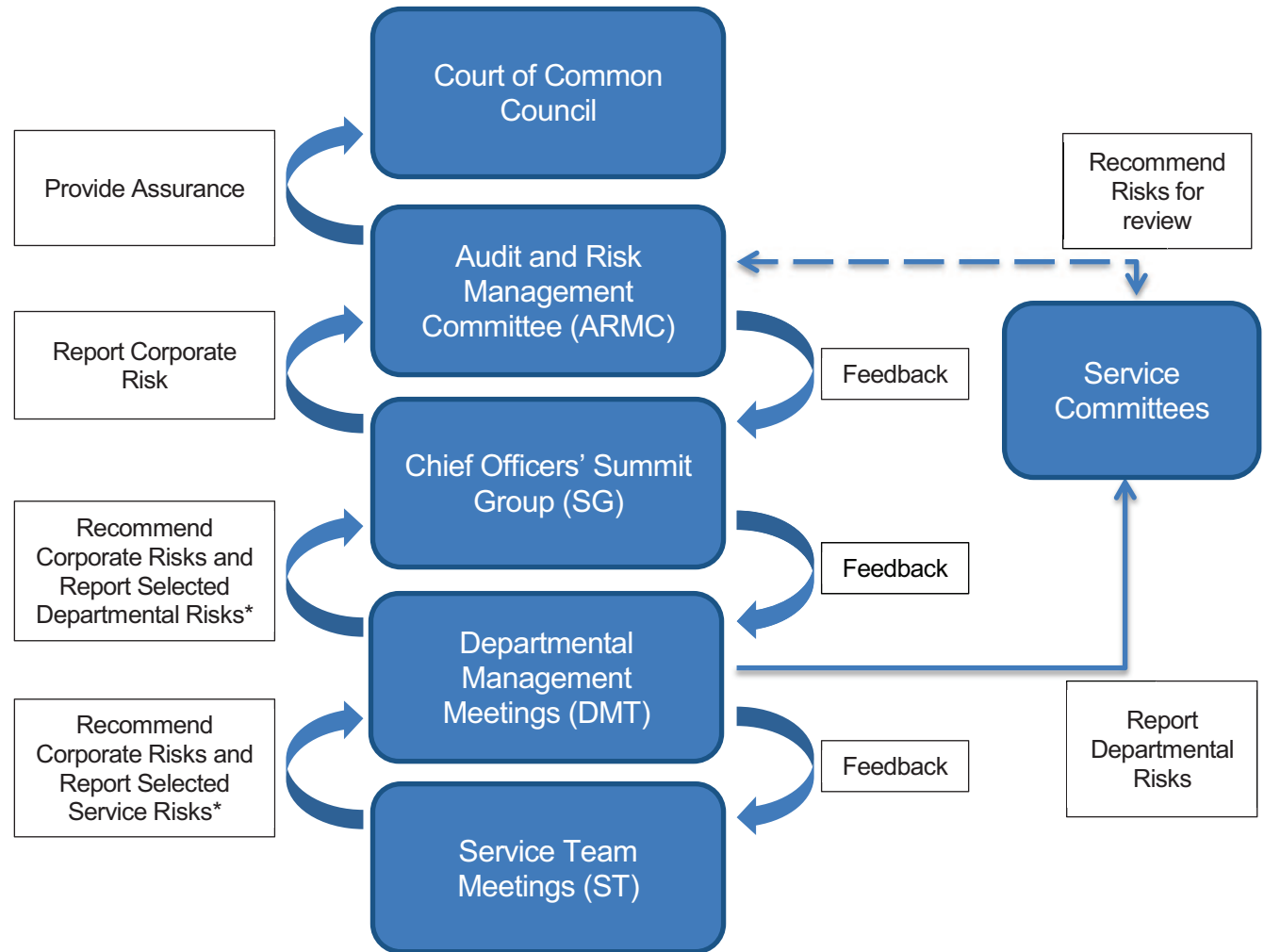
Corporate Reviews will be undertaken either every two or three months.

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

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

### Reporting Criteria

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



*\*exception basis*

## Risk Registers

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

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

## Challenging environment

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

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

## Chapter 5: Strategic Improvement

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

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

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

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

## Glossary

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

Term	Definition
Cause	<p>Definite events or sets of circumstances which exist in the department, programme/project, partnership or their environments, and which give rise to uncertainty.</p> <p>Causes themselves are not uncertain since they are facts or requirements.</p>
Control Evaluation	A measure to determine how effective the controls are.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Controls	Measures taken to control the impact or likelihood of risks to an acceptable level.
Corporate risk	<p>Strategic or Operational risks reported to the Audit and Risk Management Committee for assurance purposes.</p> <p>One or more of the following criteria must apply:</p> <ul style="list-style-type: none"> <li>▪ The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities.</li> <li>▪ A risk that has significant impact on multiple operations if realised.</li> <li>▪ There are concerns over the adequacy of departmental arrangements for managing a specific risk.</li> </ul> <p>Corporate risks can also be those requested by the Audit and Risk Management Committee specifically.</p>
Current / Net risk	The re-assessed level of risk taking in to account the existing controls.
Effect	<p>Unplanned variations from objectives, either positive or negative, which would arise as a result of risks occurring.</p> <p>Effects are contingent events, unplanned potential future variations which will not occur unless risks happen.</p>
Operational Risk	Risks arising from or relating to the execution of day-to-day operations and service delivery.



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

## Appendix 1 - Risk scoring

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

### Definitions

1. **Original/Gross score:** the level of risk perceived before any mitigating actions/controls have been put in place.
2. **Current/Net score:** the level of risk currently perceived by the user/management, taking in-to account any controls.
3. **Target score:** the preferable score for the risk to be in order for it to be manageable, thinking in term of what resources are available, and the ability of the Corporation to directly manage the risk once external factors are considered.

### Risk scoring method

Risks are scored in terms of likelihood and impact

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

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

**Likelihood scoring guide**

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

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

## Impact scoring guide

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

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

**Risk Matrix**

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

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

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

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

Figure 2: COL risk matrix

**What the colours mean (as a guide):**

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

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<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee	13 <sup>th</sup> May 2014
<b>Subject:</b> Anti-Fraud and Investigation Annual Report	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Summary</b>	
<p>This report provides Members with an update of our investigation activity for the period from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014.</p> <p>The criminal benefit from housing tenancy fraud cases investigated by the City of London Corporation for 2013/14 amounts to £180,000, whilst the value of identified housing benefit overpayments during the 2013/14 amounts to £128,000. Internal Audit are working on quantifying and analysing the trend of identified corporate fraud and plan to report on this in the next Investigation update report to Committee in September 2014.</p> <p>The Department for Work &amp; Pensions will be assuming responsibility for housing benefit investigations under a Single Fraud Investigation Service (SFIS), with roll-out commencing from June 2014, no date has been confirmed for City of London housing benefit investigations to transfer to the Department for Work &amp; Pensions as of yet, and no City of London staff have been identified as being in scope to transfer to SFIS.</p> <p>Positive publicity has been achieved in the Wandsworth Guardian, following a recent successful housing benefit fraud prosecution at Southwark Crown Court on 20<sup>th</sup> March 2014.</p> <p>A former City of London housing tenant has been prosecuted at the Central Criminal Court on 29<sup>th</sup> April 2014 to five Fraud charges, relating to fraudulently obtaining social housing with the City of London Corporation. The Judge sentenced Mrs Figueroa to 24 months imprisonment, with 12 months to be served in custody and 12 months to be served on licence.</p> <p>14 frauds were identified through the City's involvement in the National Fraud Initiative, resulting in overpayments of £11,726.65, £8,126.86 of which is currently being recovered.</p> <p>Detailed analyses of the housing benefit and housing tenancy fraud caseload are in appendices 3 and 4 respectively. A summary of delivery against the 2013/14 pro-active anti-fraud plan is included as Appendix 1, as is the detailed pro-active anti-fraud plan for the 2014/15 reporting year as Appendix 2.</p> <p><b>Recommendations</b> Members are asked to note the report:</p>	

## Main Report

### **Background**

1. Members were provided with a proactive anti-fraud plan at this Committee on June 25<sup>th</sup> 2013; this report presents Members with a summary of key achievements during the 2013/14, along with a summary of the anti-fraud and pro-active work to be undertaken during the coming year. We maintain a clear emphasis on deterrence and prevention through targeted activity to raise fraud awareness across the organisation, in addition to undertaking targeted fraud drives in high risk areas.
2. Benchmarking against best practice (published in the Audit Commission's Protecting the Public Purse and the CIPFA Red Book guidance) provides the main focus for the development of the anti-fraud and investigation service and our subsequent programme of anti-fraud activity.
3. Successful investigations continue across a number of high risk areas, including internal fraud, grant fraud, parking permit fraud, housing tenancy fraud, and housing benefit fraud. A detailed case load summary for both housing benefit and housing tenancy fraud is included in appendix 3 and 4 respectively.

### **Proactive Anti-Fraud Activity**

4. A summary of our delivery against the 2013/14 proactive anti-fraud plan is included as **Appendix 1** to this report, with details of key achievements summarised below;
5. Fraud Awareness E-learning – A tailored fraud awareness e-learning training course, developed in-house by the Senior Investigator was rolled out to all City of London employees from 1<sup>st</sup> July 2014, as of 28<sup>th</sup> January 2014, 3141 (95% of those required) City of London Corporation employees had completed the fraud awareness e-learning. Internal Audit is continuing to work with HR to ensure that this training is completed by all new starters. A separate lessons learned report from the introduction of this corporate training initiative is also on the Committee agenda.
6. National Fraud Initiative (NFI) – 896 matches have been reviewed, with 14 frauds identified, resulting in overpayments of £11,726.65, of which £8,126.86 is currently being recovered. In many cases there are ongoing savings through the termination of pension payments or housing benefit payments for example. The City's involvement in the National Fraud Initiative received positive feedback from the Audit Commission in September 2013,. Likewise the section played a key role in assisting the Audit Commission's NFI Team to implement its flexible matching service, for real time data-matching across key datasets.
7. A detailed Pro-active Anti-Fraud Plan for the 2014/15 reporting year is included as **Appendix 2** to this report. This plan continues our key objective from previous years to promote fraud awareness & prevention activities across the City Corporation, through various workshops and events delivered



to City Corporation employees, and Members, including a Fraud Awareness training session for Members on the 23<sup>rd</sup> June 2014. We will also be undertaking a number of pro-active fraud drives designed to identify fraud & error across different fraud risk areas, along with leading on the City Corporation's involvement in the Audit Commission's National Fraud Initiative for 2014/15.

### **Publicity**

8. The City Corporation, in partnership with the Department for Work & Pensions, recently prosecuted a Housing Benefit claimant for claiming in excess of £40,000 in fraudulent claims across a period of seven years, on the basis that she was not in employment, and had no savings, capital or income. The claimant failed to declare that she owned a property in Clapham, South West London outright, which she had been letting out and receiving rental income. The claimant admitted nine charges under the Fraud Act 2006, and was given a 6 month custodial sentence for each offence to run concurrently, which was suspended for 15 months. A confiscation order was also made, which will ensure that the fraudulently obtained benefit is repaid to the public purse. The City's Public Relations Office issued a press release in relation to this case, and an article was published by the Wandsworth Guardian; a copy of the press release can be made available to members on request.

### **Single Fraud Investigation Service (SFIS)**

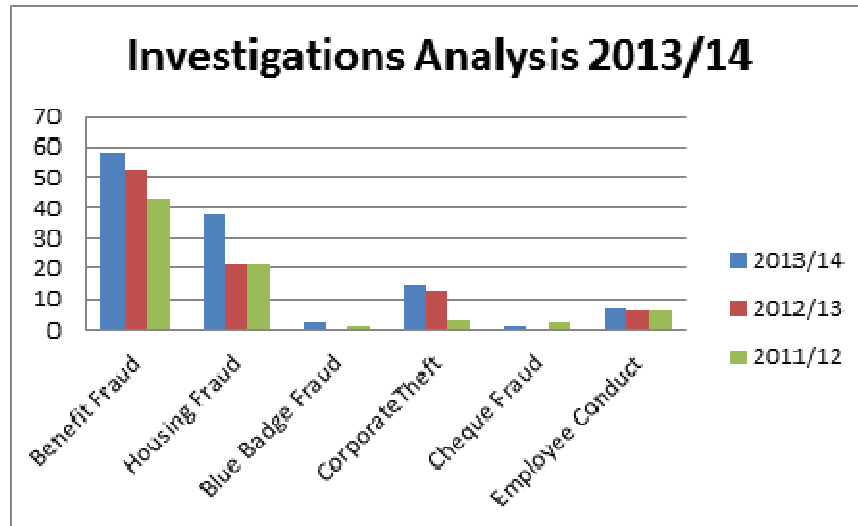
9. At this Committee on 15<sup>th</sup> December 2011, Members were advised of the proposed changes to welfare fraud investigation in the public sector, and the Department for Work & Pension's intention to introduce a Single Fraud Investigation Service, which will take on responsibility for the investigation of housing benefit fraud, which is currently a Local Authority responsibility. There have been several pilot exercises between the DWP and various Local Authorities across different parts of the country (Hillingdon being the pilot site for London), looking at various models for SFIS to follow.

SFIS rollout will begin in June 2014. This will be for those sites that are part of the pilot exercises. After this there will be a three month pause to assess the implementation of work and staff to SFIS. Full implementation, on a phased basis, will begin from October 2014. This is expected to be for three sites per month per region, up until March 2016. A transfer date for the City of London will be notified to the Town Clerk & Chief Executive towards the end of April/ beginning of May 2014.

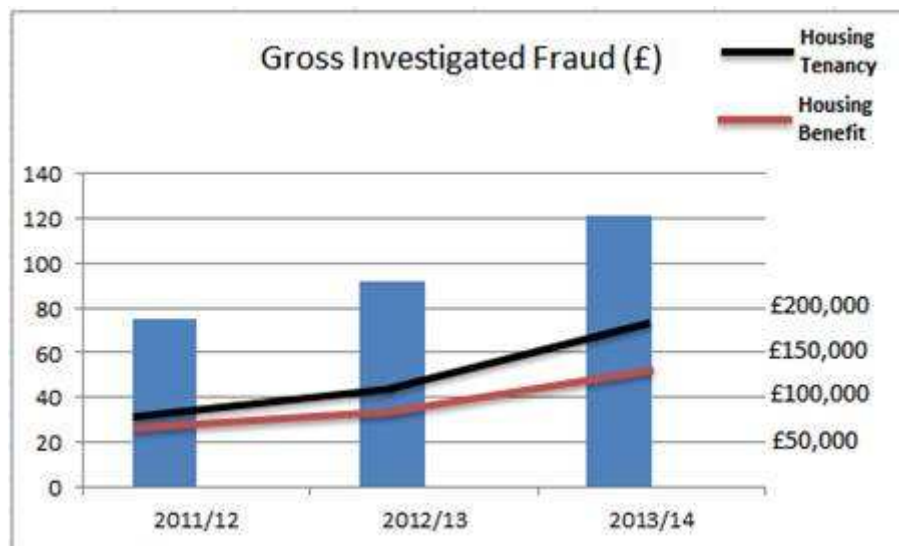
10. The City of London does not consider any of its staff to be in scope for transfer to the Department for Work & Pensions. The investigation of housing benefit fraud has been decreasing since the introduction of more robust eligibility criteria such as the benefit cap and the bedroom tax. This particularly affected central London areas, where rents are far higher than in other parts of the Country; further to this the section has continued to develop its anti-fraud & investigation capabilities in other more pressing areas affecting the City Corporation, such as housing tenancy and internal fraud, which continue to show a marked year on year increase in referrals and successful outcomes.

## Investigation Activity Summary

11. The following graphs summarise our investigation activity for the 2013/14. The first shows the number of cases referred to the Investigation Team in the year, the number of cases closed and number of cases subject to investigation across all types of fraud.



12. The second graph shows a trend analysis of the gross number of cases investigated during 2013/14, against the previous two years. This shows all fraud types, along with the value of frauds detected for both housing benefit and housing tenancy investigations.



13. Detailed housing benefit and housing tenancy fraud caseload reports are maintained, detailing the gross value of the fraud identified for both disciplines. The reports produced as **Appendix 3** and **Appendix 4** respectively, detail the investigation activity across both housing benefit and housing tenancy fraud for 2013/14.

## **Housing Tenancy Fraud**

14. A former City of London housing tenant of Avondale Square Estate was prosecuted at the Central Criminal Court on 29<sup>th</sup> April 2014 to five charges under the Forgery & Counterfeiting Act 1981, Theft Act 1968, Social Security Administration Act 1992 & the Identity Documents Act 2010 relating to fraudulently obtaining social housing with the City of London Corporation. The criminal benefit in this case exceeds £127,000. At sentencing the defendant was sentenced to 24 months imprisonment, with 12 months to be served in custody and 12 months to be served on licence. She was taken to prison immediately. We are working with the City's Public Relations Office to release a press release in this case.

## **Corporate Fraud**

15. Internal Audit recently investigated a matter at Epping Forrest involving the low value theft of City Corporation cash from a secure area. The investigation found that an employee had been taking unauthorised loans from a safe in order to support a family member. When interviewed by the Senior Investigator the employee admitted the offences and was subsequently suspended. The employee tendered his resignation prior to gross misconduct charges being heard. Following conversations with Essex Police a Community Resolution order was achieved which dealt effectively with the criminal aspect of the investigation. The money taken by the employee was recovered from his final salary payment. Internal controls operated by Epping Forest Open Spaces staff over cash handling had proved to be robust in quickly identifying and reporting this loss within 24 hours of the cash being taken. Local management and Internal Audit were alerted promptly which allowed a swift investigation to take place.

16. Internal Audit are continuing to work on quantifying the value of corporate fraud Investigations. We will be in a position to report on the value of corporate fraud investigations in the next Investigation update report to Committee in September 2014.

## **Conclusion**

17. Internal Audit continues to provide a specialist fraud investigation service across the City Corporation. Positive outcomes across a number of fraud areas continue to be achieved. Publicity for our work is actively pursued where appropriate as part of our ongoing anti-fraud activity.

## **Appendices**

**Appendix 1: Summary of delivery against the 2013/14 proactive anti-fraud plan**

**Appendix 2: Pro-active Anti-Fraud Plan for the 2014/15 reporting year**

**Appendix 3: Housing Benefit Fraud Caseload**

**Appendix 4: Housing Tenancy Fraud Caseload**

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## Appendix 1: Summary of delivery against the 2013/14 proactive anti-fraud plan

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
<a href="#">Protecting the Public Purse (PPP) 2012</a> - Checklist for those responsible for governance	Review of the City's response to fraud against AC check list	<ul style="list-style-type: none"> <li>Gain a greater understanding of how the organisation views and responds to fraud.</li> <li>Identify areas for improvement</li> </ul>	Benchmarking exercise undertaken by the Senior Investigator- results utilised to inform our Pro-active Anti-fraud strategy.	Chris Keesing	June 2013	PPP 2012 checklist considered against review from PPP 2011, no notable changes required to governance arrangements in place at CoL.
Fraud Awareness E-learning	<p>Fraud Awareness E-learning training course developed and produced by CK during 2012/13.</p> <p>Hard copy Fraud Awareness handout produced for those employees with little or no access to IT.</p> <p>E-learning to be agreed by Chief Officers for roll-out.</p> <p>Completion of training expected by all CoL employees</p>	<ul style="list-style-type: none"> <li>Communication to employees to commence May/ June 2013 via Intranet/ eLeader</li> <li>Roll-out to commence 1<sup>st</sup> July 2013.</li> <li>Completion of course by 01/11/2013</li> <li>Aims to up-skill CoL employees and give them the confidence to report concerns.</li> </ul>	<p>Senior Investigator to co-ordinate E-learning.</p> <p>Support required from HR, Head of A&amp;RM.</p> <p>Training to be endorsed by Chief Officers and Members of A&amp;RM Committee</p>	Chris Keesing Paul Nagle HR L&D	Q1 – Q4	E-learning completed by in excess of 95% of CoL employees as at Jan 2014. This training has provided employees with the necessary skills to notice the warning signs of fraud that could affect the CoL, and has provided guidance to staff about raising concerns.

## Appendix 1: Summary of delivery against the 2013/14 proactive anti-fraud plan

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
Fraud Awareness 'Spot it, Stop it' campaign.	Week long Fraud Awareness campaign, promoted by the National Fraud Authority and CIPFA, utilising the 'Spot it Stop it' tool kit available on the CIPFA TIS web-site.	<p>Aims;</p> <ul style="list-style-type: none"> <li>• Targeted fraud awareness campaign to all CoL employees</li> <li>• Increased fraud awareness across organisation, along with increased awareness and confidence in City's whistleblowing arrangements</li> <li>• Increase profile of City's anti-fraud and investigation unit.</li> <li>• Enforce our zero tolerance approach to fraud &amp; corruption</li> <li>• Supporting full roll out of fraud awareness e-learning and other awareness activity</li> </ul>	<p>Chief Officer support from TC &amp; Chamberlain, along with Business Support Director.</p> <p>Chris Keesing to co-ordinate campaign</p> <p>Support for delivery from Paul Nagle, Sabir Ali and Internal Audit staff.</p> <p>Support from Internal Comms Team and HR.</p>	Chris Keesing	Autumn 2013 (commencing Sept 2013)	Deferred – the fraud awareness e-learning programme, detailed in the previous objective has superseded this activity during this current reporting year.

## Appendix 1: Summary of delivery against the 2013/14 proactive anti-fraud plan

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
Fraud Awareness Presentations	Continuation of tailored fraud awareness presentations to internal and external forums	<ul style="list-style-type: none"> <li>Increase staff awareness of fraud at all levels across the organisation</li> <li>To undertake fraud awareness activity in areas where investigations have been undertaken or fraud and/or corruption has been found.</li> <li>Understand employee's views of fraud and how they feel the City responds.</li> </ul>	<ul style="list-style-type: none"> <li>Senior Investigator will continue to lead and co-ordinate fraud awareness presentations, with support of the Head of Audit &amp; Risk &amp; Assurance Manager.</li> </ul>	Chris Keesing Paul Nagle Sabir Ali	Where need identified or agreed, and where requested during the reporting year.	<p>Fraud Awareness presentations delivered to;</p> <p>Housing Benefit staff – Oct 2013</p> <p>Housing Allocations staff – Oct 2013 &amp; Feb 2014.</p>
Housing Rents to Direct Debit Payments exercise	Undertake data-matching activity to identify instances where CoL Social Housing may be sub-let. This will be done by identifying those tenants whose rent payments are made by a person not associated with the tenancy.	<ul style="list-style-type: none"> <li>The identification of suspect sub-letting fraud</li> <li>The recovery of those properties from tenants found to be sub-letting</li> <li>Criminal Action and positive publicity in suitable cases.</li> </ul>	<ul style="list-style-type: none"> <li>Senior Investigator to propose scope of, and oversee Fraud Drive</li> <li>Internal Auditor/ Fraud Investigator to undertake data-matching &amp; field work</li> <li>Senior Fraud Investigator/ Fraud Investigator to investigate and determine suitable action.</li> </ul>	Chris Keesing Internal Auditor assistance to undertake key role in fraud drive DCCS C&CS	Commence July 2013	Deferred – due to significant audit and fraud investigator resource involved in major investigation.

## Appendix 1: Summary of delivery against the 2013/14 proactive anti-fraud plan

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
National Fraud Initiative – NFI	<p>Active participation in AC's 2012/13 NFI exercise.</p> <ul style="list-style-type: none"> <li>Co-ordinate &amp; ensure all recommended filter matches are reviewed in a timely fashion.</li> <li>Investigate all matches where fraud and/or error identified.</li> <li>Liaise with AC where necessary and co-ordinate any AC inspection.</li> </ul>	<ul style="list-style-type: none"> <li>To identify areas for concern, where fraud or error may exist</li> <li>To investigate and take suitable action in instances where matching activity has found fraud &amp; error</li> <li>Publicise successful prosecutions from NFI activity</li> <li>Receive positive report from AC NFI inspection as in previous exercises</li> </ul>	<p>Senior Investigator – Key Contact, will be responsible for:</p> <ul style="list-style-type: none"> <li>Liaison with AC.</li> <li>NFI compliance.</li> <li>Co-ordination of review of matches by staff in owning areas.</li> <li>Effective investigation and publicity in fraud cases arising from NFI activity.</li> </ul>	<p>Chris Keesing</p> <p>CoL Dept. NFI contacts</p>	<p>On-going across reporting year.</p>	<p>Positive endorsement of City's involvement in the NFI received from the AC.</p> <p>4 Frauds and 6 Errors have been identified as a direct result of this exercise, resulting in overpayments of £11,726.65</p>
Employee to Directorship fraud drive exercise	<p>Undertake fraud drive, with assistance of external partner (Tracesmart Solutions) in order to identify employees that may be undertaking work which may not have been declared in-line with Corporate Policy. Employee data will be matched against Companies House Data held by Tracesmart Solutions</p>	<ul style="list-style-type: none"> <li>Identification of CoL employees who have failed to declare employment outside of CoL duties, which may impact on employees performance at CoL</li> <li>Identify whether there are any undeclared conflicts of interest between employees and creditors.</li> </ul>	<p>Estimated cost of data-matching £600</p> <p>Senior Investigator to propose and co-ordinate fraud drive.</p> <p>Support required from Head of Audit &amp; Business Support Director</p> <p>Investigations to be undertaken by Senior Investigator, fraud Investigator and Internal Auditors</p>	<p>Chris Keesing</p> <p>Internal Auditor assistance to undertake key role in fraud drive</p> <p>Human Resources</p> <p>C&amp;CS</p>	<p>Commence November 2013</p>	<p>Deferred to 2014/15 – funding was provided for an alternative, higher priority fraud drive – Housing Tenants to Credit Reference Agency data-matching.</p>



## Appendix 2: Pro-active Anti-Fraud Plan for the 2014/15 reporting year

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
<a href="#">Protecting the Public Purse 2013</a> - Checklist for those responsible for governance	Review of the City's response to fraud against AC check list. Consider whether City's Anti-Fraud and Corruption Strategy is still fit for purpose, and whether a full review is required	<ul style="list-style-type: none"> <li>Gain a greater understanding of how the organisation views and responds to fraud.</li> <li>Identify areas for improvement</li> </ul>	Benchmarking exercise undertaken by the Senior Investigator- results utilised to inform our Pro-active Anti-fraud strategy.	CK SA	20/06/2014 – review of Protecting the Public Purse  30/11/2014 – if update to Anti-Fraud and Corruption Strategy required.	
Members Fraud Awareness Session	Fraud Awareness Session to be delivered to all Members of the City Corporation declaring an interest.  Scope to be planned by CK & PN and agreed with SCJ.  Session expected to be interactive and cover areas of specific interest to Members that may affect the CoL.  Session to last a maximum of one hour.	<ul style="list-style-type: none"> <li>Session to be publicised to Members with expressions of interest sought</li> <li>Session to cover areas of fraud risk that may affect the CoL</li> <li>Members gain a better understanding of the anti-fraud &amp; investigation work undertaken by Internal Audit</li> <li>Feedback from Members welcomed to help shape and inform the direction of the teams anti-fraud activities</li> </ul>	CK & PN to consider scope and agree with SCJ  Power Point presentation to be developed by CK and agreed with PN & SCJ  Presentation to be delivered to Internal Audit colleagues at team meeting prior to delivery to Members – comments considered and incorporated as appropriate.  Presentation delivered to Members.	CK PN SCJ SA	23/06/2014	

## Appendix 2: Pro-active Anti-Fraud Plan for the 2014/15 reporting year

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
Credit Reference Agency (CRA)-social housing fraud drive	Data-matching exercise undertaken with major CRA in order to identify tenants who may be sub-letting their properties or who have obtained property by deception through furnishing false or misleading information concerning their circumstances.	<ul style="list-style-type: none"> <li>Identify illegal occupation of CoL social housing</li> <li>Identify fraudulently obtained social housing</li> <li>Recover property illegally occupied/obtained.</li> <li>Prosecute offenders where appropriate</li> <li>Reduce pressure on City's TA and waiting list</li> <li>Return quality housing to those in greater housing need.</li> </ul>	<p>Director support for funding fraud drive</p> <p>CK to manage fraud drive and liaise with CRA.</p> <p>Referrals to be reviewed by LC &amp; CK</p> <p>Investigations to be undertaken by LC &amp; CK</p> <p>CK &amp; PN to review cases identified for further action.</p> <p>C&amp;CS to support and administer civil &amp; criminal investigations referred by IA Investigations Team</p>	CK LC PN C&CS	Fraud drive commenced Autumn 2013. Referrals from fraud drive to have a major impact on resource for 2014/15, and expected to continue through reporting year.	<p>Excellent level of buy-in from relevant Depts.</p> <p>Several successful outcomes already obtained.</p>

## Appendix 2: Pro-active Anti-Fraud Plan for the 2014/15 reporting year

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
Document/ Fraud Awareness Interactive Training Session	<p>Joint CoL/ UKBA document &amp; fraud awareness interactive session designed to up-skill CoL staff responsible for verifying personal identity documents requested for key services and employment to verify right to work and or recourse to public funds.</p> <p>Target audience:</p> <ul style="list-style-type: none"> <li>• Housing Benefit Staff</li> <li>• Housing Tenancy Staff</li> <li>• Rents Staff</li> <li>• Front Line Staff</li> <li>• Estates Staff</li> <li>• HR Staff</li> <li>• Trading Standards Staff</li> </ul>	<ul style="list-style-type: none"> <li>• Increase staff awareness of fraud affecting CoL</li> <li>• Increase document fraud awareness for CoL staff involved in verification of personal documents</li> <li>• To mitigate fraudulent applications being successful.</li> <li>• To continue in our aims to reduce fraud across the CoL</li> </ul>	<ul style="list-style-type: none"> <li>• Senior Investigator will lead and co-ordinate fraud/ document awareness training session, with support from Fraud investigator.</li> <li>• UKBS liaison to provide specialist document awareness training aspect of training session</li> </ul>	CK LC	20/05/2014	

## Appendix 2: Pro-active Anti-Fraud Plan for the 2014/15 reporting year

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
Housing Rents to Direct Debit Payments exercise	Undertake data-matching activity to identify instances where CoL Social Housing may be sub-let. This will be done by identifying those tenants whose rent payments are made by a person not associated with the tenancy.	<ul style="list-style-type: none"> <li>• The identification of suspect sub-letting fraud</li> <li>• The recovery of those properties from tenants found to be sub-letting</li> <li>• Criminal Action and positive publicity in suitable cases.</li> </ul>	<ul style="list-style-type: none"> <li>• Senior Investigator to propose scope of, and oversee Fraud Drive</li> <li>• Internal Auditor/ Fraud Investigator to undertake data-matching &amp; field work</li> <li>• Senior Fraud Investigator/ Fraud Investigator to investigate and determine suitable action.</li> </ul>	CK  Internal Auditor assistance to undertake key role in fraud drive  DCCS  C&CS	15/09/2014	

## Appendix 2: Pro-active Anti-Fraud Plan for the 2014/15 reporting year

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
National Fraud Initiative – NFI 2014/15 Exercise	<p>Active participation in AC’s 2014/15 NFI exercise, as per set timetable and instruction.</p> <ul style="list-style-type: none"> <li>Co-ordinate &amp; arrange for Fair Processing Notices (FPN’s) to be issued as appropriate</li> <li>Co-ordinate and arrange for data to be extracted as appropriate.</li> <li>Facilitate safe and secure transfer of data to AC as per instruction.</li> <li>Maintain liaison with NFI Team and act as Key Contact form CoL.</li> <li>Ensure key personnel are aware of their responsibilities in relation to the NFI and are prepared to undertake investigative activity as appropriate.</li> <li>Ensure CoL data-set users are set-up on NFI secure web-site and able to review matches.</li> </ul>	<ul style="list-style-type: none"> <li>To identify areas for concern, where fraud or error may exist</li> <li>To investigate and take suitable action in instances where matching activity has found fraud &amp; error</li> <li>Where a minimal number of matches have been returned by the AC, take a degree of assurance, as appropriate that fraud risk is low in particular area. Feed this back to fraud &amp; risk teams.</li> <li>Publicise successful prosecutions from NFI activity</li> <li>Receive positive report from AC NFI inspection as in previous exercises</li> </ul>	<p>Senior Investigator – Key Contact, will be responsible for:</p> <ul style="list-style-type: none"> <li>Liaison with AC.</li> <li>NFI compliance.</li> <li>Co-ordination of FPN’s, data-sets, extraction and up-load of data, review of matches by staff in owning areas.</li> <li>Effective investigation and publicity in fraud cases arising from NFI activity.</li> </ul>	<p>CK CoL Depts. NFI contacts</p>	<p>TBC (expected Oct 2104)</p>	

## Appendix 2: Pro-active Anti-Fraud Plan for the 2014/15 reporting year

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
Employee to Directorship fraud drive exercise	Undertake fraud drive, with assistance of external partner (Tracesmart Solutions) in order to identify employees that may be undertaking work which may not have been declared in-line with Corporate Policy. Employee data will be matched against Companies House Data held by Tracesmart Solutions	<ul style="list-style-type: none"> <li>• Identification of CoL employees who have failed to declare employment outside of CoL duties, which may impact on employees performance at CoL</li> <li>• Identify whether there are any undeclared conflicts of interest between employees and creditors.</li> </ul>	<p>Estimated cost of data-matching £600</p> <p>Senior Investigator to propose and co-ordinate fraud drive.</p> <p>Support required from Head of Audit &amp; Business Support Director</p> <p>Investigations to be undertaken by Senior Investigator, and fraud Investigator</p>	<p>CK</p> <p>LC</p> <p>Human Resources</p> <p>C&amp;CS</p>	08/12/14	

### Appendix 3 – Housing Benefit Fraud Caseload Summary as at Year End - 31/03/2014

Housing Benefit Fraud Case Referrals	April 2013 – March 2014	April 2012 – March 2013	April 2011 - March 2012
Referrals Received in current year	37	32	25
Cases carried over from previous years <sup>1</sup>	21	20	18
<b>Total</b>	<b>58</b>	<b>52</b>	<b>43</b>
<b>Comprising</b>			
Cases currently under investigation	7	12	12
Cases referred to DWP solicitors	2	1	2
Cases referred to City Solicitors	3	1	4
Cases subject to benefit entitlement re-assessment	1	6	2
Cases subject to Admin Penalty Action	2	1	0
<b>Total number of live cases<sup>2</sup></b>	<b>15</b>	<b>21</b>	<b>20</b>
Successful prosecutions	3	5	3
Successful Cautions	5	2	1
Successful Admin Penalties	5	2	1
Cases where fraud proven but no further action taken	5	4	3
Cases closed with no further action	25	18	15
<b>Total number of closed cases</b>	<b>43</b>	<b>31</b>	<b>23</b>
<b>Total</b>	<b>58</b>	<b>52</b>	<b>43</b>
<b>Total value of HB/ CTB overpayments relating to the investigated cases detailed above<sup>3</sup></b>	<b>£128,002</b>	<b>£93,211</b>	<b>£70,558</b>
<b>Notes:</b> <sup>1</sup> Previous year's data shows the position at year end, and is provided for comparative purposes. Cases carried over from previous years do not represent live cases in the current reporting year. <sup>2</sup> Total claim base approximately 1100 individuals <sup>3</sup> Total value of benefit payments per annum circa £5.7m			

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## Appendix 4 – Housing Tenancy Fraud Caseload Summary as at Year End – 31/03/2014

Housing Tenancy Fraud Case Referrals	April 2013 to March 2013	April 2012 to March 2013	April 2011 to March 2012
Referrals received in current year	28	9	12
Cases carried over from previous years <sup>1</sup>	10	11	9
<b>Total</b>	<b>38</b>	<b>20</b>	<b>21</b>
<b>Cases currently under investigation</b>	<b>11</b>	<b>9</b>	<b>11</b>
<b>Cases closed with no further action</b>	<b>13</b>	<b>4</b>	<b>6</b>
<b>Cases with Comptroller &amp; City Solicitor</b>	<b>3</b>	<b>1</b>	<b>0</b>
<b>Cases where possession pending</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cases where possession order granted</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cases where successful possession gained <sup>2</sup></b>	<b>10</b>	<b>6</b>	<b>4</b>
<b>Cases where fraudulent application identified</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>38</b>	<b>20</b>	<b>21</b>
<b>Value where successful possession gained <sup>3</sup></b>	<b>£180,000</b>	<b>£108,000</b>	<b>£72,000</b>
<sup>1</sup> Previous year's data shows the position at year end, and is provided for comparative purposes. Cases carried over from previous years do not represent live cases in the current reporting year. <sup>2</sup> 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. <sup>3</sup> 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.			

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<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management	13 <sup>th</sup> May 2014
<b>Subject:</b>	<b>Public</b>
Use of on-line training and lessons learnt	
<b>Report of:</b>	<b>For Information</b>
Chamberlain and Director of HR	
<b>Summary</b>	
<p>This report describes the lessons learnt from using the online training platform, CoreZone, for the delivery of the mandatory training on Fraud Awareness during the Autumn of 2013.</p> <p>The lessons learnt can be used to inform future training packages which are disseminated in this way and the monitoring of existing training modules which are delivered in the same way.</p> <p>Whilst using such an approach to cover all staff, it is essential that there is early and continuing engagement between the sponsoring department and HR so that the exercise is planned, co-ordinated, monitored and well communicated. Overall, despite some of the difficulties, it has been a useful exercise generating some good learning for those planning to use this method of training for the future.</p> <p><b>Recommendation</b></p> <p>Members are asked to note the report</p>	

## Main Report

### **Background**

1. This report sets out the lessons learnt from the use of on-line training for Fraud Awareness. It does not cover the issues relating to the levels of completion of the training which have been dealt with separately at this Committee. This report went to the Establishment Committee in February to inform them of the learning.

### **Current Position**

2. In order to ensure that all staff are aware of the risk of fraud in the workplace and the signs to look out for, an on-line training package was developed by the Internal Audit team in conjunction with the CoreZone administrator in HR. This training was agreed for roll-out by the Chief Officers Group and deemed mandatory by this Committee.

### **Issues encountered**

3. At the beginning of the exercise, the Internal Audit team assumed that all staff were already enrolled on the learning platform, CoreZone, and that it would be straightforward to produce accurate information about who had completed the

training. The team did not appreciate the link between Core Zone and iTrent and how completion could be monitored. They assumed that drawing the information from Core Zone would give an accurate picture. However Core Zone can only record who has completed the training, it is the upload into the training records in iTrent which can provide the data on which employees had not completed the training.

4. There was limited appreciation that on line training is not appropriate for all staff due to their access to computers. or because of their language skills.
5. The timescale by which the training had to be completed was initially short and there was limited communication before it was made available to explain its purpose and the mandatory nature of it.
6. Some staff had difficulty in accessing the learning platform either because they had not registered on it previously or because of technical limitations with the computer they were using.
7. It was not appreciated by the roll out team that Core Zone can be accessed outside of the COL systems via the internet .

### **Lessons learnt**

8. There were a number of lessons learnt from the exercise which are summarised as;
  - a. At outset, ensure thorough understanding of how Core Zone works and interacts with iTrent so that completion can be monitored through the right system Understand the limitations of e-learning as a tool for all staff, particularly by staff lacking in language and/or IT skills or those with no or limited access to PC's;
  - b. Have a better communications strategy so that staff understand the different ways to access the system and the importance of the training rather than the compulsion.
  - c. Consider need for off-line training document from the outset, and where necessary, produce this prior to rolling out the on-line package;
  - d. Be more realistic on time-scales for completion of mandatory training courses by the entire workforce;
  - e. A management briefing note from the department responsible for the training, for discussion at team meetings, prior to commencement of training may have assisted in increasing completion of the training at an earlier stage;
  - f. Agree reporting expectations from outset for Committee, HR, Chief Officers, senior management so that it is clear what is required, when it can and will be produced and the relevant format of the reporting; and
  - g. Produce an Frequently Asked Question sheet for staff, this should detail the different methods of accessing CoreZone, the necessity of completing the evaluation form, checking completion, completing any part of the training or feedback form, who to contact for support with any issues that arise.

- h. Engage help on the content design of the training so that for example the evaluation form is linked direct to the completion as many people completed the training but not the evaluation form and therefore were not registered as completing the course.

## **Implications**

- 9. This is not the only on-line training package that is mandatory for all or some staff so there are some useful lessons that can be used in rolling out other training and for monitoring the completion of them.
- 10. It is vital that there is proper preparation for a new piece of training which should include working closely with HR to agree a number of key issues including:
  - a. Is the training mandatory for temporary, contract and casual staff as well as permanent employees and if so, how will that be delivered and monitored;
  - b. delivering training to those without IT access;
  - c. recording the completion of the training on employees iTrent records, particularly where this is completed off-line;
  - d. how HR Business Partners can support training across departments and its completion.
- 11. There are wider implications also which include how mandatory training can be included in the initial induction of new staff and how training which needs to be completed at regular intervals can be supported. This needs to include reviewing other mandatory training to understand the take up, monitoring controls, completion rates, and lessons learned, in order to provide a clearer picture as to the challenges faced when introducing a mandatory training package and delivering it to an entire workforce.
- 12. Communication plans are an essential part of such training and should be planned in advance of requiring such training to be done. This could include emails directly to Chief Officers, emails to all staff (respecting what has been said about access), brief departmental management teams, and seeking support from HR Business Partners.

## **Conclusion**

- 13. On-line training can be extremely effective however it does need to be planned, co-ordinated, monitored and well communicated. Overall, despite some of the difficulties, it has been a useful exercise generating some good learning for those planning to use this method of training for the future.

## **Background Papers:**

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<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee	13 <sup>th</sup> May 2014
<b>Subject:</b>	<b>Public</b>
Replacement Whistleblowing Policy	
<b>Report of:</b>	<b>For Decision</b>
Chamberlain and Director of Human Resources	

### Summary

The City's Whistleblowing Policy is an essential mechanism in the organisations armoury against wrongdoing, such as fraud, theft, corruption, safeguarding, health & safety and malpractice. Whilst the City of London is confident that it has a management regime in place that seeks to ensure that most concerns can be raised through normal line management channels; the City's Whistleblowing Policy provides an alternative mechanism for employees to raise serious concerns that they may have in order that they may be swiftly resolved, and where such concerns cannot be raised through the existing management channels.

The existing Whistleblowing Policy was published on 7<sup>th</sup> December 2004, with only minor alterations since its implementation. There have been a number of recent changes to whistleblowing regulations, most importantly to The Public Interest Disclosure Act 1998, which has been amended by other legislation, including the Enterprise and Regulatory Reform Act 2013. As a result a major re-write of the Policy was required.

This replacement Whistleblowing Policy incorporates the changes to whistleblowing regulations, brings the Policy up to date, and conforms to the British Standards Whistleblowing Arrangements Code of Practice.

The replacement Whistleblowing Policy covers all City of London Corporation staff, including Police civilian staff. City of London Police Officers and Police Community Support Officers will refer to the City of London Police - Professional Standards Reporting, Standard Operating Procedure.

The replacement Whistleblowing Policy has been reviewed by key stakeholders, including the Comptroller & City Solicitor, and has passed through a consultation stage with representatives from the GMB & Unite Unions, and with Chief Officers. Audit and Risk Management Committee endorsement and comments are sought on the Policy prior to seeking Establishment Committee approval of the updated Policy.

### Recommendations

Members are asked to:

- Endorse the proposed replacement Whistleblowing Policy
- Recommend the Policy to the Establishment Committee for approval

## **Main Report**

### **Background**

1. The City of London is committed to maintaining the highest possible standards of openness, probity and accountability amongst its employees and as such takes very seriously any form of malpractice that is identified or discovered. The City of London's Code of Conduct for employees' sets out the standards expected from all of our employees and the City's core values. Likewise the City of London's Code of Conduct for Members sets out the standards expected from its elected representatives.
2. The City of London offers a number of avenues to employees to enable them to raise concerns they may have within the workplace, some of these are specialist, such as those outlined within the Corporate Anti-fraud & Corruption Strategy, whilst others offer channels to raise concerns across wider remits. The City's Whistleblowing Policy is an essential tool for employees to raise concerns that are in the public interest, without fear from any form of reprisal or discrimination.
3. Whilst the City of London is confident that it has a management regime in place that seeks to ensure that most concerns can be raised through normal line management channels; the City's Whistleblowing Policy provides an alternative mechanism for employees to raise serious concerns that they may have in order that they may be swiftly resolved, and where such concerns cannot be raised through the existing management channels.
4. Where concerns are raised in the public interest and when the employee reasonably believes the concern to be true, they will be protected from any reprisals or victimisation. Furthermore, if genuine concerns are raised under this Policy, the employee will not be at risk of suffering any form of retribution as a result.
5. The Whistleblowing Policy can also provide a mechanism for members of the public to raise similar serious concerns in relation to the City of London operations, if necessary.
6. The current Whistleblowing Policy has been in operation since 7th December 2004; only minor alterations have been made to this Policy since its introduction.
7. The table below details the number of Whistleblowing disclosures reported to Internal Audit, either directly or via colleagues in other departments, over the past four years.

<b>Year</b>	<b>Number Recorded</b>
2010/11	15
2011/12	5
2012/13	5
2013/14	7



8. Members will note a peak of whistleblowing disclosures in 2010/11. No underlying reason for this peak of reporting could be determined.
9. Any member of staff receiving a whistleblowing disclosure is required to report this to Internal Audit for recording purposes, as detailed within the replacement Whistleblowing Policy, however ensuring this always happens in all cases cannot be guaranteed.

### **Current Position**

10. A review of the Whistleblowing Policy by Internal Audit found that although the Policy retained its key messages, it needed re-drafting in order to bring it up to date and to incorporate changes to The Public Interest Disclosure Act 1998, which has been amended by other legislation, including the Enterprise and Regulatory Reform Act 2013.
11. On 25<sup>th</sup> June 2013, the Government introduced a public interest test to whistleblowing disclosures so that only concerns which meet the test, and which are of relevance to the general populace will give the whistleblower legal protection. (Disclosures made before 25<sup>th</sup> June 2013 need only to have been made in good faith.)
12. The replacement Whistleblowing Policy provides employees with clear guidance on the type of matters that may be raised, along with guidance on how to raise a concern; it likewise provides a frequently asked question (FAQ's) section and guidance for managers who are notified of a concern. The Policy also provides employees with guidance on where they can seek advice, should they wish, prior to making a disclosure.
13. The replacement Whistleblowing Policy covers all City of London Corporation staff, including Police civilian staff. City of London Police Officers and Police Community Support Officers will refer to the City of London Police - Professional Standards Reporting, Standard Operating Procedure.
14. The replacement Whistleblowing Policy has been reviewed by Corporate Human Resources and the Comptroller & City Solicitor; it has likewise gone through consultation with both the GMB and Unite Unions. Chief Officers have also reviewed it and given feedback. Only minor alterations were required as a result of these reviews.
15. Ordinarily a tracked changes version would be provided in order to demonstrate the amendments made to the Policy, however owing to the number of changes necessary the Whistleblowing Policy has been completely re-written, and therefore a tracked changes version cannot be provided. The previous policy can be provided on request to Members.

### **Replacement Policy**

16. The Corporation is confident that it has a management regime in place that ensures that most concerns can be raised through normal line management

channels. The proposed replacement Whistleblowing Policy, incorporates the recent changes to the Public Interest Disclosure Act, and conforms to best practice guidance and British Standards. The Policy has been reviewed by key stakeholders and has passed through a consultation stage with the Unions and Chief Officers. It provides clear guidance, and brings up to date a key Policy designed to encourage employees to raise any concerns they may have.

17. Once the policy is approved, the replacement Whistleblowing Policy will be highlighted in the all staff eLeader, via an all staff update e-mail, and the Policy updated on the relevant pages of the internet and intranet. The existence and use of whistleblowing procedures was included in the recent Fraud Awareness training undertaken by all staff.
18. Internal Audit will attend management team meetings as appropriate in order to explain the introduction of the replacement Whistleblowing Policy in greater detail, and to answer any questions colleagues may have.

## **Conclusion**

19. The adoption of a Whistleblowing Policy which meets current best practice standards assists the organisation in demonstrating high Corporate Governance Standards. It encourages employees to raise concerns about wrongdoing within the workplace that may otherwise go unreported, or those that cannot be raised through normal line management channels; likewise it provides a channel for members of the public to raise similar concerns in a confidential manner.
20. It is essential that employees have confidence in the whistleblowing procedures in place across the organisation, and assurance that the City of London takes seriously all concerns raised.
21. The proposed replacement Whistleblowing Policy conforms to best practice and British Standards guidance.

## **Background Papers:**

Appendices

Appendix 1: City of London Whistleblowing Policy (NEW)

## **Contact:**

Chris Keesing  
[Chris.keesing@cityoflondon.gov.uk](mailto:Chris.keesing@cityoflondon.gov.uk)  
020 7332 1278



# City of London Whistleblowing Policy

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## 1. Statement of Intent

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The City of London is committed to maintaining the highest possible standards of openness, probity and accountability amongst its employees and as such takes very seriously any form of malpractice that is identified or discovered. The [City of London's Code of Conduct for employee's](#) sets out the standards expected from all of our employees and the City's core values. Likewise the [City of London's Code of Conduct for Members](#) sets out the standards expected from its elected representatives.

The City of London is confident that it has a management regime in place that seeks to ensure that most concerns can be raised through normal line management channels; the City's Whistleblowing Policy provides an alternative mechanism for employees to raise serious concerns that they may have in order that they may be swiftly resolved, and where such concerns cannot be raised through the existing management channels.

Where concerns are raised in the public interest and when the employee reasonably believes the concern to be true, they will be protected from any reprisals or victimisation. Furthermore, if genuine concerns are raised under this Policy, the employee will not be at risk of suffering any form of retribution as a result. When raising a concern it is vital that the employee take the utmost care to ensure the accuracy of the information provided. Should it be found that a concern has been raised maliciously then disciplinary action may be taken against the employee who raised the concern.

Where an employee has been the subject of a whistleblowing disclosure, and following investigation, it is found that the employee has a case to answer, the matter will be dealt with in line with the City of London's disciplinary procedure.

## 2. Definitions

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Concerns in relation to, but not restricted to, the following types of wrongdoings are covered by the City of London's Whistleblowing Policy:

- i. a criminal offence, such as fraud, theft or corruption that has been or is likely to be committed.
- ii. abuse of position, whether or not for personal gain.
- iii. misuse of, or damage to, City of London's property.
- iv. any danger to health and safety.
- v. misuse of public funds.
- vi. damage caused to the environment.
- vii. mistreatment of clients, particularly children and vulnerable adults in our care.



- viii. Safeguarding, safety and well-being of service users.

This policy is not designed to be used where other more appropriate procedures are available. For example a problem or concern that an employee has about their work, working conditions or relationships with colleagues should be raised with their line manager in the first instance. Likewise concerns about Environmental Health should be notified to the City's Public Protection Team. If however, after using existing line management reporting mechanisms, employees remain significantly concerned that their issue has not been adequately addressed then this policy can be used.

### **3. Scope**

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All employees of the City of London, including City of London Police Civilian staff may use this Policy. This includes permanent and temporary employees. It also covers agency workers and employees seconded to the organisation. City of London Police Officers and Police Community Support Officers should refer to the City of London Police Professional Standards Reporting - Standard Operating Procedure.

Contractors working for the City of London may also use this Policy in order to make the City aware of any concerns that they, their employees or sub-contractors may have with regard to any contractual or other arrangement with the City of London. Any concerns relating to non-City of London business should be raised with the relevant contractor's organisation, regulator or other suitable agency.

Members of the public may also use this procedure, where they have a whistleblowing concern about services provided by the City of London.

### **4. Purpose**

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The Public Interest Disclosure Act 1998 provides protection for employees against detrimental treatment or dismissal as a result of a protected disclosure made by them if they speak out genuinely against corruption and malpractice at work. The Act applies to disclosures of facts not opinion. The purpose of this Policy is to clarify for employees how they can raise matters of concern that fall within the remit of this Act and what they can expect to happen once they have made a complaint.

### **5. Legal Position**

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Employees and workers who make a 'protected disclosure' are protected from being treated badly or being dismissed for doing so. The key piece of whistleblowing legislation is the Public Interest Disclosure Act 1998 (PIDA) which applies to almost all workers and employees who ordinarily work in Great Britain. The Public Interest Disclosure Act 1998 has been amended by other legislation, for example the Enterprise and Regulatory Reform Act 2013.



For a disclosure to be protected the worker or employee must follow the procedures laid down in the legislation. From 25 June 2013 onwards the Government has introduced a public interest test - only concerns which meet the test will give the whistleblower legal protection. (Disclosures made before 25 June 2013 need only to have been made 'in good faith'.)

## **6. Employees who raise concerns under this Policy:**

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- i. Can ask for their identity to be protected and in general it will not be disclosed without their consent, but there may, however, be instances where the City of London is unable to resolve the concern without revealing the employee's identity e.g. where the employee's evidence is required in court. Should this be the case, the investigating officer will discuss this with the employee.
- ii. Can make anonymous disclosures of concern to the City of London Corporation via these whistleblowing channels and the matter will be dealt with in line with this Policy. Anonymous disclosures are, however, generally more difficult to investigate as the City is unable to contact the employee should further information be required. Furthermore we would be unable to give any feedback to the employee raising the concern. Reporting concerns via the whistleblowing channels is completely confidential and, therefore, employees are encouraged to leave their contact details in order for the City to be able to investigate any concerns in their entirety.
- iii. Can withdraw their disclosure, but the City of London will carefully consider the disclosure made and may still proceed with any investigation should it be in the City's interests to do so.
- iv. Should not contact any persons whom they have concerns about in order to determine facts or demand restitution. Furthermore employees must not attempt to conduct investigations or interviews, or question anyone, unless specifically asked to do so by the Investigating Officer.
- v. Must not discuss the matter with any third parties, such as the press, unless explicitly asked to do so by the Investigating Officer.

In addition, employees who are unsure about raising their concerns through this Policy or wish to seek any independent advice may contact:

- a. their trade union, or
- b. Public Concern at Work – an independent charity, whose lawyers can offer you free confidential advice about how to raise a concern in the workplace. They can be contacted by telephone on 020 7404 6609, via email to [helpline@pcaw.co.uk](mailto:helpline@pcaw.co.uk) or by visiting their website at [www.pcaw.co.uk](http://www.pcaw.co.uk)

Appendix A describes the ways in which a whistleblowing concern can be raised. In certain circumstances it may be appropriate for an employee to report any concerns



outside of the organisation. If they do so they should ensure they do not disclose any confidential information belonging to the City of London. Any disclosure of confidential City of London information outside of the organisation may result in disciplinary action against the employee. An employee considering an external disclosure is strongly advised to seek advice first.

An employee may wish to make use of the free and confidential employee assistance programme, if they have any worries about reporting any concerns or any other matter. The helpline is confidential and can provide support on a wide range of work issues. [Further information about the EAP can be found on the City of London intranet.](#)

## **7. How the City of London will respond to any concern**

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Upon receipt of any concern, the City of London will allocate an Investigator/ Case Officer, who will be responsible for managing the whistleblowing disclosure, and maintaining a liaison with the whistleblower where appropriate.

The details of the concern raised will be considered and it will be decided whether there are grounds for proceeding further with an investigation. This may include:

- i. clarification of the facts, by the most suitable means, this may be via correspondence with the employee or via review of manual and/ or electronic information that may be available.
- ii. commencing a formal investigation.
- iii. determining whether the matter will be investigated under an alternative City of London policy e.g. Code of Conduct or Safeguarding Policy .
- iv. advising the employee if the concern is not a whistleblowing matter, and where appropriate the alternative routes that they may wish to consider such as the complaints procedure for service delivery matters or the grievance procedure for matters related to their employment.

Where it is determined that an investigation is warranted this may be:

- i. investigated by management, internal audit or through the disciplinary procedure.
- ii. referred to the police in serious criminal matters.
- iii. referred to the external auditor.
- iv. the subject of an independent inquiry by an outside body.

With the exception of anonymous referrals, the Investigating Officer will write to the employee within a reasonable period of time:

- a. acknowledging that the concern has been received.



- b. indicating how the matter will be dealt with as outlined above.
- c. giving an estimate of how long it will take to provide a final response.
- d. telling them whether any initial enquiries have been made, and whether further investigations will take place and, if not, why not.
- e. telling them if they will need to be contacted for further information/clarification.
- f. telling them how they will be informed of the progress of the investigation: however, there may be certain reasons where this is not possible but if this is the case the employee will be told why.

Where it is determined that there will be an internal investigation, it will be dealt with in a timely fashion. As part of the investigation the City of London will consider:

- a. whether any disciplinary action will be taken against any employee.
- b. whether changes should be recommended to any City of London procedures.
- c. whether any other action should be recommended.

At the conclusion of our investigations, the Investigating Officer will report the findings to the relevant managers, Chief Officer and Human Resources where appropriate. Where disciplinary action is recommended the disciplinary procedure will be used and if appropriate, in consultation with the Comptroller & City Solicitor. Where necessary, the individual who is subject to investigation will be informed of the outcome in writing and will be advised of what action, if any, is to be taken.

Where the matter has been referred to the police, external audit or an independent enquiry the employee will be informed by their caseworker how they will be kept informed or progress and any indicative timescale.

## **8. Recording and monitoring**

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The Chamberlain's Internal Audit section will maintain a confidential and secure register of all concerns raised through this Whistleblowing Policy. Investigations undertaken as a result of concerns being raised through these channels will be reported to the Audit & Risk Committee. Furthermore, weaknesses in City of London controls may be identified through our investigations and recommendations to improve these will be raised with relevant managers and Chief Officers.

All records will be treated as confidential and kept no longer than necessary in accordance with the Data Protection Act 1998. Individuals have a right to request and have access to certain personal data; however, some information may be withheld in order to protect a third party.





## 9. Appendices

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### **Appendix A: How to raise a whistleblowing concern**

There are a number of ways in which a concern can be raised. Employees are urged to consider the nature of the concern, whether it involves immediate management and the seriousness and sensitivity of the issues involved.

As soon as an employee becomes reasonably concerned about a matter they are encouraged to raise this in the first instance with their line manager. All managers have a responsibility to act on concerns raised. The line manager should report the concern to the Chamberlain's Internal Audit section and their HR Business Partner as soon as practicably possible.

If, however, employees are not comfortable raising concerns with their line manager there are a number of other reporting channels managed by Internal Audit to safeguard confidentiality as set out below:

- a. by [e-mail](#)
- b. by completing and submitting the [on-line form](#).
- c. by telephone to Internal Audit on 020 7332 1277 or 020 7332 1278.
- d. by leaving a message on the City of London's 24 hour confidential answer phone: 020 7332 3663.
- e. by letter to; The Head of Audit & Risk Management, City of London Corporation, PO Box 270, Guildhall, London, EC2P 2EJ.

To aid in any subsequent investigation following a concern being raised, it would help if you could tell us as much as you know about the issue, particularly if you choose to leave an anonymous message. This could include:

- a. details of what you have seen, witnessed or heard.
- b. details of the department, if applicable, where you have any concern.
- c. names of persons who you suspect to be involved in any wrongdoings.
- d. dates and times of any wrongdoings.
- e. whether your concerns involve a third party, such as a contractor.
- f. whether you have previously raised your concerns with, for example, line management.
- g. anything else that you feel maybe of interest.



## **Appendix B: Frequently Asked Questions**

### **Why does the City of London have a Whistleblowing Policy?**

A Whistleblowing Policy provides employees with a clear procedure on how to raise confidentially, any concerns they may have about the action(s) of persons, such as a colleague or an elected Member, which do not fall under the remit of complaints or grievance policies. It allows an employee to raise concerns that are within the public interest, and reasonably believed to be true, in the knowledge that they will be protected from any reprisals or victimisation

### **What is 'Whistleblowing' and how is it different from reporting a grievance or complaint?**

Whistleblowing is the term used when someone who works in, or for an organisation, wishes to raise concerns about malpractice in the organisation (for example, crimes, civil offences, miscarriages of justice, dangers to health and safety or the environment), and the covering up of any of these.

On the other hand, if you are making a complaint, you are saying that you, or someone close to you, has personally been poorly treated.

A grievance is when an employee has a dispute about their own employment position and the grievance procedure should be used in this regards.

### **Who can use the hotline?**

The hotline can be used by any employee, whether permanent, temporary or contractor, or member of the public, who has a whistleblowing concern about services provided by the City of London

### **Can I seek external advice before I use the Whistleblowing Hotline?**

Yes. If you are worried at any stage about how to raise your concern, you should always seek independent advice at the earliest opportunity. You can do this through your union or professional body or the independent whistleblowing charity Public Concern at Work (PCaW) on 020 7404 6609, or by email at [helpline@pcaw.co.uk](mailto:helpline@pcaw.co.uk). For further information please see their website at [www.pcaw.co.uk](http://www.pcaw.co.uk).

### **I think I have cause to report an issue to the Whistleblowing Hotline. What should I do next?**

Normally, you should first raise your concern internally, for example with your line manager. If you prefer not to do this, or you have tried and been dissatisfied with the results you can raise your concern via the City of London's confidential reporting tools, by emailing [raiseyourconcern@cityoflondon.gov.uk](mailto:raiseyourconcern@cityoflondon.gov.uk), by leaving a message on the confidential hotline – 020 7332 3663. You can also email the Town Clerk & Chief



Executive on [john.barradell@cityoflondon.gov.uk](mailto:john.barradell@cityoflondon.gov.uk). Alternatively send your concerns by post to:

Head of Audit & Risk Management  
Internal Audit  
Chamberlains Department  
PO Box 270, Guildhall  
London  
EC2P 2EJ

### **I've made a call to the Whistleblowing Hotline. What happens next?**

We will use the information you give us to decide how best to deal with your concerns. If we agree that your concerns count as whistleblowing, the matter will be allocated to an Investigator/ Case Officer who will investigate your concerns.

### **Will I be kept informed?**

We will always aim to give you as much feedback as we properly can on how we are dealing with your concerns. However due to the legal duties we may owe to others (for example duties of confidentiality) what we can tell you may be limited.

### **Will I remain anonymous?**

If you have asked us not to reveal your identity, we will do our best to respect your wishes. However, should a disclosure result in charges of a criminal nature, it may not be possible for us to protect your identity.

### **Appendix C: Guidance for Managers who are Notified of a Concern**

- i. Managers notified of a concern by an employee must treat the matter with strict confidentiality.
- ii. If it is clear to the manager that the concern raised is in relation to a complaint or grievance, they should deal with the matter under the appropriate procedure.
- iii. The manager should confirm with the employee whether they can disclose their identity.
- iv. The manager should notify the employee as to the actions that will be taken with regard to the notification, as set-out within this Policy, and provide a copy of the Whistleblowing Policy to the employee as necessary.
- v. A written account of the concern should be made as soon as possible following receipt of the notification, if such a note is made electronically, this should be password protected.
- vi. The concern must be notified to the Head of Audit & Risk Management in the Chamberlains Internal Audit Section, as soon as operationally possible.



- vii. The manager will be expected to co-operate and assist the Case Officer/ Investigator, as necessary.
- viii. If the manager is in any doubt as to how they should act upon receipt of a concern, they should contact the Head of Audit & Risk Management or their HR Business Partner.

#### **Appendix D: Sources of information guidance and support**

##### **Internal:**

Chamberlain's Internal Audit Section

Head of Audit & Risk Management: [Paul Nagle](#) - 020 7332 1277

[Human Resources Business Partner](#) for the relevant department

##### **Trade Union Contacts:**

Unite: [Colin Bull](#) - 020 7332 1482, Mobile - 07881 635029

GMB: [Danny Byrne](#) - 0207 332 4989, Mobile - 07956 263504

GMB: [Dan Radusin](#) - 0207 332 4989, Mobile - 07814 470456

[Employee assistance programme](#) – WorkPlace Options: 0800 243 458

##### **External:**

Public Concern at Work (PCAW)

Telephone: 020 7404 6609

E-mail: [helpline@pcaw.co.uk](mailto:helpline@pcaw.co.uk).

For further information please see their website at [www.pcaw.co.uk](http://www.pcaw.co.uk).

Advise from Central Government at Gov.uk

<https://www.gov.uk/whistleblowing>

<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee	13 <sup>th</sup> May 2014
<b>Subject:</b> Internal Audit Update Report	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Summary</b>	
<p>This report provides an update on internal audit activity since the last Audit &amp; Risk Management Committee. It sets out the independent opinion of the Head of Internal Audit in relation to the adequacy and effectiveness of the control environment for those areas of internal audit work concluded since the last update report to Committee.</p> <p>The outcomes from the eight main audit reviews finalised since the last update are reported and significant risk issues highlighted. Three audit reviews resulted in Amber assurance ratings, which indicate there are significant audit findings which require mitigation and focused action by management.</p> <p><u>Corporate – Compliance with corporate management procedures:</u> The review identified that there is scope to improve the monthly review and updating of the corporate project management system, Project Vision by some departments and more generally how project risks are identified, recorded and analysed. In addition the audit identified that one department (Guildhall School of Music and Drama) where Pro-Contract is not being used in the procurement of major contracts.</p> <p><u>City Surveyors and Built Environment – Final Account Verification:</u> The audit identified that final accounts are <u>not</u> routinely being submitted to the Chamberlain’s departments for verification, on a timely basis.</p> <p><u>Barbican Centre – Project variation order and change control:</u> In respect of the documentation of contract variations on individual projects, a number of areas for improvement were identified which will reduce the risk that inaccuracies in interim valuations / final accounts go undetected. In addition, the precise basis for the pricing of variations was not always clear and the Barbican Centre’s cost monitoring guidance could be improved.</p> <p>Completion of the 2013/14 internal audit plan to at least draft report stage is at 79% with many audit reviews currently at draft reporting stage. Sufficient audit work has been undertaken to inform the Head of Audit opinion for 2013/14 for which there is a separate report on the Committee agenda.</p> <p>A senior auditor has recently resigned, and a recruitment exercise is underway to replace this role. The two interim senior auditors are being retained, whilst the carry forward work from 2013/14 is completed and the recent vacancy is recruited to.</p> <p><b>Recommendation</b></p> <p>Members are asked to note the update report.</p>	

## Main Report

### Current Position

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

<b>Table 1 – Key Audit Report Headlines (details of recommendations in brackets)</b>
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<b>Corporate – Compliance with corporate project management procedures – Amber (3 Amber, 1 Green)</b>
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**Assurance Level : Amber, Impact : High**

**Materiality:** The City of London's capital budget for 2014/15 amounts to approximately £45m with an additional £8m expected to be incurred on supplementary revenue projects. The City's Corporate Project Management Procedures are in place to ensure that capital and supplementary revenue projects are delivered efficiently, effectively and economically.

**Key findings:**

There is scope to improve the monthly review and updating of the corporate project management system, Project Vision. A review of project risk information held on project vision indicated there is room for improvement in terms of how project risks are identified, recorded and analysed. The Corporate Pro-contract system is generally being used to procure works, supplies and services contracts in respect of the City projects. However, the audit identified that one department (Guildhall School of Music and Drama) where Pro-Contract is not being used in the procurement of major contracts.

**Management Response:** All recommendations from this review have been agreed for implementation by November 2014.

<b>City Surveyor's and Built Environment – Final account verification - Amber (2 Amber)</b>
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**Assurance Level : AMBER Impact : High**

**Materiality:** The City of London's capital budget for 2014/15 amounts to approximately £45m with an additional £8m expected to be incurred on supplementary revenue projects. A significant element of spend on these projects requires payments to construction contractors.

**Key Findings:**

The audit identified that final accounts are **not** routinely being submitted to the Chamberlain's departments for verification, on a timely basis; a significant

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

number of projects out of those sampled (16 out of 19 projects) were identified where final account verifications by the Chamberlain's Department had not been completed. While all final accounts were historically verified by the technical department responsible for the project, verification by the Chamberlain's department provides an independent control over those projects which represent the higher cost and risk to the City.

**Management Response:**

The responsibility for implementing these recommendations is shared between the Corporate Programme Manager and Heads of Projects (or equivalent) across the organisation. Both recommendations are planned to be implemented by June 2014.

**Barbican Centre – Project variation order and change control – Amber Assurance (3 Amber recommendations)**

**Assurance Level : Amber, Impact : Medium**

**Materiality:** The Barbican Centre's capital and supplementary revenue project budget for 2014/15 amounts to approximately £2.3m, to be funded from City Fund. Adequate arrangements in relation contract variation orders helps to keep project costs under control.

**Key findings:**

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

In respect of the documentation of contract variations on individual projects, a number of areas for improvement were identified which will reduce the risk that inaccuracies in interim valuations / final accounts go undetected. In addition, the precise basis for the pricing of variations was not always clear.

**Management Response:** All recommendations made in this review have all been agreed for implementation by the end of May 2014.

**Current Position**

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

<b>Table 2</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
<b>Green Assurance Audit Reviews</b>	<b>recs.</b>	<b>recs.</b>	<b>recs.</b>	
<b>Chamberlain's Department:</b>				
Business Rates and Council Tax System Hosting	-	-	-	-
<b>Chamberlain's Department:</b>				
Use of Spreadsheets	-	-	1	1
<b>Chamberlain's Department:</b>				
Chamberlain's Court Income	-	-	4	4
<b>City Surveyor's Department:</b>				
Asset Disposals and Capital Receipts	-	-	4	4
<b>City of London Freeman's School:</b>				
Teaching and Non-Teaching Staff Recruitment (incl. Temp Staff)	-	-	1	1

3. Internal audit work is conducted and reported in accordance with the Public Sector Internal Audit Standards with no impairment to independence or objectivity.

### **Audit Work Delivery**

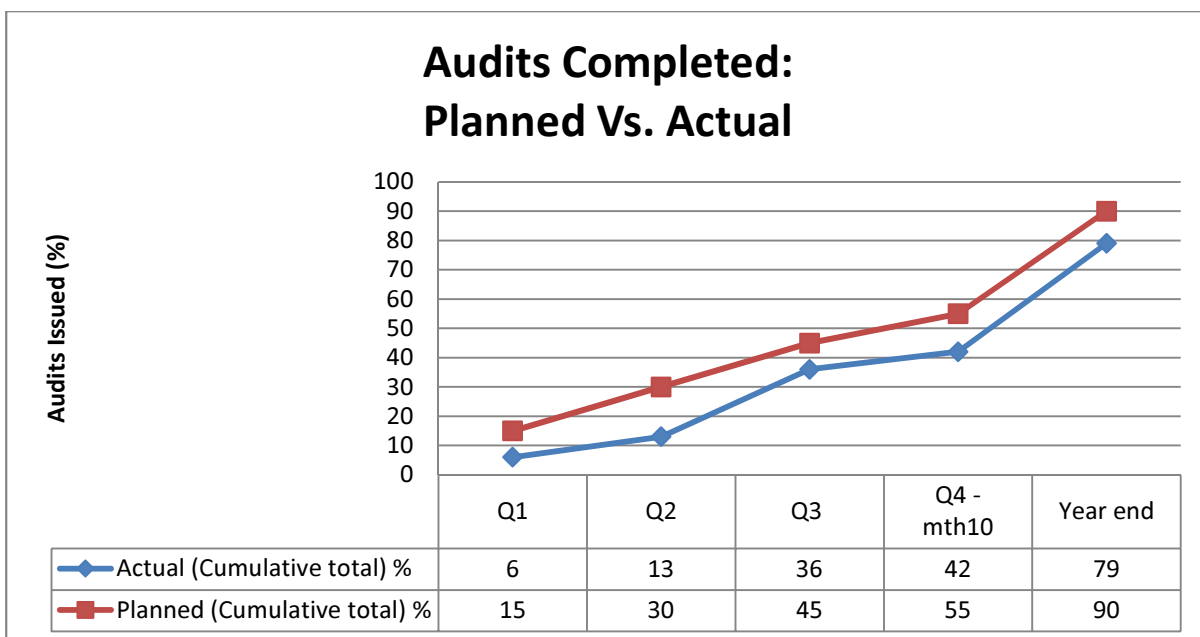
4. Delivery of the 2013/14 plan, as at the end of April 2014, is set out in **Table 3** below.

**Table 3 - Committee Report - End of Year-**

	Current Plan	Planning	Fieldwork	Draft Report	Final / Complete	% Complete
Full Reviews	80	7	12	20	41	76%
Spot checks & Mini Assurance Reviews	61	6	7	11	37	79%
Irregularity Investigations	5	0	0	0	4	80%
A&I/support reviews	8	0	0	0	8	100%
<b>TOTAL</b>	<b>154</b>	<b>13</b>	<b>19</b>	<b>31</b>	<b>90</b>	<b>79%</b>
<b>KPI 1 (% completed)</b>	<b>79%</b>					

5. **Completion of audit plan** – A graph is provided below to show delivery of the internal audit plan against the assumed profile of completion anticipated at the start of year. Performance completion of the 2013/14 audit plan was 73% at the end of March 2014 and is now 79% at the end of April 2014.





6. During the 2013/14 year there was a small reduction in audit resource availability because of a vacancy from the 1st April until the 17th June which has been filled with an audit apprentice. There was a larger than anticipated carry forward of audit work from 2012/13 due to one auditor vacancy, a higher level of investigation work and some audit reviews taking longer than their planned day allocations. Additional unplanned cash checks were undertaken during the summer of 2013, and significant investigation activity has continued during the whole year. In addition two senior auditor vacancies arose during the Autumn 2013.
7. Two permanent senior auditors commenced work at the beginning of January 2014 which has brought the internal audit section to a full complement of staff.
8. A senior auditor has recently resigned, and a recruitment exercise underway to replace this role, which will become vacant from the 5<sup>th</sup> May 2014. The two interim senior auditors, who were recruited and in place from the beginning of December 2013 are being retained, whilst the carry forward work from 2013/14 is completed and the recent vacancy is recruited to.
9. The following main reviews are at draft reporting stage, with findings reported to management and will be reported to the Committee shortly:

Department	Review
Police	Third Party Payments
Directorate for Built Environment:	Project Variations and Change Control
Mansion House:	Income
Open Spaces	Cemetery and Crematorium ICT Review
Comptroller & City Solicitor	Legal Consultation

Markets and Consumer Protection:	Market Lease Due Diligence
Remembrancer's Department:	Functions and Guildhall Lettings
Chamberlain's Department	Central Payroll
Community and Children Services:	Public Health Contracts
Guildhall School of Music and Drama: Professor Contracts	Teaching and Non-Teaching Staff Recruitment (incl. Temp staff)
Culture, Heritage and Libraries	London Metropolitan Archives
Public Relations Office	Communications Strategy
City of London School for Girls	Teaching and Non-Teaching Staff Recruitment (incl. Temp Staff)

10. Details of main audit reviews planned for the next quarter (April 2014 to June 2014) can be provided to Members on request.

### **Internal Audit Section Performance and Development**

11. A review of the performance and development of the internal audit function is provided in the Head of Audit Annual Report and Opinion which is a separate report on the Committee agenda.

### **Conclusion**

12. Internal audit's opinion on the City's overall internal control environment is that it remains adequate and effective. Some areas of control do need focused improvement by management, particularly in the area of projects, as identified within the three amber assurance audit reports.
13. The internal audit section is at full complement, with additional resources in place to ensure adequate internal audit coverage is maintained.

### **Appendices**

- Appendix 1 – Amber Assurance Report Summaries

### **Background Papers:**

2013/14 Internal Audit Plan

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## APPENDIX 1 –Amber Moderate Assurance Audit Review Outcomes

**Audit: Corporate – Compliance with corporate project management procedures - Amber 🚩 ( 3 Amber, 1 Green priority recommendations)**

**Audit Scope and Background:** This review sought to assess the level of compliance with corporate project management procedures. It also considered compliance with the relevant procurement regulations.

**Audit Findings:** The key findings of the audit were that the corporate project management system, Project Vision, was used in delivering all of the capital projects and supplementary revenue projects included in the 20 sampled. However, in relation to a few departments, Project Vision is not always kept up to date in recording project progress (15% of projects as per corporate monitoring reports in January 2014). An amber action to monitor Project Vision to ensure that departmental project information is updated each month has been agreed, with consideration being given to including this measure in 2014/15 Chief Officer appraisals.

A review of project risk information held on project vision indicated there is room for improvement in terms of how project risks are identified, recorded and analysed. An amber priority recommendation has been agreed for the Officer Corporate Projects Board to monitor the adequacy of risk information recorded on Project Vision for departmental projects and for project risk management training in accordance with the agreed risk management strategy to be developed and implemented.

The audit review confirmed that projects are subject to required levels of approval as they progress through each gateway of the City's Corporate Project Management Procedure. Current project budgets have been appropriately authorised in accordance with the City's Corporate Project Management Procedure. Sufficient level of deliberation is given to the detailed design of projects as evidence by projects being subject to gateway 4c approval.

The Corporate Pro-contract system is generally being used to procure works, supplies and services contracts in respect of the City projects. However, the audit identified that one department (Guildhall School of Music and Drama) where Pro-Contract is not being used in the procurement of major contracts; such practice increases the risk that the City does not adhere to EU procurement laws / regulations. An amber recommendation has been agreed for this to be resolved.

**Management Response:** The recommendations have been agreed to be implemented by November 2014.

**Audit: City Surveyor's and Built Environment – Final account verification - Amber 🚩 ( 2 Amber priority recommendations)**

**Audit Scope and Background:** The purpose of this audit review was to obtain reasonable assurance that there is an adequate control framework in place to ensure that final accounts prepared by contractors or consultants, are received and verified against supporting documentation by the Chamberlain's department, in a timely manner. Historically the fiduciary requirements with regard to final accounts have been stipulated in Financial Regulation 5.4, requiring the Chamberlain's department to verify the accuracy of final accounts in excess of £300,000; the review therefore focussed on 19 projects of the City Surveyor's department and Department of Built Environment, valued between £300,000 and £4.7m. The review also looked to ensure that all final account verification work is subject to appropriate management review and sign-off and that final payments or amounts due under the contract are paid or received in line with contractual terms.

**Audit Findings:** Overall, the audit identified that final accounts are not routinely being submitted to the Chamberlain's departments for verification, on a timely basis; a significant number of projects out of those sampled (16 out of 19 projects) were identified where final account verifications by the Chamberlain's Department had not been completed.

While all final accounts were historically verified by the technical department responsible for the project, verification by the Chamberlain's department provided an independent control over those projects which represent the higher cost and risk to the City. Failure to ensure that final accounts are verified on a timely basis presents significant risks to the City. The longer it takes to verify final accounts, the less likely it is that the City would recover any monies erroneously overpaid, as a result of insufficient retention monies available to offset against errors identified. Furthermore, delays in completing final account verifications increases the risk that issues identified go unresolved due to a loss of corporate memory in respect of specific contracts, while any lessons which could have been learnt go unreported.

As part of the audit, an amber recommendation was made to enhance final account verification monitoring arrangements, with responsibility for its implementation falling to the Corporate Programme Manager. In addition, a further amber recommendation was made to improve project governance arrangements by including a requirement to inform Members whether or not final account verifications had been completed upon presentation of the Gateway 7 Outturn Report.

**Management Response:** The responsibility for implementing this recommendation is shared between the Corporate Programme Manager and Heads of Projects (or equivalent) across the organisation. Both recommendations are planned to be implemented by June 2014.

**Audit: Barbican Centre – Project variation order and change control – Amber 🚩 ( 3 x Amber priority recommendations)**

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

**Audit Findings:** Adequate guidance notes have been established in respect of variation orders, covering most of the areas expected; they have been communicated to all relevant Officers. Internal Audit recommended a further area for inclusion within the Barbican Centre's cost monitoring guidance to set out the requirement that significant project changes (whether resulting in additional or omitted work) should be subject to approval by Members prior to the corresponding variation order being issued to the contractor, as per the City's project procedure.

Variations are generally properly recorded, through the issue of clear, sequentially numbered written variation orders by the Supervising Officer / Project Manager. Only valid variations and changes are made to the previously agreed works as instructed by the Project Manager / Supervising Officer. In each of the three projects reviewed, variations amounted to less than 10% of the total tender sum (Concert Hall Backstage Refurbishment 8%, Replacement of Barbican Theatre Systems 2%, and General Redecorations 8%) which is considered reasonable.

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

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

**Management Response:** All recommendations made in this review have all been agreed for implementation by the end of May 2014.

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<b>Committee:</b>	<b>Date:</b>
Audit & Risk Management Committee	13 <sup>th</sup> May 2014
<b>Subject:</b>	<b>Public</b>
Internal Audit Recommendations Follow-up	
<b>Report of:</b>	<b>For Information</b>
Chamberlain	

### Summary

This report provides an update on the implementation of audit recommendations since the last report to the Audit & Risk Management Committee on 4<sup>th</sup> March 2014.

Two formal audit review follow-ups have been concluded since the March 2014 Committee with 100% of recommendations either implemented in full or superseded by other corporate developments; an overview of these is provided at **Appendix 1**. At the end of April 2014 there are no outstanding red priority actions from reviews previously concluded and reported to this Committee.

Cumulative performance in the implementation of audit recommendations over the last 24 months has been monitored with 78% of audit recommendations confirmed as implemented, when formal audit follow-ups were undertaken. Where red and amber priority recommendations were still to be implemented at the time of audit follow-up, further updates have been sought from management to confirm the implementation of red and amber priority recommendations. No red priority recommendations are outstanding with one amber priority recommendation that was not fully implemented agreed for full completion by the end of May 2014.

Management status updates on all live red and amber actions are provided in **Appendix 2**.

Updated historical analysis of the implementation of red and amber priority recommendations according to agreed timescales within 2013/14 is provided in **Appendix 3**. This analysis shows that from the 1<sup>st</sup> April 2013 to the 31<sup>st</sup> March 2014 70% of amber priority recommendations were implemented early or within one month of the originally agreed date, with 16% implemented more than 6 months afterwards. This represents a significant improvement on the position as reported to this Committee in September 2013, where analysis of priority recommendations implementation from November 2011 to August 2013 identified that only 17% of recommendations were implemented on time.

There are currently 201 open green priority actions as at the end of April 2014.

Members are asked to:

- Note the recommendations follow-up report;
- Note the improved performance in ensuring originally agreed timescales for the implementation of recommendations are achieved

## Main Report

### Formal Audit Follow-ups

1. Details of the two formal audit review follow ups concluded since the March 2014 report to the Committee are set out in Appendix 1. Out of 12 recommendations reviewed, 10 were implemented in full and 2 were superseded by other corporate developments making them no longer relevant.
2. Cumulative performance in the implementation of audit recommendations, measured by all formal follow-up reviews over the last 24 months, is shown in the table below.

Cumulative Performance over last 24 months (as at April 2014)

<b>Implementation at time of audit follow-up (last 2 years)</b>	Red	Amber	Green	Total
Recommendations Agreed	11	80	181	272
Recommendations Implemented	11	61	140	212
% implemented	100%	76%	77%	78%

3. Where red and amber priority recommendations were still to be implemented at the time of formal audit follow-up, further updates have been sought from management to determine the subsequent progress of their implementation. At the end of April 2014, there are no outstanding red priority actions from follow-up reviews previously concluded and reported to this Committee. There is one part of an amber priority recommendation still to be implemented relating to the informing of Housing Lessee's via the May Service Charge Notice, of where they can find Health and Safety Information relevant to their property that will be implemented by the end of May 2014.

### Red and Amber Priority Recommendations Status

4. In addition to this formal audit follow-up process, status updates for any open red or amber priority recommendations are obtained from recommendation owners on a quarterly basis. The outcomes from these status checks are reported in **Appendix 2** and summarised in the table below. An overall improvement has been noted in terms of recommendation owners keeping the Internal Audit Section updated on any delays in implementing recommendations, ahead of the agreed timescales being passed. The Head of Internal Audit only agrees to revision of implementation dates on an exception basis and where it is fully justified.
5. There are currently no open red priority actions as these are nearly always implemented before or very soon after internal audit work is finalised. Similarly the trend towards prompt implementation of amber recommendations following the agreement of internal audit reports is reducing the number of open amber priority recommendations that require monitoring. There are currently six open



amber priority recommendations, compared to a similar point last year where 15 amber recommendations were open. This table does not include amber actions agreed and subsequently implemented.

Open Amber/ Red actions	Total	On-track per original agreed dates	Revised target date compared to original				Revised date to be agreed	Implementation Planned in future		
			1-3 mths	4-6 mths	7-12 mths	12 + mths		Next 3 mths	Next 4 to 6 mths	More than 6 mths
Red	-	-	-	-	-	-	-	-	-	
Amber	6	1	1	0	1	2	1	3	1	
<b>Total.</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>1</b>	

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

- Open Spaces - Chingford Golf Course: recommendation to market test the management contract was delayed initially pending developments and optional appraisal relating to the future of the site. The Epping Forest Committee agreed on the 8<sup>th</sup> July 2013 to complete a tendering exercise for the running of the site. A specification and contract for tendering was developed and assessed, however, CLPS then advised that as most Golf Professionals are directly employed a tender process would be unlikely to yield a sufficient range of competitive quotations. We were advised that a Business Plan for the Golf Course would be developed by February 2014 in partnership with the Golf Clubs which currently use the course, outlining options for creating a financial sustainable future for the golf course. An update is awaited from the Open Spaces Director.
- DCCS Affordable Housing: recommendation to update the 30 year Housing Business Plan to reflect the additional housing units being developed by the City and those proposed, including the on-going revenue costs and expected income within the financial strategy and planning element of the business plan. An extension to the implementation timescale to 30<sup>th</sup> May 2014 was agreed with Internal Audit in recognition of the need for a Housing Strategy to precede the Asset Management Strategy.

6. As at the end of April there are 201 live green priority recommendations. Formal follow-up exercises will gauge the progress of implementation for the vast majority of these recommendations, though client departments are being encouraged to forward evidence of implementation as and when it occurs.

### **Implementation of Recommendations according to agreed timescales**

7. At previous meetings, the Chairman and Members agreed that, whilst timescales for implementation should be realistic, deadlines should only slip in extreme circumstances. At the September 2013 Committee meeting, members were provided an analysis (from MK audit software launch in November 2011 up to the end of August 2013) of the extent to which red and amber priority recommendations were implemented according to originally agreed timescales or revised target dates were agreed. The following table provides an updated

analysis from data held in the system relating to Red and Amber priority recommendations implemented between 01/04/13 and 31/03/14.

**Red and Amber Priority Recs – Implementation according to original target date**

Early or within 1 month of original date	70%
More than 1 month but less than 3 months after original date	6%
More than 3 months but less than 6 months after original date	8%
More than 6 months but less than 12 months after original date	8%
More than 12 months after original date	8%

8. The analysis shows that for the 12 months to 31/03/14 70% of higher priority recommendations were implemented early or within one month of the originally agreed date. 30% of the amber and red priority recommendations were implemented after the originally agreed date, with 16% implemented more than 6 months afterwards. This represents a significant improvement from the cumulative position at the end of August 2013, where only 17% of such recommendations were implemented on time or early, 83% were implemented after the due date of which 67% were implemented more than 6 months later. The detailed information is set out in **Appendix 3**.
9. Targeted follow-up with Chief Officers continues in order to reinforce the importance of keeping to the original agreed timescales for the implementation of recommendations and the need for adherence to any agreed revisions to timescale. The full year's recommendation implementation analysis has now been provided for inclusion within Chief Officer's end of year performance appraisals for the 2013/14 financial year.

**Conclusion**

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

**Appendices**

- **Appendix 1 – Formal Audit Follow-up reviews**
- **Appendix 2 – Red and Amber actions status update**
- **Appendix 3 – Red and Amber priority recommendation implementation analysis**

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Audit Follow-ups March 2014 to May 2014					Recommendations Agreed				Recommendations Implemented				Exception Comments
Department	Audit Review	Main Report Finalised	Follow up Date	Assurance level	R	A	G	Tot	R	A	G	Tot	
Department of the Built Environment	Off Street Parking Income Systems	Jan-13	Feb-14	Green	0	0	2	2	0	0	2	2	Recommendations for the improvement of performance indicators within the contract and a review of the pricing strategy have been superseded by the retendering of the City's car park management function with a start date of 1 December 2014, combining the management of the DBE, Smithfield and the Barbican Centre's car parks into one contract.
Barbican Centre	GDM (Construction Design Management) Review of Health and Safety in Construction	Oct-12	Mar-14	Amber	2	3	5	10	2	3	5	10	
<b>Totals</b>					<b>2</b>	<b>3</b>	<b>7</b>	<b>12</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>12</b>	

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Audit Actions Status - based on Management reports - as at 25/04/2014				Open Red & Amber		Comments	Open Red & Amber Actions			Revised target date compared to original date (for live reds / ambers)				Planned Implementation date			
Department	Audit Review	Main Report Finalised	Assurance level	R	A		On target to Orig Date	Revised Dates agreed	Revised to be agreed	1 to 3 mths	4 to 6 mths	7 to 12 mths	12 mths plus	<3 mths	3 - 6 mths	> 6 mths	
Corporate	Cash Handling	Sep-13	Amber	0	1	The recommendation relates to consideration being given to producing a policy relating to officers in key positions of finance and a minimum period of annual leave. HR are currently working with the Financial Services Director on assessing the scope and feasibility of such a policy, within the current review of officer terms and condition so action is in progress.			1								
Corporate	Final Account Verifications - Member Oversight	Mar-14	Amber		1	This recommendation relates to the revision of the corporate template. The recommendation is in progress and will be published on 1st May 2014.	1							1			
Community and Children's Services	Construction Design Management - Health & Safety	Dec-11	Amber	0	1	There have been a number of delays in relation to this recommendation stemming from Staff Changes, Workload, and changes to working practices, but these do now seem to have been overcome and the recommendation is due to be implemented by the end of May 2014, when Lessees are informed, via the May Service Charge Notice, of where they can find Health and Safety Information relevant to their property.		1		1				1			
Markets and Consumer Protection	Markets Car Parks	Apr-12	Green	0	1	One amber priority recommendation is outstanding in respect of addressing the poor quality of management information available from the car park barrier system at Smithfield. The barrier equipment replacement is included in the procurement of the off-street car park management contract. The current contract (with APCOA) has been extended until 30 November 2014 (ratified at Court of Common Council on 16 May 2013). Therefore the replacement equipment will not now take place until 2014/15 when the new off street car park contract is let.		1			1					1	
Open Spaces	Chingford Golf Course	Aug-10	Amber	0	1	This long-running amber priority issue relates to the lack of market testing related to the contractual relationship with the Golf Professional (Aytee Sports) to demonstrate that value for money is being achieved. We were advised that a Business Plan for the Golf Course would be developed, by the end of February 2014, in partnership with the Golf Clubs which currently use the course. This business case was envisaged to outline options for creating a financial sustainable future for the golf course. A target date of April 2014 has previously been agreed with the Department for taking the matter forward.		1				1		1			
Community and Children's Services	Affordable Housing	Sep-12	Amber	0	1	One amber priority recommendation is outstanding in respect of inclusion of the on-going revenue cost of additional housing units, plus estimates for rental income, within the 30-year Housing Business Plan. The Asset Management strategy will include high level financials and is on the agenda for Housing Management Sub-Committee; subject to approval by committee the AMS will then go out to formal resident consultation - expected June. Feedback will then be considered and the AMS updated as required. The final AMS will then go to Community & Children's Services committee for final ratification. Due to consultation period and reporting deadlines, this is likely to be September due to summer recess.		1				1			1		
<b>Total</b>				<b>0</b>	<b>6</b>		<b>1</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>1</b>

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**Table 1 - Comparison of implementation dates to original planned implementation dates (for implemented Recommendations) - 2013/14**

	Barbican Centre	Chamberlains	City Surveyors	Corporate	CHL	CLS	DBE	DCCS	GSMD	Town Clerks	
											<u>TOTAL</u>
1	Early or < 1 month	3	4	3	2	2	1	1	10		26
2	> 1 < 3 months	1				1					2
3	> 3 < 6 months	2						1			3
4	> 6 < 12 months		1					1		1	3
5	> 12 months								1	2	3
	<b>Client TOTAL</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>12</b>	<b>1</b>	<b>37</b>

1) Imp date is earlier than or within 1 month of original end date	26	70.27%
2) Imp date is more than 1 month but less than 3 months after end date	2	5.41%
3) Imp date is more than 3 months but less than 6 months after end date	3	8.11%
4) Imp date is more than 6 months but less than 12 months after end date	3	8.11%
5) Imp date is more than 12 months after end date	3	8.11%
<b>Total*</b>	<u>37</u>	<u>100.00%</u>

\* One recommendation had no recorded 'end date' (i.e. due date).

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**Table 2 - Comparison of actual implementation dates to revised planned implementation dates (where agreed)**

	DCCS	GSMD	Town Clerks	
				<u>TOTAL</u>
1	Early or < 1 month	3	1	4
2	> 1 < 3 months	1		1
3	> 3 < 6 months			0
4	> 6 < 12 months		1	1
	<b>Client TOTAL</b>	<b>3</b>	<b>1</b>	<b>2</b>

1) Imp date is earlier than or within 1 month of revised end date	4	66.67%
2) Imp date is more than 1 month but less than 3 months after revised end date	1	16.67%
3) Imp date is more than 3 months but less than 6 months after revised end date	0	0
4) Imp date is more than 6 months but less than 12 months after revised end date	1	16.67%
<b>Total</b>	<u>5</u>	<u>100.00%</u>

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<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee	13 May 2014
<b>Subject:</b>	
Public Sector Internal Audit Standards – Peer Review	Public
<b>Report of:</b>	
Chamberlain	For Information

## Summary

This report presents the Audit and Risk Management Committee with the outcome of a Peer Review exercise, undertaken in February 2014 and reviewing compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS).

The (PSIAS) came into effect on the 1st April 2013 with the aim of providing a consistent framework for Internal Audit Services operating across the public sector. The PSIAS contain more rigorous requirements for quality assurance than the previous standard that applied to local authority Internal Audit, namely the 'CIPFA Code of Practice for Internal Audit in Local Government'.

The most significant new requirement of the PSIAS is for an external assessment of Internal Audit services to be conducted at least once every five years by a qualified, independent assessor. The recent Peer Review represents such an assessment, intended to measure compliance with the Standards and drive continuous improvement in the quality and effectiveness of the audit service.

The Peer Review was carried out by the Head of Governance (Head of Internal Audit) at the London Borough of Croydon, who is also a member of the UK Public Sector Internal Audit Standards Advisory Board. A copy of the Peer Review report is attached at **Appendix 1**.

The assessment outcome was that the City of London Internal Audit Section generally conforms with the PSIAS requirements. This rating means the reviewer has concluded that the relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the Standards in all material respects. Certain minor developments are necessary to ensure full compliance, outlined below, with plans in place to address. These relate to documentation of succession planning for the Head of Audit and Risk Management role, minor revision to the Audit Charter, and the inclusion of some additional information within audit planning documentation on placing reliance on other sources of assurance.

In addition to a review of conformance with the Standards, stakeholder views on the impact of the Internal Audit Service were sought and positive feedback received in respect of the professionalism of staff, the risk-focus of internal audit work and the usefulness of audit recommendations.

## Recommendations:

**Members are asked to note the outcome of the Peer Review exercise and the proposed actions to achieve full compliance with PSIAS requirements.**

## Main Report

### Background

1. In April 2013 the new Public Sector Internal Audit Standards (PSIAS) came into effect, replacing the CIPFA Code of Practice as the key framework document governing the Internal Audit arrangements at the City of London. Adoption of the Standards is mandatory and includes a requirement for external assessment of the effectiveness of Internal Audit functions at least once every 5 years. This requirement may be satisfied by either arranging for a 'full' external assessment or by undertaking a self-assessment with independent validation.
2. In London, The London Audit Group has organised a system of peer review, with 32 of the 33 London Boroughs agreeing to take part. The agreed approach to these peer reviews is that each Internal Audit Service undertakes a self-assessment which is validated by suitably qualified individuals or teams from other members of the group across a 5 year cycle.

### Conduct of the Peer Review

3. The City of London Corporation has been one of the first tranche of organisations to be subject to an external independent review. A self-assessment was performed against the PSIAS requirements ahead of the Peer Review, with evidence collated for independent examination, and this indicated that the Internal Audit Service was compliant with the PSIAS in all significant areas. It is intended that this self-assessment be repeated on an annual basis to obtain on-going assurance regarding the quality of Internal Audit provision.
4. The Peer Review has been undertaken by the Head of Governance (Head of Internal Audit) at the London Borough of Croydon and whose qualifications and independence are in accordance with the public sector requirement for external assessors.
5. The self-assessment framework comprises four parts, as follows:
  - **Purpose and positioning** - Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?
  - **Structure and resources** - Does the internal audit service have the appropriate structure and resources to deliver the expected service?
  - **Audit execution** - Does the internal audit service have the processes to deliver an effective and efficient internal audit service?
  - **Impact** - Has the internal audit service had a positive impact on the governance, risk and control environment within the organisation?

6. Against this an assessment is made as to the degree of conformance using an agreed scale: does not conform, partially conforms, generally conforms or fully conforms.
7. The approach to the Peer Review has been to review the self-assessment conducted by the Head of Audit and Risk Management as well as the supporting evidence. In addition to a review of conformance with the Standards, key stakeholder views were sought on the impact of the Internal Audit Service. Interviews were conducted with the Chair of the Audit & Risk Management Committee, a non-elected member of the Audit & Risk Management Committee, the Chamberlain (in his capacity as both CFO and S151 Officer) and the Business Support Director. The review also considered the notes of customer satisfaction interviews with a number of Chief Officers and senior managers.

### **Review Outcome**

8. The Peer Review exercise has concluded that the Internal Audit Service generally conforms to the PSIAS requirements and this outcome will be reflected in the Head of Audit's annual opinion for the 2013/14 year.
9. A rating of 'generally conforms' means that the reviewer has concluded that the relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
10. Four minor observations were made which would need to be addressed to achieve full conformance status; these relate to:
  - Documentation of succession planning in respect of the Head of Audit and Risk Management Role
  - Minor amendment to the Audit Charter to reflect the nature of assurances provided to External Parties
  - Minor amendment to the Audit Charter to more clearly define the nature of consultancy services provided; and
  - Reflection in audit planning documentation of the approach to using other sources of assurance and any work required to place reliance upon those other sources
11. Documentation of a formal Head of Audit succession plan will be completed by the end of May. The minor revisions to the Audit Charter, and explanation of reliance placed on other sources of assurance in audit planning documentation will be completed by October 2014 prior to the planned review of these documents at the 4th November 2014 Audit and Risk Management Committee.
12. Positive feedback was received in respect of the professionalism of staff, the risk-focus of internal audit work and the usefulness of audit recommendations.
13. The review concluded that the Internal Audit Service is well regarded but with scope to raise its profile further as a source of advice and information. The Head

of Audit and Risk Management is focused on promoting the role of Internal Audit whilst ensuring that an appropriate balance is struck between the provision of advice and guidance, and delivery of assurance work.

## **Conclusion**

14. The Peer Review has confirmed that the City of London's Internal Audit Service is compliant with the requirements of the PSIAS in all material respects. A small number of opportunities for improvement have been identified and are in the process of being addressed.

## **Appendices**

- Appendix 1 – April 2014 Report of the Peer Review of the City Corporation's Internal Audit Service against the PSIAS.

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**CITY OF LONDON CORPORATION**

**PEER REVIEW OF INTERNAL AUDIT AGAINST THE  
UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

**CARRIED OUT BY  
SIMON MADDOCKS, HEAD OF GOVERNANCE  
LONDON BOROUGH OF CROYDON**

**REPORT APRIL 2014**

# **City of London Corporation**

## **Peer Review of Internal Audit against the UK Public Sector Internal Audit Standards**

### **1 Introduction**

- 1.1 A professional, independent and objective internal audit service is one of the key elements of good governance in local government.

#### **The UK Public Sector Internal Audit Standards**

- 1.2 The Relevant Internal Audit Standard Setters\* have adopted a common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF) as follows:
- Definition of Internal Auditing
  - Code of Ethics, and
  - International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary)
- 1.3 Additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF.
- 1.4 The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced.
- 1.5 The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace internal auditors' own professional bodies' Codes of Ethics or those of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.

[\*The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding Foundation Trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK]

#### **Statutory Requirements**

- 1.6 The Accounts and Audit (England) Regulations 2011 state that "A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control" (6 (1)).
- 1.7 Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should "make arrangements for the proper administration of their financial affairs and shall secure that one of their

officers has responsibility for the administration of those affairs”. CIPFA has defined ‘proper administration’ in that it should include “compliance with the statutory requirements for accounting and internal audit”.

- 1.8 The statement on the role of the Chief Financial Officer (CFO) in local government states that the CFO must:
- ensure an effective internal audit function is resourced and maintained
  - ensure that the authority has put in place effective arrangements for internal audit of the control environment
  - support the authority’s internal audit arrangements, and
  - Ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.
- 1.9 The relationship between the chief audit executive and the CFO is therefore of particular importance in local government.

### **External Review of Internal Audit**

- 1.10 Standard 1312 states that “External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.....External assessments can be in the form of a full external assessment, or a self-assessment with independent validation.” “A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience.” “The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.”
- 1.11 “An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.”
- 1.12 In London, The London Audit Group has organised a system of peer review, with 32 of the 33 London Boroughs agreeing to take part. It has been agreed that self-assessments will be carried out and that these will be validated by suitably qualified individuals or teams from other members of the group across a 5 year cycle.
- 1.13 This review of internal audit at the Corporation of London has been carried out by the Head of Governance (Head of Internal Audit) at the London Borough of Croydon. His qualifications for conduction this review are: A Fellow of the Chartered Institute of Internal Auditors, more than 30 years experience of internal audit including 14 years as a local government head of internal audit, previous experience of conducting peer reviews and other forms of external inspection and a member of the UK Public Sector Internal Audit Standards Advisory Board.

**2 Summary & Conclusion**

- 2.1 The review was based on the self-assessment conducted by the Head of Audit & Risk Management (HARM), with evidence provided to support its conclusions. In addition, interviews were conducted with some of internal audit’s key stakeholders: The Chair of the Audit & Risk Committee, a non-elected member of the Audit & Risk Committee, The Chamberlain (CFO and S151 Officer) and the Business Support Director. Also available were the notes of customer satisfaction interviews with a number of Chief Officers and senior managers.
- 2.2 The co-operation of the HARM and members of the internal audit team in providing every bit of information asked for, as well as those stakeholders that made themselves available for interview, was appreciated and made it possible to obtain a thorough view of internal audit’s practices and of its contribution to the organisation.
- 2.3 **Based on the work carried out it can be confirmed that internal audit at the Corporation of London GENERALLY CONFORMS with the UK Public Sector Internal Audit Standards.** This outcome should be reflected in the HARM’s annual opinion report for the year 2013/14.
- 2.4 As the Public Sector internal Audit Standards only came into effect on 1<sup>st</sup> April 2013, no conclusion can be given on activities that happen only after the year end, such as the annual opinion report (Standard 2450) or reporting of the Quality Assurance and Improvement Programme (Standard 1320).
- 2.5 Some minor observations are made in section 3 below.
- 2.6 Definitions of the levels of conformance with the standards are contained in the following table:

<b>DEFINITIONS</b>	
Fully Conforms	The internal audit service fully complies with each of the statements of good practice in the assessment.
<b>Generally Conforms</b>	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and good practice statements within the section or sub-section. These deficiencies will usually have a significant negative impact on the internal audit service’s effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the audit committee.



### 3. Minor Observations

#### Public Sector Internal Audit Standards

- 3.1 Standard 1000.A1 specifies that “If assurances are to be provided to parties outside the organisation, the nature of these assurances must be defined in the internal audit charter.”

Review of the internal audit plan shows that assurance is given to other organisations in relation to City of London systems that are bought in to. This should therefore be reflected in the charter.

- 3.2 Standard 1000.C1 requires that “The nature of consulting services must be defined in the internal audit charter”

It is recognised that large scale consultancy projects are not usually undertaken by the internal audit team. They do, however, give advice on issues of governance, risk and control. This work is referred to in various places in the charter, but the nature and scale of this work would be better represented if it was pulled together in one place and strengthened.

- 3.3 Standard 2030 states that “The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. *Interpretation:* Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.”

The team currently has a good mix of skills and the HARM has taken the sensible step of undertaking some succession planning for all of the key roles and skill sets. There is no evidence, however, that his own role has been considered. It is recommended that the succession planning work already undertaken be extended to include the head of service role.

- 3.4 Standard 2050 requires that the risk based audit plan should include: “the approach to using other sources of assurance and any work required to place reliance upon those other sources.”

Review of the plan and associated documents does not reveal anything that fulfils this requirement. This should be reflected in plans for future years.

#### Impact of internal Audit

- 3.5 In addition to a review of conformance with the standards, the review sought to gain an understanding of stakeholder views of the impact of the service. Based on interviews with key stakeholders and a review of the notes from interviews with other Chief Officers it is concluded that:

- The service is well regarded
- Audit staff are considered professional

- Internal audit work is well focused in areas of risk to City objectives
- Recommendations are regarded as pragmatic and generally useful.

It was however noted that, although the team has a number of very experienced members, not all areas of the organisation would consider internal audit as a source of advice, but rather a 999 service when things go wrong.

The HARM has already identified this issue himself and recognises the need to raise the profile of the team in some parts of the organisation. Care will need to be taken in awakening too much interest, as this could have resource implications and if too successful could even jeopardise the level of assurance work undertaken.

# Summary assessment

		Does not conform	Partially conforms	Generally conforms	Fully conforms	Comments
<b>Purpose &amp; positioning</b>						
•	• Remit			X		See 3.1 and 3.2 above
•	• Reporting lines				X	
•	• Independence				X	
•	• Other assurance providers			X		See 3.4 above
•	• Risk based plan				X	
<b>Structure &amp; resources</b>						
•	• Competencies				X	
•	• Technical training & development				X	
•	• Resourcing			X		See 3.3 above
•	• Performance management				X	
•	• Knowledge management				X	
<b>Audit execution</b>						
•	• Management of the IA function				X	
•	• Engagement planning				X	
•	• Engagement delivery				X	
•	• Reporting				X	
		Do not agree	Partially agree	Generally agree	Fully agree	Comments
<b>Impact</b>						
•	• Standing and reputation of internal audit			X		See 3.5 above
•	• Impact on organisational delivery				X	
•	• Impact on Governance, Risk, and Control				X	
Does not conform		Partly Conforms		Generally conforms	X	Fully conforms

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<b>Committee(s):</b>	<b>Date(s):</b>
Audit and Risk Management Committee	13 <sup>th</sup> May 2014
<b>Subject:</b> Head of Internal Audit Opinion and Annual Report	<b>Public</b>
<b>Report of:</b> Head of Internal Audit	<b>For Information</b>

## Summary

Within the City of London Corporation, the Internal Audit Function is located within the Chamberlain's Department. The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the City of London Corporation to inform its Annual Governance Statement.

The Head of Internal Audit's independent opinion is as follows:-

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

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

*Notwithstanding my overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures which management has accepted and are documented in each individual audit report. Timeliness in the implementation of priority audit recommendations has further improved during the year.*

One area of emphasis is highlighted in the internal audit opinion relating to controls operating over project management processes. Whilst the design of these systems is adequate, focused management attention is required in relation to compliance with the control framework, particularly in relation to checking of contractor final accounts and the timely updating of the corporate project monitoring system with risk and progress updates.

In my previous annual opinion, one area of emphasis I highlighted related to controls operating in relation to the control of social care client individual budgets. Similar significant issues relating to the financial control of social care Appointeeships and Deputyships were highlighted

during the year. Audit follow-up work in both these areas has confirmed the implementation of all recommendations.

Sufficient audit work completed in previous years, the completion of the full follow-up programme on audit recommendations, and the relatively high level of internal audit resourcing enables me to be satisfied that sufficient audit work has been undertaken to allow me to draw a reasonable audit opinion.

The annual review of the performance and effectiveness of the internal audit section is set out at **Appendix 2**. The Internal Audit Section operates under the requirements of the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1st April 2013, replacing the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (CIPFA Code). The City of London, internal audit function was peer reviewed by the Head of Governance, from the London Borough of Croydon in February 2014 and assessed as generally conforming to the new standard. A number of minor observations were made, which will be acted upon to demonstrate full conformance to the new standard in 2014/15.

In addition to the peer review, review of the performance of the internal audit function has highlighted that due to a number of factors, especially a much higher level of investigation work, 79% of the audit plan for 2013/14 has been completed to draft report stage at year end, compared to a target of 90%.

## **Recommendations**

Members are asked to:

1. note the Head of Internal Audit Report and Opinion for 2013/14
2. note the conclusions of the review of internal audit effectiveness assessed against the Public Sector Internal Audit Standards and the Key Performance Indicators established for the internal audit function.

## **Main Report**

### **Introduction**

1. The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the City of London Corporation to inform its Annual Governance Statement. The Head of Internal Audit is satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow him to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes.

2. The purpose of this report is, therefore, to provide the Head of Internal Audit's opinion on the adequacy and effectiveness of the City's control environment, in particular drawing on:
  - The work which has been undertaken to arrive at the assessment;
  - The key issues arising from the audit work; and
  - The performance of the internal audit function for the period.
3. This report is supported by a summary of the work completed by the in-house internal audit team at **Appendix 1**, which has been reported to the Audit and Risk Management Committee during 2013/14 through internal audit update reports.
4. This report has been prepared to meet the requirement to provide an annual report and opinion and has been prepared in accordance with the Public Sector Internal Audit Standards.

### **Progress against the plan**

5. The Internal Audit Plan for 2013/14 was approved by the Audit & Risk Management Committee on the 5<sup>th</sup> February 2013. The internal audit section has experienced some turnover of staff during the year, with two senior auditors leaving, which resulted in some a loss of auditor resources whilst replacement staff were recruited The majority of the 2013/14 audit plan has been delivered and reported to at least draft report stage and provides the basis for the 2013/14 audit opinion.
6. Fifteen main audit reviews which are yet to be finalised from the 2013/14 audit plan and are at draft report stage. The findings and recommendations arising from these audits are being agreed with management. There are no issues of significance within the findings of these reviews which would have an impact on my overall opinion.

### **Implementation of Recommendations**

7. Cumulative performance in the implementation of audit recommendations over the last 24 months has been monitored with 78% of audit recommendations confirmed as implemented, when formal audit follow-ups were undertaken as set out in the following table:-

Cumulative Performance over last 24 months (as at April 2014)

<b>Implementation at time of audit follow-up (last 2 years)</b>	Red	Amber	Green	Total
Recommendations Agreed	11	80	181	272
Recommendations Implemented	11	61	140	212
% implemented	100%	76%	77%	78%

8. Where red and amber priority recommendations were still to be implemented at the time of audit follow-up, further updates have been sought from management to confirm the implementation of red and amber priority recommendations. No red priority recommendations are outstanding with one amber priority recommendation that was not fully implemented agreed for full completion by the end of May 2014.
9. Historical analysis of the implementation of red and amber priority recommendations according to agreed timescales shows that from the 1st April 2013 to the 31st March 2014, 70% of amber priority recommendations were implemented early or within one month of the originally agreed date, with 16% implemented more than 6 months afterwards. This represents a significant improvement on the position as reported to the Audit and Risk Management Committee in September 2013, where analysis of priority recommendations implementation from November 2011 to August 2013 identified that only 17% of recommendations were implemented on time.

### **Annual Opinion of the Head of Internal Audit**

10. As Head of Internal Audit, I am required to provide an opinion on the overall adequacy and effectiveness of the City's control environment. I have undertaken the following in order to form a basis for providing my assurance.
  - Assessed the quantity and coverage of internal audit work against the 2013/14 internal audit plan, and other independent assurance work, to allow a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes.
  - Reviewed the reports from the reviews undertaken during the year by internal audit and other assurance providers
  - Considered, any significant recommendations not accepted by management and the consequent risks, of which there were none;
  - Assessed the status of recommendations identified as not implemented, as part of internal audit follow-up reviews and subsequent progress tracking;
  - Considered the effects of any significant changes in the City's objectives or systems;
  - Reviewed and considered matters arising from reports to the Audit and Risk Management Committee;
  - Considered whether there were any limitations which may have been placed on the scope of internal audit.
11. Following consideration of the above I am able to provide the following Head of Internal Audit Opinion for 2013/14:-



## **Audit Opinion**

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

## **Matters of Emphasis**

15. I have encountered no fundamental issues which would cause me to qualify my opinion or which I believe could have a material impact on the ability of the City to achieve its objectives. However, there is one area where it is felt that the City of London Corporation should focus particular attention:
16. **Compliance with Project Management Procedures:** Whilst the design of these systems is adequate, focused management attention is required in relation to compliance with the control framework, particularly in relation to checking of contractor final accounts and the timely updating of the corporate project monitoring system with risk and progress updates.
17. In my previous annual opinion, one area of emphasis I highlighted related to controls operating in relation to the control of social care client individual budgets. Similar significant issues relating to the financial control of social care Appointeeships and Deputyships were highlighted during the year. Audit follow-up work in both these areas has confirmed the implementation of all recommendations.

## **Annual Review of Performance**

18. An annual performance and effectiveness review of the internal audit function has been undertaken as required by the Public Sector internal audit standards and is set out in **Appendix 2**. For 2013/14 this includes the outcome of the Public Sector Internal Audit Standards external peer review as well as achievement against the section's Key Performance Indicators.
19. The Internal Audit section generally complies with the new Public Sector Internal Audit Standard, with only a small number of minor issues to address before full compliance will be achieved. Several other areas for improvement in the internal audit function have been identified for action over the forthcoming year.
20. Ensuring full resourcing, to enable full delivery of the planned audit work programme is an on-going focus. It is planned to use interim resources, as required, should significant investigation activity and/or vacancies arise.

## **Conclusion**

21. Internal Audit work continues to identify improvement areas for management; however, internal audit's overall opinion on the City's internal control environment is that it remains adequate and effective. There is a high level of acceptance of internal audit recommendations and the implementation of audit recommendations according to agreed timescales has improved considerably during the year.
22. Ensuring full resourcing, to enable full delivery of the planned audit work programme is an on-going focus.

## **Appendices**

- **Appendix 1 - Audit Report Summary**
- **Appendix 2 – Internal Audit Performance and Effectiveness Review**
- **Appendix 3 - Audit Resource Analysis**

### **Background Papers:**

*2013/14 Internal Audit Plan*

*2013/14 Internal Audit update reports*

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## Internal Audit Work 2013/14 – Summary

Main Audit Review	Finalised	Assurance	Recommendations			
			R	A	G	Total
<b>Corporate Wide</b>						
Project Management Procedures Compliance	Draft	Amber	-	3	1	4
Tendering and Due Diligence	Jun 2013	Green	-	4	5	9
Spreadsheet usage and control	Final	Green	-	-	1	1
Contractor Final Account Verification	Final	Amber	-	2	-	2
Cash Handling & Banking	Dec 2013	n/a	-	7	1	8
<b>Barbican Centre</b>						
Business Continuity Plan	Jan 2014	Green	-	1	9	10
ICT Review	Jul 2013	Green	-	3	3	6
Current Box Office System (ENTA)	Jun 2013	n/a	-	-	-	-
Stocks and Stores	Aug 2013	Green	-	-	17	17
Project Variations and Change Control	April 2014	Amber	-	3	-	3
<b>Built Environment</b>						
On-Street Parking Income	Jun 2013	Green	-	-	2	2
Project Variations and Change Control	Draft	Green	-	-	2	2
<b>Chamberlain's</b>						
PP2P savings verification	Jul 2013	Green	-	-	-	-
Treasury Management	Oct 2013	Green	-	-	4	4
ICT Backup review	Oct 2013	Amber	-	4	1	5
Business Rates/Council tax – applications hosting	Feb 2014	Green	-	-	-	-
Payroll	Draft	Green	-	-	4	4
Freedom Ceremonies – Income	Feb 2014	Green	-	-	4	4
<b>City Surveyor's</b>						
Refurbishment of the Traditional Crematorium	Jun 2013	Amber	-	4	1	5
Building Repairs and Maintenance	Oct 2013	Amber	-	5	4	9
Investment Properties - Recoverable Works	Jan 2014	Green	-	-	1	1
Asset Disposals and Capital Receipts	April 2014	Green	-	-	4	4
<b>Community and Children's Services</b>						
Appointeeships & Deputyships	Jul 2013	Red	3	15	10	28
Financial Management	Sep 2013	Green	-	1	10	11
Public Health Contracts	Draft	Amber		3	4	7
<b>Comptroller &amp; City Solicitors</b>						
Legal Consultation	Draft	Green	-	2	5	7
<b>Culture, Heritage and Libraries</b>						
Tower Bridge Ticketing System		Draft	-	-	5	5
London Metropolitan Archive - Security of Physical Assets and Collections	Draft	Green (tbc)		2(tbc)	2	4
<b>Mansion House</b>						
Income	Draft	Amber	-	7	5	12
<b>Markets and Consumer Protection</b>						
Market Leases Due Diligence	Draft	Green	-	1	3	4
<b>Open Spaces</b>						
Fleet Management	Feb 2014	Green	-	3	16	19

Open Spaces Income checks	Jun 2013	Green	-	-	13	13
Cemeteries & Crematorium ICT review	Draft	Amber	-	4	4	8
<b>Remembrancers Department</b>						
Remembrancer's Functions and Guildhall Lettings Review	Draft	Green	-	-	6	6
<b>Town Clerks Department</b>						
EDO – Overseas Offices	Draft	Tbc		tbc	tbc	Tbc
PRO – Communication Strategy	Draft	Tbc	-	tbc	tbc	tbc
<b>City of London Police</b>						
City First Project	Jan 2014	Green	-	-	1	1
Third Party Payments	Draft (tbc)	Green	-	-	4	3
<b>Guildhall School of Music and Drama</b>						
Income – Including Fees System	Aug 2013	Green	-	1	8	9
Professor Contracts	Draft	Green		1	3	4
<b>City of London Schools</b>						
CLS - Teaching and Non-Teaching Recruitment	Jan 2014	Green	-	-	3	3
CLFS - Teaching and Non-Teaching Recruitment	Mar 2014	Green	-	-	1	1

## **Appendix 2 – Internal Audit Section – Performance and Effectiveness Review**

### **Internal Audit Section compliance with the Public Sector Internal Audit Standards**

1. From the 1st April 2013, a new set of Internal Audit Standards – the Public Sector Internal Audit Standards (PSIAS) were introduced, which now provides a coherent and consistent internal audit framework for the whole of the public sector. These new standards effectively replace the CIPFA Code of Practice for Internal Audit in Local Authorities in the United Kingdom.
2. The most significant new requirement of the PSIAS is for an external assessment of Internal Audit services to be conducted at least once every five years by a qualified, independent assessor. The recent Peer Review represents such an assessment, intended to measure compliance with the Standards and drive continuous improvement in the quality and effectiveness of the audit service. A full report on the review is provided separately on the Committee agenda.
3. The Peer Review of the City of London Corporation Internal Audit Section in February 2014 was carried out by the Head of Governance (Head of Internal Audit) at the London Borough of Croydon, who is also a member of the UK Public Sector Internal Audit Standards Advisory Board.
4. The assessment outcome was that the City of London Internal Audit Section generally conforms with the PSIAS requirements. This rating means the reviewer has concluded that the relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the Standards in all material respects.
5. Certain minor developments are necessary to ensure full compliance, outlined below, with plans in place to address. These relate to documentation of succession planning for the Head of Audit and Risk Management role, minor revision to the Audit Charter, and the inclusion of some additional information within audit planning documentation on placing reliance on other sources of assurance.
6. In addition to a review of conformance with the Standards, stakeholder views on the impact of the Internal Audit Service were sought and positive feedback received in respect of the professionalism of staff, the risk-focus of internal audit work and the usefulness of audit recommendations

## Internal Audit Section Key Performance Indicators

7. A number of Key Performance Indicators were agreed for the Internal Audit section for monitoring during the 2013/14. Performance against these indicators is set out in the table below. Where targets have not been achieved, further comments on corrective action are provided after the table.

Performance Measure	Target	2013/14 Performance	2012/13 Performance
completion of audit plan	90% of planned audits completed to draft report issued stage by end of plan review period (31st March 2013)	79% - target not achieved, Delay in completion at year end due mainly to impact of vacancies, and a significantly higher level of investigation work	85%
% recommendations confirmed fully implemented at time of formal follow-up	Overall – 75% Red – 100% Amber – 80% Green – 70%	Overall – 90% Red – 100% Amber – 90% Green – 89%	Overall – 65% Red – 100% Amber – 67% Green – 64%
timely production of draft report	80% of draft reports issued within 4 weeks of end of fieldwork	79% - marginally below target	77%
timely agreement and issue of final report	80% of final reports (including agreed management action plan) issued within 5 weeks of issue of draft report	59% - drop in achievement	84%
customer satisfaction	through key question on post audit surveys, and Chief Officer interviews	98% - target met	98%
% of audit section staff with relevant professional qualification	75%	87.5%	79%

8. **Completion of the audit plan** – Completion of the 2013/14 audit plan was at 79% at the end of April 2014, this compares to an 85% completion performance in 2013/14.

9. During the year there was a small reduction in audit resource availability because of a vacancy from the 1st April until the 17th June which has been filled with an audit apprentice. There was a larger than anticipated carry forward of audit work from 2012/13 due to one auditor vacancy, a significantly higher level of investigation work and some audit reviews taking longer than their planned day allocations. Additional unplanned cash checks were undertaken during the summer of 2013, and significant investigation activity has continued during the whole year. In addition two senior auditor vacancies arose during the Autumn 2013. Two permanent senior auditors commenced work at the beginning of January 2014 which has brought the internal audit section to a full complement of staff. A senior auditor has recently resigned, and a recruitment exercise underway to replace this role, which will become vacant from the 5th May 2014. The two interim senior auditors, who were recruited and in place from the beginning of December 2013 are being retained, whilst the carry forward work from 2013/14 is completed and the recent vacancy is recruited to.
10. Interim resources will be used as required to supplement the in-house team, as vacancies arise. A much greater carry forward allocation has been made within the audit planning resourcing assumptions for 2014/15, and a contingency allocation is now in place for unplanned work.
11. The internal audit plan was reviewed and work re-prioritised where necessary regularly during the year as a result of the reduced resources available for the originally planned work.
12. **Implementation of Recommendations** – Overall implementation of audit recommendations as measured by formal follow-up reviews undertaken over the last year is now at 90% for 2014/15. A significant improvement on the 65% performance for 2013/14.
13. **Timely production of draft report** - performance in issuing draft reports promptly, following completion of audit fieldwork, is marginally below target at 79%, a slight improvement on performance for 2012/13 which was 77%. A more concise audit report format was piloted during 2013/14 and will become the new standard reporting style for 2014/15.
14. **Timely agreement and issue of final report** –performance in finalising Internal Audit work within 5 weeks of the issue of the Draft report is below target level (58% for 2013/14 and is reduced from the level achieved in 2012/13 of 84%. An increased emphasis on agreeing draft audit recommendations, at audit exit meetings, has been adopted during the year which was designed to assist with the timely completion of audits.
15. Although in the majority of the cases the delay beyond the target days is not excessive, this is disappointing. In some instances, delays have been caused by Departments taking longer to ensure they agree realistic timescales for the implementation of recommendations. A new process will be introduced from the beginning of 2014/15 to require responses to be provided within 3 weeks, rather than 4 weeks of the issue of draft internal audit reports, to enable more time for follow-up, chasing and escalation should the due response date not be achieved.

16. **% of audit section staff with relevant professional qualification** – following the appointment of two professional qualified senior auditors at the beginning of January 2014, the % of audit section staff with relevant professional qualifications has now increased to 87.5%.
17. **Customer satisfaction** – The internal audit section continues to issues out a post-audit questionnaire (PAQ) to the relevant Chief Officer at the finalisation of each major audit review. Whilst the responses to these PAQs are nearly always positive, the response rate is low.
18. The Audit and Risk Management Committee requested a wider review of the level of Customer Satisfaction with the services provided by the Internal Audit Service. This was completed in two phases through interviews with Chief Officers in the Summer 2013 and Winter 2013/14.
19. The feedback from Chief Officers and senior managers was positive, recognising the shift in the internal audit approach over the last three years from a service predominantly focused on financial regularity to a service which gives broader assurance about both financial and non-financial controls and adds value to decision making.
20. Areas of improvement were identified from these discussions which are being progressed to enhance further the value added by the internal audit function. The most important area being promoting the full scope of the internal audit role with Chief Officers and Senior Managers within Departments, particularly in providing advice and guidance, when new processes and systems are implemented and the internal audit role in providing assurance over areas much wider in scope than purely financial compliance.

**Other Development areas for the section:**

21. The new release of the audit automation software (MK) is being reviewed. It is planned to implement the latest release of this software in the first half of 2014/15 to improve the ease of use of the system for documenting internal audit work and following-up internal audit recommendations.
22. Auditor skills and personal development is a key focus for the section. Particular attention is being given to the sharing of skills and expertise more widely within the team, particularly in specialist audit areas where succession planning is an important consideration. Review of the IS/IT audit capability will be a key consideration for the first 6 months of 2014/15 due to the changed risk landscape following the implementation of the Agilisys contract and the phased retirement of the IS/IT Audit Manager in November 2014.
23. Detail of the utilisation of internal audit time resource for 2013/14 is provided in **Appendix 3**.



**Appendix 3 – Internal Audit Resource Analysis (1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014)**

	<b>Original Plan Budget (Days)</b>	<b>Expected to Date (Days)</b>	<b>Actual to Date (Days)</b>
Gross Days	<b>3861</b>	<b>3861</b>	<b>3677</b>
<b>Uncontrollable Days</b>			
Bank Holidays	106	106	82
Annual Leave	456	456	452
<b>Net Available Days</b>	<b>3299</b>	<b>3299</b>	<b>3143</b>
<b>Days available for direct audits and support work Available for Projects</b>			
Main Reviews/Spot Checks	1400	1597	1009
Follow-up's	100	100	123
2012/13 Plan C/fwd	180	180	180
	<b>1877</b>	<b>1877</b>	<b>1312</b>
<b>Risk Management</b>			
Corporate Risk Management	148	148	137
Ad hoc on-demand support/advice (risks & controls)	128	128	134
Chamberlain Business Continuity Support	5	5	4
<b>Anti-Fraud &amp; Corruption</b>			
Fraud Investigations	239	239	325
Pro-active fraud & prevention	74	74	66
<b>Audit Planning &amp; Reporting</b>			
Audit Planning & Reporting	49	49	74
Audit Plan progress reporting	51	51	57
External Audit Liaison/Co-ordination	10	10	12
<b>Efficiency &amp; Performance Review</b>			
Support to Efficiency Board/EPSC	35	35	49
Officer Groups (Information management, Information Liaison, Transport Groups)	17	17	14
<b>Audit Development</b>			
Continuous Improvement	64	64	57
Audit policy, research and development	56	56	52
Audit intranet	3	3	3
<b>Member Support</b>			
COL Audit & Risk Management Committee	28	28	121
GSMD Audit & Risk Management Committee	6	6	6
London Councils - Audit Committee	6	6	5
Museum of London - Audit Committee	6	6	13
Police Performance & VFM Committee	3	3	9
Barbican Centre Risk/Finance Committee	6	6	8
	<b>934</b>	<b>934</b>	<b>1145</b>

**Admin Support**

General (e.g. time recording/staff meetings/staff monitoring)*	236	236	362
MK Audit Automation Software	15	15	37
Other Absences**	104	104	99
Audit Training***(including Apprentice College release)	80	80	138
Corporate Training	18	18	20
CIPFA & IIA Training	35	35	28

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\* includes running recruitment campaigns and office move

\*\* sickness /medical appointments/City volunteering/Jury Service

### ANNUAL GOVERNANCE STATEMENT 2013/14

#### SUPPORTING SCHEDULE

Key Element	Item	Reporting to Members
Code of Corporate Governance	Committee terms of reference (para 8)	Terms of reference are reviewed by each Committee annually. A composite report of all Committee terms of reference is submitted annually to the Court of Common Council.
	Scheme of Delegations (para 8)	Changes to the Scheme of Delegations were approved by the Policy and Resources Committee on 23 <sup>rd</sup> January 2014, before being submitted to the relevant Committees and then to the Court of Common Council for approval.
	Standing Orders and Project Procedure (para 8)	Changes to the Standing Orders and Project Procedure were approved by the Policy and Resources Committee on 23 <sup>rd</sup> January 2014.
	Localism Act: Standards regime (paras 12-13)	Amended terms of reference for the Standards Committee were agreed on 14 <sup>th</sup> June 2013.  A revised Code of Conduct was approved by the Standards Committee on 31 <sup>st</sup> January 2014, and recommended for approval to the Court of Common Council.  The composition and terms of reference for the Dispensations Sub Committee were approved by the Standards Committee on 13 <sup>th</sup> September 2013.
	Localism Act: Pay Policy Statement (para 15)	The draft Pay Policy Statement for 2014/15 was agreed by the Court of Common Council on 6 <sup>th</sup> March 2014.
	Bribery Act (para 16)	Procedures for staff declaration were approved by the Audit and Risk Management Committee on 12 <sup>th</sup> December 2012.
	Regulation of Investigatory Powers (RIPA) (para 17)	Revisions to the RIPA policy and procedures were agreed by the Policy and Resources Committee on 14 <sup>th</sup> February 2013.
	Role of the City of London Corporation as Trustee of the Bridge House Estates Charity (para 18)	The report on the Role of the City of London Corporation as Trustee of the Bridge House Estates was reported to the Court of Common Council on 16 <sup>th</sup> January 2014.
Business Strategy and Planning Process	Sustainable Community Strategy (para 19)	The City Together Strategy (the sustainable community strategy for the City) was agreed by the Court of Common Council and the City's local

		strategic partnership (The City Together) in July 2008.
	Corporate Plan (para 19)	The Corporate Plan for 2013-17 was agreed by Court of Common Council on 24 <sup>th</sup> April 2013, following consideration by Policy and Resources Committee on 22 <sup>nd</sup> March 2013.
	Policing Plan (para 19)	The Policing Plan for 2013-16 was agreed by the Police Committee on 15 <sup>th</sup> February 2013.
	Communications Strategy (para 19)	The Communications Strategy for 2013-16 was agreed by the Policy and Resources Committee on 22 <sup>nd</sup> March 2013.
	Cultural Strategy (para 19)	The Cultural Strategy for 2012-17 was agreed by the Court of Common Council on 25 <sup>th</sup> October 2012.
	Annual City-wide residents' meeting (para 20)	The annual City-wide residents' meeting was held on 25 <sup>th</sup> June 2013.
	Annual business ratepayers' meeting (para 20)	The annual business ratepayers' meeting was held on 11 <sup>th</sup> February 2013 and 4 <sup>th</sup> February 2014.
	Health and Wellbeing Board (para 21)	The terms of reference and membership for the City's Health and Wellbeing Board were agreed by the Court of Common Council on 6 <sup>th</sup> December 2012.
Financial Management Arrangements	Efficiency and performance sub-Committee (para 28)	During 2013/14, the sub-Committee met on five occasions, considering reports on, inter alia: <ul style="list-style-type: none"> <li>• The City of London Procurement Services (CLPS)</li> <li>• Work of the Transformation and Efficiency Boards</li> <li>• Third Party Payments, and Supplies and Services</li> <li>• Transfer of Public Health functions</li> <li>• Combined Heat and Power (Annual Report 2012/13)</li> <li>• CIPFA Value for Money indicators</li> <li>• Staff Suggestion Scheme</li> </ul>
	Financial Strategy and Budget Policy (para 31)	The revised Medium Term Financial Strategy was agreed by the Court of Common Council on 7 <sup>th</sup> March 2013.
Risk Management	Updates to Audit and Risk Management Committee (para 37)	The Audit and Risk Management Committee receives update on risk management at each meeting. During 2013/14, the following strategic risks were reviewed in depth: <ul style="list-style-type: none"> <li>• SR1: Response to terrorist attack</li> <li>• SR3: Financial stability</li> <li>• SR4: Planning policy</li> <li>• SR5: Flooding in the City</li> </ul>

## Appendix 3

		<ul style="list-style-type: none"> <li>• SR8: Managing the City's reputation</li> <li>• SR9: Health and Safety</li> <li>• SR10: Adverse political developments affecting the City</li> <li>• SR11: Pond embankment failure – Hampstead Heath</li> <li>• SR13: Public Order and Protest</li> <li>• SR14: Financial uncertainty</li> <li>• SR16: Data Protection</li> <li>• SR17: Safeguarding</li> </ul>
	Independent review of the risk management framework (para 39)	Zurich Municipal's independent review of the risk management framework was reported to the Audit & Risk Management Committee on 15 <sup>th</sup> October 2013.
Role of Internal Audit	General updates to Audit & Risk Management sub-Committee (para 49)	Internal audit update reports were presented to the Audit & Risk Management Committee on 25 <sup>th</sup> June 2013, 17 <sup>th</sup> September 2013, 11 <sup>th</sup> December 2013, and 4 <sup>th</sup> March 2013.
	Audit Charter (para 49)	The Audit Charter was agreed by the Audit and Risk Management Committee on 15 <sup>th</sup> October 2013.
	Reports re fraud investigation function (para 52)	Anti-Fraud and Investigation updates were presented to the Audit & Risk Management Committee on 25 <sup>th</sup> June 2013, 17 <sup>th</sup> September 2013, 11 <sup>th</sup> December 2013, and 4 <sup>th</sup> March 2013.
Performance Management	Departmental reporting (para 54)	Departmental Business Plans are normally approved by the relevant service committee(s) between February and April each year. Chief Officers produce quarterly monitoring reports for their service committee(s), combining information on service and financial performance.
	Annual Summary of Performance and Accounts (para 55)	The annual City Fund Overview for 2012/13 was published in January 2014. The City Fund Overview for 2013/14 will be produced in the summer of 2014.
Head of Internal Audit's Opinion	(paras 61-62)	The annual opinion from the Head of Audit and Risk Management for the year 2013/14 was reported to the Audit and Risk Management Committee on 13 <sup>th</sup> May 2014.

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# Agenda Item 19

## Audit and Risk Management -Work Programme 2014/15

Date	Items
22 July	<ul style="list-style-type: none"> <li>• Audited 2013/14 City Fund and Pension Fund Financial Statements together with Deloitte's report thereon</li> <li>• Audited 2013/14 Bridge House Estates and Sundry Trusts Financial Statements together with Deloitte's report thereon</li> <li>• Audited 2013/14 City's Cash and City's Cash Trust Funds Financial Statements together with Moore Stephens report thereon</li> <li>• <i>Committee Effectiveness Review</i></li> <li>• <i>BHE Trustee Responsibilities and Application to Project BE</i></li> <li>• <i>HMIC Inspections (Annual Update) - tbc</i></li> </ul>
9 September	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Internal audit recommendations follow-up report</li> <li>• Investigations Update report</li> <li>• Risk Management Update</li> <li>• Corporate and Departmental Risk Reviews – tbc</li> </ul>
4 November	<ul style="list-style-type: none"> <li>• Internal Audit Planning for 2014/15</li> <li>• Cash Handling and Banking Investigation follow up</li> <li>• Corporate and Departmental Risk Reviews – tbc</li> <li>• <i>Internal Audit Charter</i></li> </ul>
8 December	<ul style="list-style-type: none"> <li>• Deloitte's Annual Audit Letter on the City Fund and Pension Fund Financial Statements</li> <li>• Deloitte's annual audit plan for City Fund Financial Statements including agreement of the audit fee</li> <li>• Deloitte's annual audit plan for the Pension Fund Financial Statements including agreement of the audit fee</li> <li>• Moore Stephens - annual audit plan for the Non Local Authority Funds including agreement of the audit fee</li> <li>• Internal Audit Progress Report</li> <li>• Internal audit recommendations follow-up report</li> <li>• Anti-Fraud &amp; Investigation Update report</li> <li>• Risk Management Update</li> </ul>
January 2015	<ul style="list-style-type: none"> <li>• Fraud Awareness Training update</li> </ul>

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# Agenda Item 23

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