



## Audit and Risk Management Committee

**Date:** TUESDAY, 8 MARCH 2016

**Time:** 1.45 pm

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

**Members:**

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

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Lunch will be served in Guildhall Club at 1 pm

**NB: Part of this meeting could be the subject of audio or video recording**

**John Barradell**  
Town Clerk and Chief Executive

# AGENDA

## Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**  
To agree the public minutes and non-public summary of the meeting held on 26 January 2016.  

**For Decision**  
(Pages 1 - 8)
4. **OUTSTANDING ACTIONS OF THE COMMITTEE**  
To note the Committee's Outstanding Actions List.  

**For Information**  
(Pages 9 - 10)
5. **COMMITTEE WORK PROGRAMME**  
To note the Committee's work plan.  

**For Information**  
(Pages 11 - 12)
6. **CORPORATE RISK REGISTER REVIEW**  
Report of the Chamberlain.  

**For Information**  
(Pages 13 - 50)
7. **DEEP DIVE RISK REVIEW: INFORMATION SECURITY CR16**  
An oral update from the Chief Information Officer.  

**For Information**
8. **ANTI FRAUD INVESTIGATIONS**  
Report of the Chamberlain.  

**For Information**  
(Pages 51 - 58)
9. **ANNUAL GOVERNANCE STATEMENT METHODOLOGY**  
Report of the Town Clerk.  

**For Decision**  
(Pages 59 - 64)

10. **AUDIT PLANS FOR THE 2015/16 CITY FUND AND PENSION FUNDS FINANCIAL STATEMENTS**  
Report of the External Auditor.

**For Information**  
(Pages 65 - 108)

11. **CERTIFICATION OF CLAIMS AND RETURNS 2014/15**  
Report of the External Auditor.

**For Information**  
(Pages 109 - 118)

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

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

14. **EXCLUSION OF THE PUBLIC**

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

**For Decision**

**Part 2 - Non-Public Agenda**

15. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
To agree the Non-Public minutes of the meeting held on 26 January 2016.

**For Decision**  
(Pages 119 - 120)

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

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

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## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 26 January 2016

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Tuesday, 26 January 2016 at 1.45 pm

**Present**

**Members:**

Alderman Nick Anstee (Chairman)  
Nigel Challis (Deputy Chairman)  
Sheriff & Alderman Charles Bowman  
Deputy Roger Chadwick (Ex-Officio Member)  
Hilary Daniels (External Member)  
Deputy Jamie Ingham Clark  
Alderman Timothy Hailes  
Alderman Ian Luder  
Kenneth Ludlam (External Member)  
Caroline Mawhood (External Member)  
Jeremy Mayhew (Ex-Officio Member)  
Graeme Smith  
Henry Colthurst (Ex-Officio Member)

**In Attendance:**

Michael Welbank – Chairman of the Planning and Transportation Committee  
Deputy Billy Dove – Chief Commoner

**Officers:**

Peter Kane	- Chamberlain
Neil Davies	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Paul Dudley	- Chamberlain's Department
Caroline Al-Beyerty	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Chris Harris	- Chamberlain's Department
Leigh Lloyd-Thomas	- External Auditor, BDO
Lucy Nutley	- External Auditor, Moore Stephens
Carolyn Dwyer	- Director of the Built Environment
Steve Presland	- Department of the Built Environment

1. **APOLOGIES**

Apologies were received from Martin Dudley and Oliver Lodge.

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

The Head of Internal Audit and Risk Management declared a pecuniary interest in respect of item 17 (Waiver request). This report was before the Committee for information, on the non-public agenda, and had been approved by the Finance Committee on 15<sup>th</sup> January 2016.

3. **MINUTES OF THE PREVIOUS MEETING**

The Minutes of the meeting held on 3<sup>rd</sup> November 2015 were approved.

4. **OUTSTANDING ACTIONS LIST**

Members received the Committee's outstanding actions list and noted the following updates:

**Cyber Security Risks** – The Town Clerk advised that a Members' Development Session on Cyber Security had been planned for 8<sup>th</sup> February at 2pm. Members felt that this was particularly timely, given the significant upscale in cyber security over the past few months.

**Pensions Fund** – this could now be removed from the list. The Chairman was pleased to report on a successful briefing with 20 Members.

**City's Cash Financial Statements** – this item could now be removed.

5. **COMMITTEE WORK PROGRAMME**

The Committee received its work programme, which had been updated to the end of 2016. Members noted that the dates of the risk challenge sessions would be added shortly. The Town Clerk advised of 2 amendments: the results of the Committee Effectiveness Survey and the Annual Governance Statement, which would be reported in June 2016.

6. **TERMS OF REFERENCE AND FREQUENCY OF MEETINGS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

The Committee considered a report of the Town Clerk in respect of the Annual Review of the Committee's Terms of Reference and frequency of meetings, ahead of its submission to the Court of Common Council in April 2016.

Members discussed the following:

- Whether the Terms of Reference should seek to approve annually the rolling 3 Year Internal Audit Plan. The Chamberlain explained that the External Auditors' Plan would need to remain as annual, in accordance with the timeframe for producing the Financial Statements.
- Whether, in addition to reporting to the Court (as necessary), the Committee should also report annually to the Court. The Chairman reminded Members that he was doing so this year, in the form of a briefing to all Court Members, which had been circulated to Members of the Audit and Risk Management Committee for comment and was

currently being finalised. The Head of Internal Audit and Risk Management advised that this was good practice elsewhere.

RESOLVED, that -

The Terms of Reference of the Audit and Risk Management Committee be amended as follows:

1. Item 4 (a) *'To consider and approve annually the rolling three-year plan for Internal Audit'*.
  2. A new item (b) *'To consider and approve the annual External Audit Plan'*; and (e) *'To report back, as necessary and at least annually, to the Court of Common Council'*.
  3. The Committee continues to meet 6 times a year.
7. **BRIDGE HOUSE ESTATES, CITY'S CASH, CITY'S CASH TRUSTS, THE CORPORATIONS SUNDRY TRUSTS & OTHER ACCOUNTS - EXTERNAL AUDIT STRATEGY & PLANNING REPORT ON THE 2015-16 FINANCIAL STATEMENTS**

The Committee considered the report of the External Auditors setting out the planning strategy for Bridge House Estates, City's Cash, City's Cash Trusts, the Corporation's Sundry Trust and other Accounts.

During the discussion the following items were raised/noted:

- Some historical assets were valued at a nominal value, which may be out of sync with insurance valuations but still in accordance with UKGAAP. The Chamberlain explained that it might be misleading to show the market value of assets we would never dispose of.
- The External Auditor was present and did not foresee any difficulties but Members were mindful of the City's extremely large property portfolio.
- The Chamberlain confirmed the Financial Services Team were confident of adequate segregation of duties.
- The Financial Services Director agreed to check whether separate bank accounts had been set up for the Pension Fund.
- The position in respect of the Crossrail disclosure would be determined on 31<sup>st</sup> March 2016; Members noted that this was currently a contingent commitment.

RESOLVED, that – the External Auditors Planning and Strategy report on the 2015-16 City's Cash Financial Statements be approved.

8. **INTERNAL AUDIT UPDATE REPORT**

The Committee considered a report of the Head of Internal Audit and Risk Management which set out the Internal Audit activity since the September 2015 Committee. During the discussion on this report, the following points were raised/noted:

- The Plan was behind schedule but work practices were changing to focus on City of London Corporation priorities and business plans. In addition, there had been some long term sickness in the team.
- The Team were looking to improve pre-planning and introduce stretch targets. Members agreed that the position had improved.
- The new working practices would include working closer with line managers but the Head of Internal Audit and Risk Management generally found them very responsive.
- Any significant slippages or any systemic weaknesses would be reported to the Committee.
- Resources were being managed but there had been some additional resources applied to help ensure completion of the plan.

RESOLVED – that the report be noted.

9. **2016-17 INTERNAL AUDIT PLAN AND THREE YEAR STRATEGY**

The Committee considered a report of the Head of Internal Audit and Risk Management, which presented the 2016-17 Internal Audit Plan and Three Year Strategy, as required by the Public Sector Internal Audit Standards.

RESOLVED - that the 2016-17 Internal Audit Work Plan and Three Year Strategy be approved

10. **AUDIT AND RISK MANAGEMENT COMMITTEE SURVEY**

Then Committee considered a report of the Town Clerk in respect of the Committee's effectiveness survey. In response to Members' requests, this report presented the questions in advance for their consideration.

Members suggested that questions be reworded to: '*is the process effective*', rather than; '*are members satisfied*'.

RESOLVED – that:

1. The next Survey of Members of this Committee takes place in February 2016, to be reported to the Committee in June 2016.
2. The methodology used in 2015 be retained.
3. The above suggestion re the wording of questions; i.e. '*effective*', rather than '*satisfied*' be adopted.



11. **CORPORATE RISK REGISTER REVIEW**

The Committee received a report of the Chamberlain, which provided Members with an update on the corporate and top red departmental risk registers following the review by the Chief Officer Risk Management Group (CORMG) on 17 November 2015 and the Summit Group on 7 December 2015.

During the discussion on this item, the following matters were raised/noted:

- Two new risks had been added: Road Safety and Air Quality, with Road Safety the subject of a 'Deep Dive' Review in the next agenda item.
- The Risk Rating Schedule was attached, as requested by the Members' Development Session in October 2015.
- The Town Clerk was particularly focussed on work place accidents.

RESOLVED – That the report be noted.

12. **CORPORATE RISK 20 - ROAD SAFETY**

The Committee received a joint report of the Director of the Built Environment and the City of London Police, which considered the actions proposed to mitigate corporate risk CR20: Road Safety and progress made to date against previously agreed actions. The Director of the Built Environment and the Chairman of the Planning and Transportation Committee were in attendance for this item.

During the discussion, the following points were raised/noted:

- Despite officers' pro-activity, casualties were not down, as expected. Going forward, there would be a strong emphasis on behavioural change, with pedestrians/cyclists being urged to take more responsibility for their personal safety and distracting behaviours; i.e. use of headphones and i-phones. This will include raising awareness through City businesses.
- Officers would be working with those neighbouring boroughs that had been successful in reducing serious casualties to establish what, if anything might be learnt from their approaches. Members noted that casualties on TfL roads were generally very high, with Bishopsgate being particularly serious.
- A Member commented that recent works in the Mansion House Station area had been particularly treacherous and urged officers to view each situation from a pedestrian's perspective and ensure that safe paths are clearly marked. Members noted that a Pedestrian Movement Survey would take place around Easter time this year.
- In respect of 'near-miss' incidents, Members noted that City officers and City Police were working on accident predictability and analysing serious and minor incidents/near-misses. City Police were directing enforcement action based on their analysis. Officers advised that Operation Atrium (a

Cyclist training scheme offered instead of a penalty charge notice to cyclist offenders) was well resourced but might need to upscale if demand required.

- Members noted new requirements for mirrors on lorries and safer cabs, and the introduction of the new vehicle, which had been launched at the Aldgate scheme the previous day.
- The Chairman of Planning and Transportation was extremely disappointed at the poor casualty reduction rates, particularly the Bank Junction fatality last summer. He endorsed the above measures and, in particular, the drive for a behavioural change by both pedestrians and cyclists.
- There were strong links to the air quality initiative and this too was scheduled for a 'Deep Dive' risk review at the Audit and Risk Management Committee.
- Finally, Members suggested an initiative whereby cyclists would have their road traffic offences recorded on their driving licenses

RESOLVED, that - the report be noted

13. **REGULATION OF INVESTIGATORY POWERS ACT 2000**

The Committee received a report of the Town Clerk in respect of the Regulation of Investigatory Powers Act 2000. Members noted that the Policy and Resources Committee had agreed revisions to the Policy and Procedure Manual the previous week.

RESOLVED – that the report be noted.

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

Further to the issues raised at the Risk Challenge Session earlier in the day, Members suggested that the issues raised be the subject of a future 'deep dive' risk review or update report to the Audit and Risk Management Committee and that this be added to the outstanding actions list.

In respect of Terms of Reference generally, a question was raised as to whether risk management should be included in all Terms of Reference. It was suggested that the quarterly reporting of risk registers should be sufficient and the Chairman urged all Members of the Audit and Risk Management Committee to ensure that risk update reports receive sufficient scrutiny at the Service Committees which they attended.

The Town Clerk advised Members that, if they were minded to seek a generic change to all Terms of Reference, they would need to take a resolution to the Policy and Resources Committee. For the time being, the Chairman agreed to discuss this further with the Town Clerk.

15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**  
The Town Clerk advised that the Police Committee had asked for 2 (not 1, as at present) Co-opted Members of the Audit and Risk Management Committee onto their Performance and Resource Management Sub Committee. Members noted that the appointments would be made at the June Meeting of the Committee; i.e. the first one after the Annual Court in April 2016.

16. **EXCLUSION OF THE PUBLIC**  
RESOLVED – that under Section 100 (A) of the Local Government Act 1972, public be excluded from the following items on the grounds that they may involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act.

<b>Item No</b>	<b>Paragraph no</b>
17	1, 2 & 3
18	1, 2

17. **WAIVER REQUEST**  
The Committee received a report of the Chamberlain in respect of a waiver approval for Internal Audit Support, which had been approved by the Finance Committee.

RESOLVED – that, the report be noted.

18. **THE CHAIRMAN TO BE HEARD**

The Chairman was heard in respect of a governance matter.

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

20. **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.

**The meeting ended at 3.40 pm**

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Chairman

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## AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- February/March 2016 update

	Item	Action	Officer responsible	Progress updates/target
1	<b>Head of Internal Audit – Annual Opinion</b> (added 2.6.15)	<ol style="list-style-type: none"> <li>Members asked if future reports could provide a comparison with the previous years' performance and give greater visibility to improvements, - ie the regular inclusion of risk management reports on all Grand Committee agendas and the implementation of the Risk Challenge sessions.</li> <li>Peer Review - As this had not been progressed across other authorities, officer would need to look at alternative benchmarking and report back to the Committee in due course.</li> </ol>	C Harris P Dudley	<ol style="list-style-type: none"> <li>On-going. Annual Opinion will be reported to June Committee and will include the suggested items.</li> <li>Peer review is in progress and the outcome will be reported when complete. The review is being carried out by the Head of Internal and Anti-Fraud at the London Borough of Southwark.</li> </ol>
9	<b>Cyber Security Risks</b> (added 17.9.15)	Consider the possible security risks in sending emails to Members' non-City of London email addresses, given they might have different levels of security protection.	C Keesing P Dudley	A significant piece of corporate cyber work is being carried out by a joint team representing the Police and Corporate IT with verification by Internal Audit. This will look at the issue of Members' emails amongst general Data Security risks.
3	<b>Risk Management</b> (added 3.11.15)	<ol style="list-style-type: none"> <li>A further risk challenge session be added covering Education more generally, with an invitation extended to the Chairman of the Education Board.</li> <li>Given the current press interest in cyclist and road casualties, road safety to be considered as a deep dive at the next meeting, with a relevant officer from the City of London Police in attendance.</li> </ol>	P Dudley C Harris	<ol style="list-style-type: none"> <li>Director of Community and Children's Services to cover this as part of his informal risk challenge session</li> <li>Considered January 2016</li> </ol>

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- February/March 2016 update

		3. Members of the Court to receive a brief summary on the work of the Audit and Risk Management Committee generally and its success in raising the profile of risk management across the City of London Corporation.		3. Despatched after the January meeting.
4	<b>City of London Boys' School</b> <b>(Added 26.1.2016)</b>	Further to the discussion at the Risk Challenge Session on 26 <sup>th</sup> January, the school to be the subject of a future 'deep dive' risk review.	Paul Dudley/ Julie Mayer	The Board of Governors of the Boys School has met since the Risk Challenge session. The Chairman of the Board of Governors attended the risk challenge session and continues to progress the actions.

## ***Audit and Risk Management Work Programme 2016***

<b>Date</b>	<b>Items</b>
14 <sup>th</sup> June 2016	Risk Update <i>Deep Dive Risk Review – Air Quality</i> Results of Committee Effectiveness Survey Internal Audit Update Annual Internal Audit Opinion Annual Governance Statement <b>Risk Challenge Sessions: Remembrancer/Chamberlain</b>
18 <sup>th</sup> July 2016	<i>Deep Dive Risk Review – Health and Safety</i> Draft 2015/16 City Fund and Pension Fund Financial Statements together with BDO's report thereon. <b>Risk Challenge Session: Barbican Centre/GSMD</b>
13 September 2016	Anti-Fraud & Investigations Update Internal Audit Update Risk Update <i>Deep Dive Risk Review – Resilience</i> <b>Risk Challenge Session: Built Environment/Open Spaces</b>
8 November 2016	Draft 2015/16 Non-Local Authority Financial Statements (City's Cash, Bridge House Estates, City's Cash Trust Funds, and the Sundry Trusts) together with Moore Stephens report thereon. Risk Update <i>Deep Dive Risk Review – Hampstead Heath Ponds</i> <b>Risk Challenge Session - Comptroller and City Solicitor/Town Clerk</b>

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# Agenda Item 6

<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management	8 March 2016
<b>Subject:</b> Corporate Risk Register Review	Public
<b>Report of:</b> Chamberlain <b>Report author:</b> Paul Dudley	<b>For Information</b>
<b><u>Summary</u></b>	
<p>This report provides the Audit and Risk Management Committee with an update on the corporate and the top red departmental risk registers following the review by the Chief Officer Risk Management Group (CORMG), on 29 January 2016.</p> <p>There are currently 11 corporate risks on the corporate risk register (no change in the number of risks from December 2015). All corporate risks have been reviewed and updated. Two risks (CR 01 Resilience) and (CR16 Information Security) have shown an increase in risk scores. All other risk scores remain the same.</p> <p>CORMG, at their meeting on the 29 January 2016, considered a risk on contract management but agreed to not to recommend this risk for inclusion on to the corporate risk register at this time. It will however feature in the Chamberlain's departmental risk register.</p> <p>There have been changes to the composition of the top red departmental risk registers with the number of risks increasing from 11 to 12 since the December 2015 report.</p> <p>A total of 236 risks (as at 27 January 2016) have been identified by departments providing a wide range of risks that may affect service delivery. Departments have used the Corporation's Risk Management Strategy (May 2014) to ensure a consistent approach to the way risks are described and scored.</p> <p><b>Recommendation</b></p> <p>Members are asked to note the corporate risk register and the changes to the composition of the top red departmental risk register.</p>	

## 1.0 Background

- 1.1 The corporate risk register was last reviewed by CORMG on 29 January 2016 and the Summit Group on 17 February 2016.
- 1.2 In accordance with the established risk framework, each risk has been reviewed (and where appropriate risk descriptions revised) by the responsible risk owner and departmental management teams.

- 1.3 A wide range of risks have been identified by departments (236 risks as at 27 January 2015) comprising of 29 red, 137 amber and 70 green risks. All risks are recorded on Covalent – the risk management information system. Departments have used the Corporation’s Risk Management Strategy (May 2014) to ensure that there is a consistent approach to the way risks are described and scored. Of the 236 total, there are 11 corporate and 12 top red departmental risks. Attached as appendix 1 is the corporate risk matrix which illustrates the likelihood and impact ratings as well as the definitions for red, amber and green risks.
- 1.4 The corporate risk register is attached as appendix 2 (providing details of each risk, a brief update, where appropriate a target risk date, mitigations) and a summary of the top red departmental risk register is attached as appendix 3.

## 2.0 Corporate risk register

- 2.1 There are currently 11 corporate risks (four red, six amber and one green risk).

Table 1 below – List of corporate risks as at **3 February 2016** (Risk score order)

Risk no	Risk title	Risk rating	Current Risk score	Change in risk score
CR11	Hampstead Heath Ponds	Red	16	↔
CR 19	IT Service Provision – Police and Corporation IT Service	Red	16	↔
CR20	Road Safety	Red	16	↔
CR21	Air Quality	Red	16	↔
CR09	Health and Safety Risk	Amber	12	↔
CR01	Resilience Risk	Amber	12	↑
CR02	Loss of Business Support for the City	Amber	8	↔
CR10	Adverse Political Developments	Amber	8	↔
CR17	Safeguarding	Amber	8	↔
CR14	Funding Reduction	Amber	6	↔
CR16	Information Security	Amber	6	↑

- 2.2 Two risks have shown an increase since the last report to the Summit Group in December 2015:

- CR 01 (Resilience).** Re-rated from a risk score of 8 (amber) to 12 (amber). This change has been made following a review of the robustness of the Corporation’s business continuity plans (BCP) and the IT network assumptions on which some actions in the BCPs are based. However work is progressing to improve the resilience of the network.
- CR16 (Information Security).** Re-rated from a green 4 to and amber 6. Further work is required to strengthen data retention and ownership procedures in line with Data Protection requirements.

All other corporate risk scores remain unchanged.

### **Proposed corporate risk – Corporate Contract Management**

- 2.3 CORMG, at their meeting on 29 January 2016, considered the following risk for possible recommendation to the Summit Group for inclusion in the corporate risk register.

***Cause:** CoL has no corporate contract management policy or procedures*

***Event:** Strategic corporate contracts will fail to be monitored and managed in a consistent and planned manner.*

***Effect:** Corporate contracts not delivering the commercial benefits and quality expected at contract letting, together with escalating prices and scope creep.*

However, CORMG, agreed that, at this time, it should feature in the Chamberlain's departmental but not corporate risk register, given the positive set of actions emerging from the cross cutting review on contract management, approved by Summit, and to be considered by Members in February 2016.

### **3.0 Top departmental red risks**

- 3.1 There are currently 12 Top departmental red risks - an increase of one risk since the December 2015 report. Five new risks have been added whilst four risks have been removed from this register since the last report. The new risks have been highlighted in the top red departmental risk register attached as appendix 3. Of the four risks removed from this register two remain at departmental level as amber risks and two have been allocated for management at service level. These risks are listed below:

1. **MCP SM-001 HGV Unloading** – Re-rated as amber risk but remains at departmental level. (This risk has been reviewed and moved from Red to Amber following the installation of a number of physical safety devices at the loading docks and the implementation of an action plan developed jointly by the Freight Transport Association, City of London staff, and consulted upon with market tenants)
2. **MCP-NS 001 Workplace traffic management** - Re-rated as amber risk but remains at departmental level. (*This risk has been reviewed following the implementation of a new action plan, developed jointly by Labyrinth and City of London staff, and consulted upon with market tenants. The City's short term actions have been completed thereby reducing this risk and agreement has been reached with the SpMTA over timescales for implementing the medium and long term actions which it is envisaged will reduce this risk further*)
3. **OSD EF008 Invasive Non Native Species** – de-escalated to service level.
4. **OSD NLOS 007 Hampstead Heath Bathing ponds** (a different risk to the corporate risk). De-escalated to service level.

- 3.2 The highest top red risk is DCCS PE 002 Failure to deliver expansion of Sir John Cass Foundation Primary School to 2 form entry in September 2016, which has a score of 24.

- **DCCS PE 002** – Failure to deliver the expansion of Sir John Cass’s Foundation Primary School. The legal process continues, and to mitigate against this risk in the short term, officers have asked the governing body of the school to operate a bulge Reception class in September 2016 should the applications received evidence the demand, as a result of the changes in the School’s admission criteria.

All other red risks are scored at 16.

#### **4.0 Conclusion**

- 4.1 The Corporate risk register continues to be actively reviewed and updated by risk owners in line with the requirements stipulated by the Risk Management Strategy. CORMG provides additional assurance to the Summit Group, COG and the Audit and Risk Management Committee that corporate risks are appropriate and being actively managed.

#### **Appendices:**

**APPENDIX 1** – Corporate Risk Matrix

**APPENDIX 2** – Corporate risk register

**APPENDIX 3** – Top Red departmental risk register

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## City of London Corporation Risk Matrix (Black and white version)

Note: A risk score is calculated by assessing the risk in terms of likelihood and impact. By using the likelihood and impact criteria below (top left (A) and bottom right (B) respectively) it is possible to calculate a risk score. For example a risk assessed as Unlikely (2) and with an impact of Serious (2) can be plotted on the risk scoring grid, top right (C) to give an overall risk score of a green (4). Using the risk score definitions bottom right (D) below, a green risk is one that just requires actions to maintain that rating.

### (A) Likelihood criteria

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

Page 17

### (B) Impact criteria

Impact title	Definitions
Minor (1)	<b>Service delivery/performance:</b> Minor impact on service, typically up to one day. <b>Financial:</b> financial loss up to 5% of budget. <b>Reputation:</b> Isolated service user/stakeholder complaints contained within business unit/division. <b>Legal/statutory:</b> Litigation claim or find less than £5000. <b>Safety/health:</b> Minor incident including injury to one or more individuals. <b>Objectives:</b> Failure to achieve team plan objectives.
Serious (2)	<b>Service delivery/performance:</b> Service disruption 2 to 5 days. <b>Financial:</b> Financial loss up to 10% of budget. <b>Reputation:</b> Adverse local media coverage/multiple service user/stakeholder complaints. <b>Legal/statutory:</b> Litigation claimable fine between £5000 and £50,000. <b>Safety/health:</b> Significant injury or illness causing short-term disability to one or more persons. <b>Objectives:</b> Failure to achieve one or more service plan objectives.
Major (4)	<b>Service delivery/performance:</b> Service disruption > 1 - 4 weeks. <b>Financial:</b> Financial loss up to 20% of budget. <b>Reputation:</b> Adverse national media coverage 1 to 3 days. <b>Legal/statutory:</b> Litigation claimable fine between £50,000 and £500,000. <b>Safety/health:</b> Major injury or illness/disease causing long-term disability to one or more people <b>objectives:</b> Failure to achieve a strategic plan objective.
Extreme (8)	<b>Service delivery/performance:</b> Service disruption > 4 weeks. <b>Financial:</b> Financial loss up to 35% of budget. <b>Reputation:</b> National publicity more than three days. Possible resignation leading member or chief officer. <b>Legal/statutory:</b> Multiple civil or criminal suits. Litigation claim or find in excess of £500,000. <b>Safety/health:</b> Fatality or life-threatening illness/disease (e.g. mesothelioma) to one or more persons. <b>Objectives:</b> Failure to achieve a major corporate objective.

### (C) Risk scoring grid

	X	Impact			
		Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	Likely (4)	4 <b>Green</b>	8 <b>Amber</b>	16 <b>Red</b>	32 <b>Red</b>
	Possible (3)	3 <b>Green</b>	6 <b>Amber</b>	12 <b>Amber</b>	24 <b>Red</b>
	Unlikely (2)	2 <b>Green</b>	4 <b>Green</b>	8 <b>Amber</b>	16 <b>Red</b>
	Rare (1)	1 <b>Green</b>	2 <b>Green</b>	4 <b>Green</b>	8 <b>Amber</b>
	X				

### (D) Risk score definitions

<b>RED</b>	Urgent action required to reduce rating
<b>AMBER</b>	Action required to maintain or reduce rating
<b>GREEN</b>	Action required to maintain rating

This is an extract from the City of London Corporate Risk Management Strategy, published in May 2014.

Contact the Corporate Risk Advisor for further information. Ext 1297

October 2015

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## Corporate Risk Register

Report Author: Paul Dudley

Generated on: 04 February 2016

Rows are sorted by Risk Score

### Code & Title: CR Corporate Risk Register 11

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR11 Hampstead Heath Ponds - overtopping leading to dam failure	<p><b>Cause:</b> The earth dams on Hampstead Heath are vulnerable to erosion caused by overtopping</p> <p><b>Event:</b> Severe rainfall event which causes erosion which results in breach, leading to failure of one or more dams</p> <p><b>Impact:</b> Loss of life within the downstream community and disruption to property and infrastructure - including Kings Cross station and the Royal Free Hospital. A major emergency response would need to be initiated by Camden Council and the police at a time when they are likely to already be dealing with significant surface water flooding. Damage to downstream buildings and infrastructure would result in significant re-build costs. The City's reputation would be damaged. An inquiry and legal action could be launched against the City.</p> <p>The Ponds Project has been initiated to mitigate this risk as the current interim mitigations of telemetry, weather monitoring, an on-site emergency action plan do not address the issue of the dam's vulnerability to overtopping</p>	<p>Likelihood</p> <p>Impact</p>	16	<p>The "Ponds Project" was initiated and is being implemented to address the Risk.</p> <p>The issues reported relate principally to the successful and timely completion of the Ponds Project.</p> <p><b>Potential for land ownership issues to cause delays-</b> Most of the adjoining land owner issues have been resolved.</p> <p><b>Potential for protest</b> – This risk has significantly reduced as the project is well underway.</p> <p><b>Health &amp; Safety</b> - The Heath is a public open space and therefore the interaction between people, dogs and construction plant must be managed. A process of risk assessments is being used to determine the vehicle movements that require an escort.</p>	<p>Likelihood</p> <p>Impact</p>	8	31-Oct-2016	↔

<p>05-Feb-2015 Sue Ireland; Paul Monaghan</p>			<p><b>Cost increases</b> - The budget is overseen by the Project Director and Project Board. A specific risk provision has been included in the approved budget.</p> <p><b>Further challenge</b> – Initial challenge has fallen away. Ongoing extensive consultation and communication with all stakeholders, updating them on progress of the Ponds Project.</p> <p><b>Technical Challenge</b> – As works progress on site technical issues are being uncovered e.g. silt and clay suitability. Mitigation methods will be developed as technical issues arise.</p> <p><b>15 Jan 2016</b></p>				<p>No change</p>
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Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR11 a Project Director to review budget monthly with Project Board - specific consideration of use of risk contingency	Regular monitoring of budget and risk provisions	Project Director continues to monitor the budget closely with the Project Team.	Paul Monaghan	15-Jan-2016	31-Oct-2016
CR11 b Agreement of methods of working with utilities	Agreement of methods of working with utilities	Methods of working agreed around utilities. Ongoing joint working concerning a number of diversions that are happening as a result of the works.	Paul Monaghan	07-Jan-2016	31-Oct-2015
CR11 c Site supervision by DBE and OS to	Regular review of H&S and working practices - in particular movement of vehicles	Weekly meetings to review practices being undertaken	Paul Monaghan	07-Jan-2016	31-Oct-2016

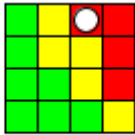
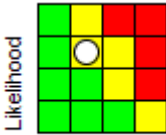


ensure appropriate H&S procedures					
CR11 d Liaison Officer to engage proactively through site notices, media, electronic communications, PPSG and CWG	Liaison Officer role defined by planning conditions in respect of CWG, but will undertake broader community engagement role as previously	CWG continues to meet regularly. Liaison Officer issues 818 weekly email newsletters, updates blog regularly (1000 blog visits per month). Website regularly updated, timelapse camera established and 1336 students participated in Ponds Project Education Programme.	Paul Monaghan	15-Jan-2016	31-Oct-2016
CR11 f Daily ecological monitoring by BAM and Heath staff to check for nesting birds	As per planning consent and conditions	Daily water quality and dust monitoring undertaken. Data published and issued monthly to CWG.	Paul Monaghan	07-Jan-2016	31-Oct-2016
CR11 g Weekly site meetings to secure clear communication between OS, DBE and BAM	To secure clear understand of impact on the Heath, resolution of any issues, discussion of complaints	Continuing consultation with all stakeholders. Complaints log discussed at CWG	Paul Monaghan	07-Jan-2016	31-Oct-2016
CR11 h Resolution of issues with adjoining land owners	There are 4 different adjoining landowners who the City is engaging with. The land ownership will be resolved according to the specifics of each case - via transfer, access agreements or registration as co-undertakers with the EA.	Two of four landowners do not impact on progression of the Ponds Project. Orchard Trust Transfers agreed. Fourth landowner - Millfield Cottage - design is being changed to suit landowner. Alternative designs completed and awaiting agreement with landowner prior to applying for planning permission CoL will continue to liaise with landowners.	Paul Monaghan	15-Jan-2016	31-Oct-2015
CR11 i Approval of designs for Highgate 1	The design approved for Highgate No. 1 impacts on another landowner. Discussions as to an acceptable alternative have been progressing. Any change will require planning permission.	Millfield cottage - design is being changed to suit landowner. Alternative designs completed and awaiting agreement with landowner prior to applying for planning permission	Paul Monaghan	07-Jan-2016	31-Oct-2015



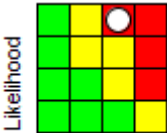


Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR19b JOINT Network refresh programme.	Joint network refresh programme to resolve issues around network resilience and ensure we have diverse routes for network traffic, avoiding single points of failure.	Gateway 4/5 report approved.	Graham Bell	19-Jan-2016	31-Dec-2016
CR19c JOINT End User Device Renewal	Investment in any retained IT infrastructure to ensure that this meets the same standards of resilience and continuity as delivered by the IaaS infrastructure.	Gateway 4/5 report approved.	Graham Bell	19-Jan-2016	31-Dec-2016
CR19d CoLP Investment in any retained IT infrastructure	Investment in any retained IT infrastructure to ensure that this meets the same standards of resilience and continuity as delivered by the IaaS infrastructure	Gateway 4/5 report approved.	Graham Bell	19-Jan-2016	31-Dec-2016
CR19k Unified Communications Programme	Replacement of desktop phones with soft phones and improved teleconferencing facilities.	Gateway 2 report approved.	Graham Bell	19-Jan-2016	31-Dec-2016
CR19l CoLP: Infrastructure as a Service	IaaS Project to move Police IT Infrastructure onto a new resilient platform.	Underway - 1st migrations completed November 2015.	Graham Bell	19-Jan-2016	31-Jan-2016

Page 23

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR20 Road Safety  23-Oct-2015 Carolyn Dwyer	<p><b>Cause:</b> Limited space on the City's medieval road network to cope with the increased use of the highway by vehicles and pedestrians / cyclists within the City of London. Interventions &amp; legal processes take time to deliver</p> <p><b>Event:</b> The number of casualties occurring in the City rises instead of reducing.</p> <p><b>Effect:</b> The City's reputation and credibility is adversely impacted with businesses and/or the public considering that the Corporation is not taking sufficient action to protect vulnerable road users; adverse coverage on national and local media</p>	 <p>Likelihood</p> <p>Impact</p>	16	<p>Risk Unchanged. Permanent Bank Junction redesign Gateway 3 report approved. Interim Bank Junction redesign Gateway 3 report considered December 2015 , referred back for extended optioneering; Issues report scheduled for end February 2016.</p> <p><b>20 Jan 2016</b></p>	 <p>Likelihood</p> <p>Impact</p>	6	21-Dec-2016	↔  No change

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR20a Joint Safer Transport Team	Implement a joint City of London Corporation & City of London Police Road Safety/Safer Transport Team	Following departure of the Assistant Director and Business Analyst leading this work the project has been deferred to allow for new posts to be recruited and the business analysis to be completed. (Revised Due date 30 May 2016)	Steve Presland	20-Jan-2016	30-May-2016
CR20b Permanent Bank Junction redesign	Permanent Bank Junction redesign	Gateway 3 report now approved and gateway 4 scheduled for May 2017. Commencement of build still programmed for 30 Nov 2018.	Steve Presland	20-Jan-2016	30-Nov-2018
CR20c Interim Bank Junction redesign	Working with TfL to explore and, where practicable, deliver short term design/operational improvements to Bank Junction	Gateway 3 Report considered December 2015. Referred back for extended optioneering. Issues report scheduled for end February 2016 and gateway 5 October 2016. Scheme delivery date unchanged.	Steve Presland	20-Jan-2016	21-Dec-2016
CR20d Road Safety Communications Strategy	Work with the Corporation's Public Relations Office to deliver a Road Safety Communications Strategy	Strategy being reviewed by City of London Communications Director. First monthly email issued and weekly twitter feed commenced.	Steve Presland	11-Dec-2015	30-Nov-2015
CR20e City Contracts	Explore embedding vehicle and driver safety in all City of London Corporation contracts	Target date of April 2016 remains unchanged.	Steve Presland	20-Jan-2016	30-Apr-2016

24

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR21 Air Quality 07-Oct-2015 Jon Aaverns	<p><b>Cause:</b> Small particulate pollution has chronic health impacts from long term exposure at very low concentrations and is in evidence within the City and central London. There is also a health impact associated with long term and short term exposure to nitrogen dioxide.</p> <p><b>Event:</b> Under certain atmospheric conditions there is a higher probability of poor air quality within the City and it is more likely that residents, workers and visitors would suffer the acute consequences.</p> <p><b>Effect:</b> The consequences both acute and chronic may include: An increase in hospital referrals placed upon both</p>	 <p>Likelihood</p>	16	Risk moved to Corporate Risk Register as requested by P. Dudley <b>28 Oct 2015</b>	 <p>Likelihood</p>	6		 No change

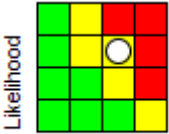
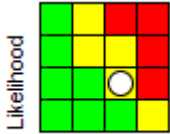
<p>emergency services and the NHS for those already suffering from respiratory or cardiovascular conditions (it may also place a strain on City social services).  An increase in deaths, particularly of those already suffering from respiratory or cardiovascular conditions (both residents and workers).  Economic costs such as acting as a deterrent of businesses coming to London or staying and financial penalties for non-compliance with air quality limits.  Persistent poor air quality may affect the longer term health of the City population.  Persistent poor air quality may attract adverse media coverage making the City seem a less attractive place to live and work.</p>						
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Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR21 001a Implement Policies	Implement the policies contained in the City of London Air Quality Strategy 2015-2020. The strategy contains 10 policy areas with 60 specific actions. An annual report will be produced demonstrating progress with each action.	The due date for this action is the end of April 2016 and each year after that - ongoing action, with progress reports produced in April each year. Actions are renewed and updated each April and reported on in subsequent years.	Jon Averbs	07-Oct-2015	29-Apr-2016
CR21 001b Review Air Quality	Review and assess air quality in line with statutory obligations of the Environment Act 1995. Submit all relevant statutory reports. Approval of all reports by Defra and the GLA will demonstrate compliance with statutory obligations.	The due date for this action is the end of April 2016 and each year after that - Ongoing compliance reports submitted in April each year. These are subject to audit by both Defra and the Greater London Authority.	Jon Averbs	08-Oct-2015	29-Apr-2016
CR21 001c Become an Exemplar Borough	Ensure the City Corporation becomes a Mayor of London Exemplar Borough for air quality.	To become a Cleaner Air for London Borough the authority will have to pledge (at cabinet level) to take significant action to improve local air quality and sign up for specific delivery targets. - this includes having an up-to-date air quality action plan, fully incorporated into LIP funding and core strategies.	Jon Averbs	16-Nov-2015	29-Dec-2017
CR21 001d Develop communication s strategy.	Develop and implement a robust communications strategy to ensure people have sufficient information to reduce their exposure on days of 'high' air pollution.	Days of 'high' air pollution occur on a few days throughout the year and are caused by changes in weather conditions. The City Corporation has very little influence over these high air pollution days but will notify the public when they occur so they can take any relevant action to avoid any impact on their health.	Jon Averbs	16-Nov-2015	30-Jun-2016
CR21 001e Develop plan	Develop and implement a plan for reducing the impact of diesel vehicles on air pollution in the Square Mile. This is to complement the work being undertaken by the Mayor of	The development of this plan will involve following a complex process - obtaining funding, consultation with all stakeholders, integrated impact assessment, options and approval.	Jon Averbs	16-Nov-2015	31-Dec-2018

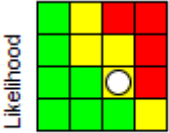
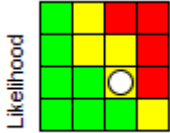
	London to reduce air pollution in the central zone through the implementation of the Ultra Low Emission Zone.				
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Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR01 Resilience Risk  20-Mar-2015 John Barradell	<p><b>Cause</b> - Lack of appropriate planning, leadership and coordination</p> <p><b>Event</b> - Emergency situation related to terrorism or other serious event/major incident is not managed effectively</p> <p><b>Effect</b> - Major disruption to City business, failure to support the community, assist in business recovery. Reputational damage to the City as a place to do business.</p>	<p>Likelihood</p> <p>Impact</p>	12	<p>Risk re-rated from amber 8 to amber 12 .</p> <p>This change has been made following a review of the robustness Corporation's own business continuity plans (BCP) and the IT network assumptions on which some actions in the BCPs are based.</p> <p><b>03 Feb 2016</b></p>	<p>Likelihood</p> <p>Impact</p>	8	31-Mar-2016	<p>Increase</p>

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR01A Emergency Exercise	Full exercise (Alcoves) to test the emergency and business continuity plans across the organisation. The exercise will involve the emergency services	This action is now complete	Gary Locker	29-Jan-2016	11-Jun-2015
CR01B Corporate review of Business Continuity planning	Prepare and complete a report for the Summit Group, based on the findings of a review of departmental business continuity planning	this action is now complete	Gary Locker	29-Jan-2016	30-Nov-2015
CR01C Exercise Unified Response	Large scale multi-agency exercise which will test the CoL's Borough Emergency Co-ordination Centre (BECC)	Currently, the resilience team are participating on behalf of the organisation in a major, multi-agency exercise 'Unified Response' The scenario involves the response to a major incident on the tube	Gary Locker	29-Jan-2016	01-Jun-2016

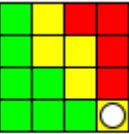
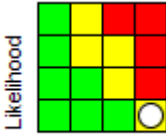

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR09 Health and Safety Risk 22-Sep-2014 Chrissie Morgan	<p><b>Cause</b> - Safety is treated as a low priority by the organisation, lack of training of staff and managers, management complacency, poor supervision and management</p> <p><b>Event</b> - Statutory regulations and internal procedures relating to Health and Safety breached and/or not complied with.</p> <p><b>Effect</b> - Possible enforcement action/ fine/prosecution by HSE, Employees/visitors/contractors may be harmed/injured, Possible civil insurance claim, Costs to the Corporation, Adverse publicity /damage to reputation, Rectification costs</p>	 <p>Likelihood</p> <p>Impact</p>	12	<p>This risk was reviewed by the SMT on 20/01/16, no change to the assessment at this time. The external accreditation exercise will commence on January 19, with audits being conducted in Corporate H&amp;S, Community and Children Services, City Surveyors and the City Police. The review will provide a benchmark against a wide range of organisations.</p> <p><b>20 Jan 2016</b></p>	 <p>Likelihood</p> <p>Impact</p>	8	31-Mar-2016	↔  No change

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR09A External Verification	External verification of the CoL's safety management system	British Safety Council have completed the audit. Awaiting their report for results and any actions / impacts upon our controls for this risk	Oliver Sanandres	04-Feb-2016	29-Feb-2016
CR09B Compliance Audits	Rolling programme of departmental compliance audits conducted by the Corporate Health and Safety Unit	Audits currently ongoing. Report being prepared for H&S Committee	Oliver Sanandres	04-Feb-2016	31-Mar-2016

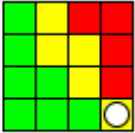
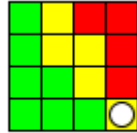

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR02 Loss of Business Support for the City 22 Sep-2014 Ian Barradell	<p><b>Cause</b> - The City Corporation's actions to promote and support the competitiveness of the business City do not succeed.</p> <p><b>Event</b> - The City's position as the world leader in international financial services is adversely affected</p> <p><b>Effect</b> - The City loses its ability to attract and retain high value global business activity, both as a physical location and in mediating financial and trade flows; the City Corporation's business remit is damaged and its perceived relevance is diminished. Reputational damage to the City as a place to do business and to Corporation ability to govern effectively</p>	 <p>Likelihood</p> <p>Impact</p>	8	<p>Following review the risk assessment/scoring is unchanged The Corporation and the International Regulatory Strategy Group ensure we engage on the key regulatory issues that affect the financial and professional services industry, informing our engagement with policy makers, regulators and the media. ED office is engaged in a programme of work to support, defend and enhance the business city, in accordance with ED Business Plan.</p> <p><b>14 Jan 2016</b></p>	 <p>Likelihood</p> <p>Impact</p>	8	31-Mar-2016	↔  No change

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR02A Special Representative of the City to the EU	Appointment of former Foreign Office Minister, Jeremy Browne, to new position to enhance our engagement with EU policy makers.	EU Engagement Programme now in place - 6 months programme of visiting all EU Member States.	Giles French	14-Jan-2016	01-Sep-2015
CR02B Restructure of the team working on financial and professional services	City, EU and International Affairs teams have been restructured into City Competitiveness and Regulatory Affairs teams to remove geographical boundaries and provide greater policy focus to work. Job descriptions have been reviewed for same purpose.	This action is now complete	Giles French	08-Oct-2015	01-Sep-2015



Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CR10 Adverse Political Developments</b>  22-Sep-2014 Paul Double	<p><b>Cause:</b> Financial services issues that make the City Corporation vulnerable to political criticism; local government devolution proposals that call into question the justification for the separate administration of the Square Mile.</p> <p><b>Event:</b> Functions of City Corporation and boundaries of the City adversely affected.</p> <p><b>Impact:</b> Controversy over reforms which damages the City's reputation as a place to do business. The future of the City of London Corporation as an independent body could be undermined.</p>	Likelihood  Impact	8	There has been close engagement with those responsible for formulating proposals to enable the devolution of responsibilities while safeguarding the City. The developing domestic political situation is being given close consideration. Constant attention is given to the form of legislation affecting the City. Continued promotion of the good work of the City Corporation among opinion-formers particularly in Parliament and Central Government so that the City Corporation is seen to remain relevant and "doing a good job" for London and the nation.  <b>21 Jan 2016</b>	Likelihood  Impact	8		  No change

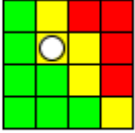
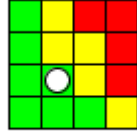

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR10a Government and stakeholder engagement	Monitoring of Government legislation and proposed regulatory changes. Provision of information to Parliament and Government on issues of importance to the City. Engagement with key opinion informers in Parliament and elsewhere. Programme of work to monitor and respond to issues affecting the reputation of the City Corporation.	Relevant Bills in the Government's legislative programme have been identified and City Corporation departments alerted to issues of potential significance. Briefing has been provided for parliamentary debates on air quality, immigration, housing, planning, the creative industry, trade and investment, apprenticeships, economic crime, Fintech and broadband. There has been continuing engagement on devolution in London and liaison with London Councils and Central London Forward on the application of devolution to the London boroughs and the City, either directly from central Government or the Mayor.	Paul Double	21-Jan-2016	30-Jun-2016

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CR17 Safeguarding</b> 22-Sep-2014 Ade Adetosoye	<b>Cause:</b> Not providing appropriate training to staff, not providing effective management and supervision, poor case management <b>Event:</b> Failure to deliver actions under the City of London' safeguarding policy. Social workers and other staff not taking appropriate action if notified of a safeguarding issue <b>Effect:</b> Physical or mental harm suffered by a child or adult at risk, damage to the City of London's reputation, possible legal action, investigation by CQC and or Ofsted	Likelihood  Impact	8	Work is still ongoing to raise awareness of safeguarding <b>18 Jan 2016</b>	Likelihood  Impact	8	31-Mar-2016	 No change

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR17b Work with HR to develop training programmes to support staff	Develop safeguarding e-learning modules and enable staff to access advice and assistance	The majority of staff have undertaken the e-learning modules. Outstanding training will be completed by end of December to include new staff who have joined the Department. This training has been added to the list of Mandatory training for DCCS staff	Chris Pelham	25-Nov-2015	31-Dec-2015
CR17c Safeguarding Awareness Sessions for DCCS Staff	3 raising awareness sessions will be delivered to Community and Children's Services staff. These sessions will cover updated Child Sexual Exploitation and Children Missing from home, Education and or Care protocols and referral process which have been updated and circulated to all professionals. A Multi Agency Sexual Exploitation group is now fully functioning.	Completed - All sessions have now been delivered to staff.	Chris Pelham	20-Aug-2015	31-Jul-2015
CR17d Raising awareness of Private Fostering, role of Local Authority Designated Officer	A Multi Agency Briefing Event will be held with over 60 partners attending to launch the new referral process, to highlight the role of the Local Authority Designated Officer and raise awareness Private Fostering and the City of London Thresholds document.	Completed - the briefing session took place on 6 July 2015. Partners welcomed the event and feedback was positive.	Chris Pelham	20-Aug-2015	30-Sep-2015

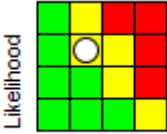
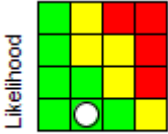

(LADO)					
CR17e Prevent agenda - new guidance	New guidance on the Prevent agenda is being circulated to the City family of schools including the City of London Academies. A leaflet has been produced for parents and carers regarding the Prevent agenda.	Completed - this work has now been completed and the new guidance on the Prevent agenda has been sent to the City of London Family of Schools and the new leaflet has been circulated to parents and carers.	Chris Pelham	20-Aug-2015	10-Jul-2015
CR17f Review of City of London Safeguarding Policy	A review of the City of London Safeguarding Policy will be undertaken with the involvement of the Departmental Safeguarding Champions	Completed - revised policy agreed at Safeguarding sub committee and launched at Safeguarding Champions meeting in December	Chris Pelham	18-Jan-2016	31-Dec-2015
CR17g Preparation for Inspection of Children's Services and Ofsted Inspection Framework	Work is ongoing to prepare for an Ofsted Inspection of Children's Services. Concerns have been raised by The Society of Local Authority Chief Executives (SOLACE), Local Government Association (GLA) and Association of Directors of Children's Services (ADCS) about the current Ofsted inspection framework regarding the lack of flexibility and understanding of local demographics and service needs. No Local Authority has been assessed as outstanding since the inspection framework was revised almost 2 years ago.	An update on the Corporate Safeguarding Policy was presented to the Safeguarding sub-committee on 25 September 2015. New guidance on the Thresholds of Need has been promoted and issued to staff and partners, Training sessions for DCCS staff are on-going.	Chris Pelham	25-Nov-2015	31-Mar-2016
CR17h Evaluation of Notice the Signs – awareness raising campaign	Evaluation of Notice the Signs – awareness raising campaign	Completed. An evaluation of the Notice the Signs campaign was presented to the City of London Safeguarding sub-committee of the Community and Children's Services Committee stating the campaign's impact has been significant and resulted in increased numbers of safeguarding alerts	Chris Pelham	25-Nov-2015	31-Oct-2015
CR17i New London wide Adults Safeguarding Procedures agreed	Procedures to be formally adapted and training provided	New London wide Adult Safeguarding procedures have been published. These will be formally adopted at the next City and Hackney Adults Safeguarding Board. Training for multi agencies using the new procedures will be delivered in the period January to March 2016-		18-Jan-2016	31-Mar-2016
CR17j Promoting role of Local Authority Designated Officer (LADO)	Raising awareness of the LADO role with Members and partners	The LADO investigates allegations made against staff, including volunteers, that call into question their suitability to work with or be in a position of trust with children. In order to raise awareness of the role a LADO report was presented to the Safeguarding sub committee on 25 September 2015. The report was also presented to the Boards of Governors of the City schools and to other committees with public facing surfaces such as the Culture, Heritage and Libraries committees. Other work the LADO is involved in includes training on safer recruitment which will take place in February and March 2016 and highlighting issues around private fostering.		18-Jan-2016	31-Mar-2016

Guidance is being reviewed and reprinted.

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CR14 Funding Reduction</b>	<p><b>Cause:</b> Reduced funding from Central Government.  <b>Event:</b> Reduced funding available to the City Corporation and City of London Police.  <b>Effect:</b> City Corporation will be unable to maintain a balanced budget and healthy reserves in City Fund, significantly impacting on service delivery levels and reputation.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>6</p>	<p>For our non-Police services, the settlement is better than expected. Our June forecast, based on the Treasury request to non-protected government departments to identify real terms savings of 25-40%, assumed a £3m (11%) cash reduction in revenue support grant (RSG) and rates retention funding between 2015/16 and 2016/17. However, the cash reduction in funding appears to be £1.3m (5%). The four year horizon appears to be suggesting a far less steep rate of reduction in RSG. Our earlier forecast had assumed that RSG would be reduced from £12m in 2015/16 to zero by 2019/20 whereas the provisional settlement indicates that we should still receive £6m in 2019/20.</p> <p>For Police, the settlement accords with the figures in the Autumn Statement. In our September forecast we had assumed the cash reduction to Core grant would be £2.6m (5%), but it is £0.3m (0.5%) - £2.3m better than forecast for 2016/17. In addition, Capital City funding has increased from £2.8m in 2015/16 to £4.5m in 2016/17. Details of a number of ring-fenced grants are not expected until January.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>4</p>	<p>31-Mar-2017</p>	

22-Jun-2015 Peter Kane				<p>We will be working through the implications for the Medium Term Financial Forecast and presenting the forward outlook to senior Members and Resource Allocation Sub-Committee early in January. Although the outcome is better than feared, it still means we need to see through the Service Based Review measures to make sure we are as efficient and effective as possible and are in a position to prioritise and maximise the benefits of future budget allocations.</p> <p><b>19 Jan 2016</b></p>				No change
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Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR14a	Scrutiny of the achievement of savings by the Officer SBR Steering Group and Efficiency and Performance Sub-Committee.	Third SBR Monitoring report to be provided to March 16 ESPC. Deep Dive reviews completed on CHL, Barbican, City Surveyors, Open Spaces, Town Clerk's.	Caroline Al-Beyerty	14-Jan-2016	31-Mar-2016
CR14b	SBR implementation continues with cross departmental workstreams to identify further efficiencies in strategic asset management, income generation, and reviews of grants and hospitality.	Progress is monitored by EPSC in full. Grants review is complete and now in implementation stage, all other reviews now drawing to review completion, and moving into implementation stages. Significant work still required on overall Asset Management model.	Caroline Al-Beyerty	14-Jan-2016	31-Mar-2016
CR14f	Robust monitoring of delivery of savings proposals - undertaken by Head of Finance, Projects.	Analysis of savings profile changes reported to 13th Jan EPSC, only small £197K pushing back of savings into later years on £20.3m programme. 3rd round of monitoring complete, 4th round to commence January 2016.	Paul Nagle	14-Jan-2016	31-Mar-2016

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CR16 Information Security</b>  22-Sep-2014 Graham Bell	<p><b>Cause:</b> Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information.</p> <p><b>Event:</b> Cybersecurity attack - unauthorised access to COL IT systems. Loss or mishandling of personal or commercial information.</p> <p><b>Effect:</b> Failure of all or part of the IT Infrastructure, with associated business systems failures. Harm to individuals, a breach of legislation such as the Data Protection Act 1988. Incur a monetary penalty of up to £500,000. Compliance enforcement action. Corruption of data. Reputational damage to Corporation as effective body.</p>	 <p>Likelihood</p>	6	IT and Cybersecurity policy now signed off by Chief Officers at IT Steering Group and published on the intranet. Work will now commence on developing further policy/user guides for staff. In addition, a Cybersecurity and Risk Management development workshop for Members is planned for February 2016. However, further work is required to strengthen data retention and ownership procedures in line with Data Protection requirements. There is now a specific recommendation for Chief Officers to identify Information Asset Owners, subject to agreement at IT Steering Group in January. The risk score is therefore increased to Amber pending implementation of these mitigating actions.  <b>14 Jan 2016</b>	 <p>Likelihood</p>	2	28-Feb-2016	  Increase

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR16b Review and strengthen Data Retention, Management and Ownership.	For all major systems establish data owner and retention policy for information therein.	Specific Recommendations for Chief Officers to identify Information Asset Owners, have now been agreed at the IT Steering Group. Work will now commence on working with Chief Officers to identify Information asset owners for further training and development in the information management/security area.	Christine Brown	14-Jan-2016	31-Dec-2016



# Top Red Departmental Risk Register

Report Author: Paul Dudley

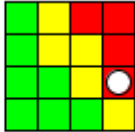
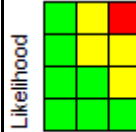

Generated on: 03 February 2016

Rows are sorted by Risk Score

Code & Title: DBE Department of Built Environment Risk Register 1 DBE TP Transportation and Public Realm 1 DCCS CP Commissioning and Partnerships 1 DCCS HS Housing Services 2 DCCS PE People Division 1 GSMD EF GSMD Estates, Facilities and Infrastructure 1 GSMD FN GSMD Policy, Organisation and Strategic Planning 1 OSD Department of Open Spaces Risk Register 1 SUR SMT SMT risks 3 . Total number of risks = 12

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator	
DCCS PE 002 Failure to deliver expansion of Sir John Cass Foundation Primary School to 2 form entry in September 2016 11-Jun-2015 Ade Adetosoye	Cause Expansion not delivered Event Building project not completed Effect Lack of first choice school places for City children	<p>Likelihood</p> <p>Impact</p>	24	The legal process continues, and to mitigate against this risk in the short term, officers have asked the governing body of the school to operate a bulge Reception class in September 2016 should the applications received evidence the demand, as a result of the changes in the School's admission criteria.  01 Feb 2016	2	31-Mar-2016	↔  No change

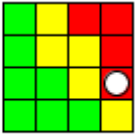
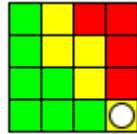
Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
DCCS PE 002a Tripartite meetings	Tripartite meetings take place between the Sir John Cass Foundation, Sir John Cass Foundation School Board of Governors and the City of London have taken place but no further meetings have been scheduled.	Tripartite meetings have been held to discuss options for delivering additional school places. These meetings have been suspended due to the non attendance by representatives of the Sir John Cass Foundation.	Chris Pelham	25-Nov-2015	31-Mar-2016
DCCS PE 002b Discussions with Comptroller and City Solicitor	Efforts to engage with parties to the negotiation continue	The legal process continues, and to mitigate against this risk in the short term, officers have asked the governing body of the school to operate a bulge Reception class in September 2016 should the applications received evidence the demand, as a result of the changes in the School's admission criteria.	Chris Pelham	01-Feb-2016	31-Mar-2016

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
DBE-02 Service/Pipe Subways 02-Dec-2015 Steve Presland (New risk)	<p>Cause: Provide safe access and egress for utilities and maintenance functions, whilst having operatives entering the confined space to undertake checks.</p> <p>Event: A lack of Oxygen, poisonous gases, fumes and vapour, liquids and solids that suddenly fill spaces, Fire and explosions, hot conditions, Entrapment and falling debris.</p> <p>Impact: Fatality / Major Injury / Illnesses</p>	 <p>Likelihood</p> <p>Impact</p>	16	<p>Risk unchanged. All actions on target to achieve stated dates.</p> <p>28 Jan 2016</p>	 <p>Likelihood</p> <p>Impact</p>	8	31-Dec-2016	 No change

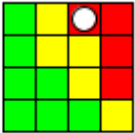
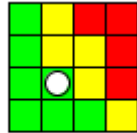
Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
DBE-02a Business As Usual Mitigations	<p>Confined space working is avoided when possible.</p> <p>All PPE and other equipment required for a SSOW shall be suitable and sufficient for the tasks identified. The following PPE and equipment shall be provided, as stated in the approved code of practice</p>		Steve Presland		31-Dec-2999



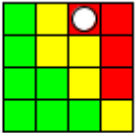
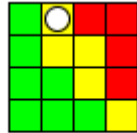
	<p>All openings are controlled through a central booking system. A subway must not be entered if permission to do so has been refused.</p> <p>No booking will be granted to parties who are not on the database. If the contractor is not on the database they must seek approval from CoL regarding their works. Once confirmed, the contractors will be added to the system before agreeing access.</p> <p>All works and operatives entering the pipe subway must comply with the code of practice for access and safe working in local authority subways.</p> <p>Regular inspections of the structure, covers, condition and asbestos surveys are undertaken.</p> <p>The Permit to enter form must be completed and contractors checked to ensure they have suitable and sufficient equipment to enter a confined space.</p> <p>No smoking is allowed at any time.</p>				
DBE-02b Update Code of Practice	Revisit and update the approved code of practice working with other Local Authorities who have pipe subways.	Meetings in diary for 2016. Next meeting 8 March 2016.	Steve Presland	28-Jan-2016	31-Dec-2016
DBE-02c Permit to Enter application form	Update Permit to Enter application form to improve clarity and reduce incorrect completion	Draft passed to City of London corporate Health & Safety team	Steve Presland	28-Jan-2016	01-Mar-2016
DBE-02d Web presence	Publish an extranet page that includes all relevant documentation to ensure that utilities have access to up-to-date documents at all times. This will also include an on-line booking form.	Draft page available and being tested by Utilities.	Steve Presland	28-Jan-2016	30-Apr-2016

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>DBE-TP-01 Road Traffic Collision caused by City of London staff or contractor who is unfit to drive while on City business</b> <b>13-Mar-2015</b> Steve Presland <b>(New risk)</b>	Cause: A member of staff/contractor who is unfit or unqualified to drive causes ... Event: a road traffic collision which results in ... Impact: death or injury; financial claim	Likelihood  Impact	16	Training roadshows for the Corporate Policy will be completed by 31st March 2016. Compliance reports will be sent to Chief Officers from May 2016 (initially monthly). Risk reduction date now based on compliance with the policy rather than the initial roll-out of the policy.  <b>28 Jan 2016</b>	Likelihood  Impact	8	01-Sep-2016	↔  No change

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
DBE-TP-01a	Approve Corporate Transport Policy [NB this depends on HR and Chief Officers]	Approved by Establishment Committee on 16 Jul 15	Oliver Sanandres	21-Oct-2015	31-Aug-2015
DBE-TP-01b	Implement Corporate Transport Policy (including establishing monitoring regimen)	Training roadshows for the Corporate Policy will be completed by 31st March 2016. Compliance reports will be sent to Chief Officers from May 2016 (initially monthly). Action scope and target date updated to include compliance with the policy rather than just the policy roll-out.	Steve Presland	28-Jan-2016	30-Jun-2016
DBE-TP-01c	Work with the Corporate Procurement Service to embed driver safeguards in future City contracts	CLPS working with C&CS to include appropriate wording in PQQs and future contracts.	Steve Presland	28-Jan-2016	31-Dec-2016

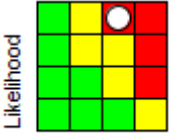
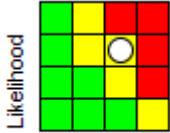

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>DCCS CP 002</b> <b>City of London Community Education Centre - site redevelopment</b> <b>22-Jan-2016</b> Ade Adetosoye; Neal Hounsell <b>(New risk)</b>	<b>Cause</b> Redevelopment of the site occupied by the City of London Community Education Centre <b>Event</b> Adult and community Learning service have to vacate the site <b>Impact</b> Unless new premises are found adult and community learning delivery may be curtailed	 Likelihood Impact	<b>16</b>	New Risk  <b>01 Feb 2016</b>	 Likelihood Impact	<b>4</b>	31-Jan-2017	↔  No change

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
DCCS CP 002a	The site of the City of London Community Education Centre (COLCEC) on Golden Lane will be redeveloped. New premises for the delivery of community learning will need to be identified. At their December 2015 meeting members rejected a report proposing the Golden Lane Community Centre as a potential new location.	A Members working group has agreed to consider a further option and a report is being prepared for the April 2016 Committee. Discussions with the City of London Library Service around interim provision are taking place.	Neal Hounsell	01-Feb-2016	31-Jan-2017

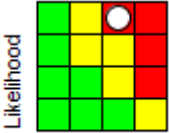
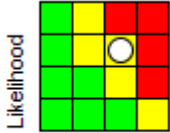
Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>DCCS HS 002</b> <b>Failure to carry out and review effective Fire Risk Assessments</b>	<b>Cause</b> Fire Risk Assessments for managed properties not carried out effectively <b>Event</b> Fires do occur from time to time. Effective Assessments reduce the risk and identify if any changes to procedures or maintenance regimes that need to be reviewed or introduced <b>Effect</b> Fires can lead to significant property damage and	 Likelihood Impact	<b>16</b>	New top X Health and Safety risk	 Likelihood Impact	<b>8</b>	31-Mar-2017	↔

<p>for more than 5000 units of residential accommodation and a number of commercial units</p> <p>14-Jan-2016 (New risk)</p>	potential loss of life			25 Jan 2016				No change
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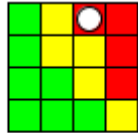
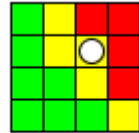
Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
DCCS HS 002a Consultant to carry out new fire risk assessments to all managed properties.	Consultants will be employed to carry out risk assessments to all residential and commercial properties managed by the Department. To be appointed and schedule of works to be agreed by end of March 2016	Consultant to be appointed and work plan agreed by end of March 2016	David Padfield	22-Jan-2016	31-Mar-2016
DCCS HS 002b Training to be provided to Housing staff to carry out and review effective fire risk assessments	Training provider for Fire Risk Assessments to be identified. Appropriate staff will be nominated to attend.	Training to be provided to staff. This will be carried out by a training provider yet to be identified.	David Padfield	22-Jan-2016	31-Dec-2016

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>DCCS HS 003 Lone Working</b> 14-Jan-2016 Sharon McLaughlin (New risk)	<b>Cause</b> Staff working on their own in isolated locations or visiting residents or clients homes <b>Event</b> Staff suffer verbal abuse, physical attack or are an accident victim <b>Effect</b> Harm or serious injury to staff	 Likelihood Impact	16	New Top X health and safety risk 25 Jan 2016	 Likelihood Impact	12	31-Mar-2017	 No change

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
DCCS HS 003a Sky Guard Review	A review of the current Lone worker protection device is in progress. Some staff report connectivity problems. At the finish of the review a decision will be taken to continue or to investigate a different solution	A review of current devices has commenced. A list of devices in service and their renewal dates is being collated. A survey of users to check if there are any issues with the devices will begin once the information on current devices has been finalised. Depending on the outcome of the review a new solution may have to be identified.	Sharon McLaughlin	21-Jan-2016	30-Jun-2016
DCCS HS 003b Lone Working Procedures	Not all staff are working in compliance with the departmental lone working procedures. These will be reviewed to check why they are not being implemented by all staff and reviewed if appropriate. Compliance with new procedures will be monitored by managers and the quarterly Health and Safety Committee. It is anticipated that monitoring information will be available from Skyguard or the replacement system.	A review of skyguard has commenced and procedures will be reviewed based on the outcome of the review.	David Padfield	25-Jan-2016	30-Sep-2016

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
GSMD EF 001 <b>Failure to Secure Lease Renewal of Sundial Court in 2020</b>  09-Jul-2015 Michael Dick	<p><b>Cause:</b> Sundial Court , (the School's student accommodation), is owned by a private landlord, who currently leases the building to the School. Lease expires in 2020.</p> <p><b>Event:</b> Landlord may not want to renew the lease to the School as there may be better development potential elsewhere. Alternative specialist music student accommodation might not be found.</p> <p><b>Impact:</b> Loss of on-campus student accommodation for 177 students. Loss of student services and offices. Loss of student union facility and rehearsal room. Risk of reduced interest in students choosing GSMD if there is no onsite accommodation available.</p>	 <p>Likelihood</p> <p>Impact</p>	16	<p>Risk 3.3 on Departmental Risk Register</p> <p>Legal opinion on lease renewal terms obtained. Alignment of repairs and maintenance regime with lease terms. Contact and dialogue with landlord's agent on issues relating to lease renewal. Engagement with City Surveyors on action plan. Draft Student Accommodation Strategy under review.</p> <p><b>28 Jan 2016</b></p>	 <p>Likelihood</p> <p>Impact</p>	12	05-Apr-2017	↔  No change

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
GSMD EF 001a	Commissioning of specialist dilapidations survey	Specialist dilapidations surveyor in procurement	Michael Dick	28-Jan-2016	05-Apr-2016
GSMD EF 001b	Search for availability of alternative student accommodation	Meeting with Unite specialist student accommodation provider has taken place, with dialogue continuing on future accommodation availability	Michael Dick	28-Jan-2016	05-Apr-2016
GSMD EF 001c	Engagement with City Surveyor on action plan	Continuing	Michael Dick	28-Jan-2016	05-Apr-2016
GSMD EF 001d	Develop longterm student accommodation strategy	Draft accommodation strategy under review. Visits to Landlords reference sites occurring in January 2016	Michael Dick	28-Jan-2016	05-Apr-2016

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>GSMD FN 001</b> <b>Ability to Deliver a Balanced and Sustainable Model over the School's Business Cycle</b>	<p><b>Cause:</b> Substantial drop in income. Pressures on expenditure. Service Based Review funding cuts of £1m in 17/18. Local risk funding to the School is planned to reduce from over £8m in 2013/14 to £5.3m in 2017/18. Failure to gain additional funding from HEFCE.</p> <p><b>Event:</b> If no action is taken, the School's annual deficit will rise to £3.2m by 2017/18.</p> <p><b>Impact:</b> This is not a sustainable position and the Higher Education Funding Council for England (HEFCE) have been made aware.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>16</p>	<p>Risk 1.1 on Departmental Risk Register</p> <p>The School and the CoL are in direct discussions with HEFCE. Up to date communication and reporting to the Board, CoL and HEFCE. Ongoing discussion and negotiation to effect funding model. Continual review and management of the School's business model.</p> <p>On current funding levels, the School's longterm financial model is unsustainable. This has been materially exacerbated by the City's Service Based Review (SBR) target, reducing City funding to the School by £1m in 2017/18. Over the last year the School has engaged with both HEFCE and the City to determine a strategy that will re-balance the model. Although a number of options have been discussed, these discussions with the School's primary funders are crucial in determining future strategy. Discussions continue with HEFCE concerning the possibility of increased public funding as part of its review of institution-specific targeted allocations (RISTA) scheduled for 2015/16. in the interim the School is working to ensure that the quality of its teaching and the strength of its brand holds within the current volatile environment. The School has put together a plan of action for investing in its capabilities to ensure that it retains its leading position in a</p>	 <p>Likelihood</p> <p>Impact</p>	<p>12</p>	<p>30-Apr-2016</p>	<p>↔</p>

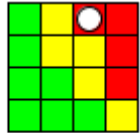
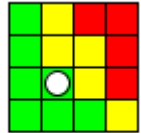

12-Mar-2015 Barry Ife			competitive environment. <b>28 Jan 2016</b>				No change
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Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
GSMD FN 001A Securing School Funding  Page 44	Tuition fee income is planned to grow from £7.5m in 2013/14 to £9.4m in 2017/18. Grants and contracts are also planned to grow, but the School has approached HEFCE for an additional grant to bridge the funding gap caused by the planned reduction in City funding to the School. All other forms of operating income (short courses and summer schools, enterprise and space hire) will also be maximised and costs reduced to an absolute minimum.  Grow income from tuition fees Seek additional public funding to cover reduced City funding, specifically from HEFCE following their review of institution-specific allocations (2015)	Discussions continue with HEFCE to obtain an Institution Specific Funding Award on par with other specialist institutions. Contingency plans are being developed for scenarios where the outcome was either no award or a conditional award only.	Barry Ife	28-Jan-2016	30-Apr-2016
GSMD FN 001B Identify potential savings	Reduce cost to bare minimum compatible with delivering the curriculum to the required specification and maintaining a competitive level of student experience Consider reductions in the range of high-cost theatre-based disciplines (acting, technical theatre, opera and musical theatre)	Ongoing	Barry Ife	28-Jan-2016	31-Mar-2016
GSMD FN 001C Potential merger with another institution	Explore options for merger with a larger, better-funded institution in London, the UK or overseas	Ongoing. Details withheld from this document due to commercial and strategic planning sensitivities	Barry Ife	28-Jan-2016	31-Mar-2016



Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>OSD 005 Animal, Plant and Tree Disease</b>  10-Mar-2015 Sue Ireland	<b>Causes:</b> Inadequate biosecurity, buying of infected trees, plants or cattle, spread of windblown Oak Processionary Moth (OPM ) from adjacent sites <b>Event:</b> Sites become infected by animal, plant or tree diseases <b>Impact:</b> Public access to sites restricted, animal culls, tree decline, reputational damage, cost of control of invasive species, risk to human health from OPM or other invasives	 Likelihood	<b>16</b>  Impact	Oak Processionary Moth impact on City of London Open Spaces in 2015 and future plans was presented to Open Spaces Committee in December 2015.  <b>20 Jan 2016</b>	 Likelihood	<b>6</b>  Impact	01-Apr-2016	  No change

Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
<b>OSD5 a</b> Monitoring of OPM	Pheromone traps in place, liaison with Forestry Commission task force	Actions ongoing.	Sue Ireland	20-Jan-2016	01-Apr-2016
<b>OSD5 b</b> Treatment of any OPM sites	Treatment will be depend on lifestyle of the OPM but to be undertaken as early as possible	Nests were removed	Andy Barnard; Gary Burks; Martin Rodman; Paul Thomson; Bob Warnock	20-Jan-2016	01-Apr-2016
<b>OSD5 c</b> Cattle biosecurity	Movement of cattle to be controlled to reduce risk of disease	protocols still in place	Andy Barnard; Paul Thomson	20-Jan-2016	01-Apr-2016
<b>OSD5 d</b> Plant and tree procurement	Sourcing to be controlled to minimise spread of disease	Hampstead Heath have engaged with Ponds Project contractors about controls required for trees and plants brought to site	Andy Barnard; Gary Burks; Martin Rodman; Paul Thomson; Bob Warnock	20-Jan-2016	01-Apr-2016

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>SUR SMT 005 Recruitment and retention of property professionals</b>	<p><b>Cause:</b> A strong property and construction market</p> <p><b>Event:</b> Increasingly attractive remuneration packages offered elsewhere</p> <p><b>Impact:</b> Increased vacancies, objectives unachieved or delivered late, reduced customer satisfaction</p>	<p>Likelihood</p>  <p>Impact</p>	<p>16</p>	<p>This risk details the impact of a strong property and construction market driving increasingly attractive remuneration packages which has resulted in increased vacancies, objectives unachieved or delivered late, reduced customer satisfaction. The department is developing strategies specific to the department that have a particular focus on talent management, reward and retention. There is also a focus on identifying projects or work where value can be added by outsourcing. However, basic pay is now well below market levels, meaning we are only able to recruit less experienced professionals.</p> <p>Mitigation actions include encouraging CoL to adapt and change the approach to Reward and Earnings Package. Career grades are not currently being progressed but research is being conducted and a report is being prepared for Establishment Committee. Town Clerk's Department are also reviewing remuneration packages.</p> <p>The department is establishing other strategies specific to the department that have a particular focus on talent management, reward and retention. Management team meetings are underway with HR who will be identifying people and teams that would face loss and a range of</p>	<p>Likelihood</p>  <p>Impact</p>	<p>4</p>	<p>31-Mar-2016</p>	

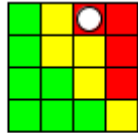
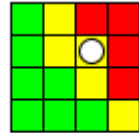
17-Mar-2015 Peter Bennett			strategies to be put into place to limit the effect. This will focus on the need to recruit and retain. <b>26 Jan 2016</b>				Increased Risk Score
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Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
SUR SMT 005a Adopt and Change Approach	Encourage CoL to adapt and change the approach to Reward and Earnings Package	On-going. Career grades are not currently being progressed. However research is being conducted and report is being prepared for Establishment Committee. Town Clerk's Department are also reviewing remuneration packages	Peter Bennett	30-Nov-2015	30-Apr-2016
SUR SMT 005b Develop Workforce Plan	Establish strategies specific to the department that have a particular focus on talent management, reward and retention	Management team meetings are underway with HR. HR are identifying people and teams that would face loss and a range of strategies to be put into place to limit the effect. Focusing on the need to recruit and retain.	Peter Bennett	09-Dec-2015	30-Apr-2016

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
SUR SMT 009 Failure of implementation and management of the Oracle Property Management System	<p><b>Cause:</b> Implementation and subsequent management of Oracle Property module to meet business needs</p> <p><b>Event:</b> Inappropriate technological solution or unsuccessful project management or failure to implement an appropriate management framework</p> <p><b>Impact:</b> Unable to manage property portfolio / loss of income and poor property maintenance</p>	<p>Likelihood</p> <p>Impact</p> <p><b>16</b></p>	<p>Open issues have been progressed. However there are still some unresolved issues that are being finalised as follows:</p> <ol style="list-style-type: none"> <li>1) Data Validation – Archibus interface with Oracle</li> <li>2) Service Charge – Delayed, still in test environment</li> <li>3) Argus Interface – Not yet resolved. Data is transferring from Oracle into Argus but is not transferring from Argus into Oracle.</li> <li>4) Archibus Interface – Near completion.</li> </ol>	<p>Likelihood</p> <p>Impact</p> <p><b>8</b></p>	30-Mar-2016	↔

03-Mar-2015 Nicholas Gill				5) OPN Reports – 22 in production (live) remainder with PWC problems in debt reporting. The programme closed at the end of September, we are now moving into a Business As Usual mode <b>27 Jan 2016</b>				No change
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Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
SUR SMT 009a Monitor Staff Resources	Monitor staff resources to manage business as usual tasks and project	On-going. Following resignation of key post (Senior Principal Surveyor) resources have been managed to ensure key implementation tasks are successfully completed	Nicholas Gill	27-Jan-2016	30-Mar-2016
SUR SMT 009b Replace core Manhattan functions	Replace core Manhattan functions of rent, leases management and service charge recovery	COMPLETE. Rent, lease management and service charge recover are being managed within Oracle Property Management System.	Nicholas Gill	27-Jan-2016	30-Nov-2015
SUR SMT 009c Ensure efficient use and future management of system -	Ensure efficient use and future management of system- implement Asset Management Information System Ensure Data Loader is able to update projects	Business as usual model, still to be addressed.	Nicholas Gill	27-Jan-2016	30-Sep-2016

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<p><b>SUR SMT 017</b> <b>Asbestos management</b></p> <p>12-Nov-2015 Peter Collinson</p>	<p><b>Cause:</b> Asbestos present in properties hasn't been managed correctly, with a suitable survey, remedial action undertaken where risks identified and re-inspection undertaken and recorded. Possible exposure of employees &amp; contractors has led to a report being issued to the HSE under RIDDOR</p> <p><b>Event:</b> Exposure to asbestos can lead to serious health risks or death</p> <p><b>Effect:</b> This could result in prosecution, a fine, reputational damage for the City and have an adverse impact on the operation of business</p>	<p>Likelihood</p>  <p>Impact</p>	<p><b>16</b></p>	<p>This identifies risks associated with the management of asbestos. Asbestos present in properties has not been managed correctly and remedial action taken where appropriate. There is the possibility that employees and contractors have been exposed which could lead to serious health risks or death.</p> <p>The City Surveyor has issued a report to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). The HSE may consider legal action or impose a fine. Another consequence of prosecution, ill health or death of staff or contractors, is the reputational damage caused which could have an adverse impact on the operation of the business.</p> <p>Subsequently the City Surveyor's Department has identified all high risk asbestos and has had suitable remedial work undertaken to reduce and control this risk. A gap analysis has been undertaken to identify where asbestos surveys or re-inspections are not suitable or up to date. A new asbestos surveying contractor has been appointed to undertake all surveys under a short term contract.</p> <p><b>27 Jan 2016</b></p>	<p>Likelihood</p>  <p>Impact</p>	<p><b>12</b></p>	<p>30-May-2016</p>	

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Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
SMT SUR 017a Resurvey properties for asbestos	Resurvey sites where existing survey is not suitable and sufficient	5 sites identified where new survey recommended. Funding to be requested for new surveys	Peter Collinson	19-Nov-2015	31-Mar-2016
SMT SUR 017b Survey all properties with no existing survey	Identification of all properties containing asbestos	All properties without an existing survey identified. Funding to be requested for new surveys	Peter Collinson	19-Nov-2015	31-Dec-2016
SMT SUR 017c Annual Re- inspect all properties with asbestos	Inspection of all asbestos	IPG drawings uploaded to Micad - order to be raised for IPG re-inspections directly on Micad  CPG re-inspections to be completed not on Micad - order to be raised	Peter Collinson	20-Nov-2015	31-Mar-2016
SMT SUR 017d Appoint Corporate asbestos contractors	Corporate contract will ensure quality and ease of managing asbestos	Working group developing asbestos framework tender via procurement. Due to go to market early 2016 for August 2016 appointment.	Peter Collinson	30-Nov-2015	31-Aug-2016
SMT SUR 017e Implement Micad asbestos module	Implement Micad asbestos database	All existing asbestos reports for IPG and CPG on Micad compliance module Micad asbestos module underway for IPG-floorplans added. CPG implementing Micad over next 12 months so floorplans will be created and added.	Peter Collinson	20-Nov-2015	31-Dec-2016
SMT SUR 017f No evidence historic asbestos survey actions were implemented.	Warning to be issued to persons who could have been exposed to be dispatched	A new asbestos surveying contractor has been appointed to undertake all surveys, under a short term contract via Procurement. All asbestos data has been identified and collated in Micad Compliance module to provide a single source for all documentation.	Peter Collinson	30-Nov-2015	31-Mar-2016

# Agenda Item 8

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	08/03/2016
<b>Subject:</b> Anti-Fraud & Investigations Up-date Report	<b>Public</b>
<b>Report of:</b> Chamberlain <b>Report author:</b> Chris Keesing – Anti-fraud Manager	<b>For Information</b>

## Summary

This report provides Members with an update of our anti-fraud and investigation activity; it also provides an analysis of the cases investigated during 2015/16 to date.

The Anti-Fraud & Investigation team have successfully recovered 15 illegally sub-let City of London social housing properties so far this reporting year. Four of these cases are currently with the Comptroller and City Solicitor for criminal prosecution action.

The Anti-Fraud & Investigation team undertook, or supported the investigation of, five corporate investigations resulting in a range of outcomes, or disciplinary sanctions against City of London employees.

The value of the cases investigated across all fraud disciplines amounts to £842,859 so far this reporting year.

A proactive fraud drive designed to identify any City of London employees with no right to work was undertaken in December 2015 and found no issues of concern, providing assurance against this serious fraud risk.

Two fraud preventative measures have been introduced to strengthen the City's due diligence activity in the social housing and right to buy application processes, with positive outcomes already obtained, including the identification of ten fraudulent social housing applications since the preventative measures were introduced.

The Anti-Fraud and Internal Audit teams continue to work closely together on cyber security reviews and officers meet regularly with colleagues from the City Corporation and City Police IT security teams. A work programme is being planned in line with the CESG (Communications Electronics Security Group) 10 Steps to Cyber Security.

Positive liaison was recently carried out with colleagues from the Home Office Immigration Enforcement Team, with an outline specification to undertake a joint exercise to identify social housing tenancy fraud and no recourse to public funds fraud against the City Corporation.

## Recommendation(s)

- Members are asked to note the report

## Main Report

### **Background**

1. This report updates Members with the key issues arising from anti fraud and investigations work since the last report to Committee in September 2015.

### **Investigation Activity Summary**

2. A detailed analysis of the number of cases investigated during the current reporting year 2015/16 to date, compared with the previous reporting year has been included as Appendix 1 to this report showing all fraud types along with the value of frauds detected. The value of identified fraud in 2015/16 to date amounts to £842,859, with much of this attributed to our increased activity in investigating social housing tenancy fraud.

### **Social Housing Tenancy Fraud**

3. Social Housing Tenancy Fraud continues to be a key fraud risk area, and the Anti-Fraud & Investigations Team continues to provide investigative support across all aspects of Housing, from initial applications for assistance to the investigation of tenancy breaches. Work in this area has included;
  - a) Nine cases where sub-letting has been identified
  - b) Two cases where the property has been abandoned
  - c) Three cases where other social housing tenancy fraud was identified, e.g. ownership of private property or holding a social housing tenancy elsewhere, or where the tenant has no recourse to public funds
  - d) One case of fraudulent succession

Of the above, four cases are progressing with the Comptroller and City Solicitor for criminal prosecution, owing to the severity of the frauds committed. A summary of social housing tenancy fraud referrals and the tenancy frauds identified by the team for the period 01 April 2015 to 01 March 2016 is detailed in Appendix 2 to this report.

### **Corporate Anti-Fraud & Investigation Activity**

4. Corporate investigations are defined as fraud, corruption or conduct cases which relate to employee fraud or conduct, or other third party fraud. Since 01 April 2015 work in this area has included:
  - a) A final written warning issued to an employee in a City Corporation department who signed documents relating to a commercial lease without delegated authority, contributing to a potential loss of rental income exceeding £200k.
  - b) Investigation support and assistance to colleagues at one of the City's wholesale markets in relation to a lease application, resulting in the City withdrawing its agreement to a lease assignment
  - c) A full review of a lease assignment at one of the City's wholesale markets following allegations of corruption in the lease assignment process. No concerns were identified.



- d) Investigation support and assistance in a matter involving excessive claims for travel expenses in respect of special educational care. Following a review by the Anti-Fraud and Investigation team and a meeting with key stakeholders, it was agreed that on the balance of probabilities, a travel expenses claim in excess of £8,000 was excessive and would not be paid.
- e) A final writing warning issued to an employee in a City Corporation department who had claimed for study leave and travel expenses to attend a university degree course funded by the City, when she had not attended all of the study sessions. Repayment of the amounts wrongly claimed, amounting to over £900 have been recovered from the employee's salary.

## **Cyber Security**

- 5. The Anti-Fraud and Internal Audit teams continue to work closely together on cyber security reviews. Regular liaison is now conducted with colleagues from the City Corporation and City Police IT security teams and a work programme is being planned in line with the CESG (Communications Electronics Security Group) 10 Steps to Cyber Security. Updates for our cyber security review activity will be reported to this Committee periodically.

## **Proactive anti-fraud activity**

- 6. No right to work is a serious fraud risk, carrying associated reputational and financial risks for the City Corporation. A proactive exercise was undertaken by the anti-fraud team in December 2015 to check all directly employed City Corporation employees against Home Office immigration data. By utilising the NFI flexible matching service the team were able to identify employees with immigration or visa concerns for further investigation; two employees were highlighted for further review, however additional verification checks undertaken confirmed that there was no issue with their right to work status.

## **Prevention**

- 7. As part of our commitment to continuously develop the counter fraud service, Internal Audit continues to focus on preventative processes in order to increase the City's resilience to fraud. In November 2015 the anti-fraud team provided the housing service with an on-line tool to aid the assessment of all new housing applications. The NFI Application Checker allows frontline staff to check and verify the details of all new applications for social housing. A summary of the outcomes from the NFI Application Checker is included within Appendix 2 to this report.
- 8. In addition to the NFI Application Checker, the Anti-Fraud team have introduced further due diligence measures in response to increased right to buy fraud risks (RTB). A new additional right to buy application form has been introduced and now forms a key part of the application process; this new form ensures that key information is gathered which assists the City to process RTB applications and ensure that only those that are eligible for the RTB proceed. The anti-fraud team further support this process by undertaking enhanced verification checks for each RTB application, with those indicating concern proceeding to full investigation by the team.

## **Whistleblowing**

9. The City's whistleblowing policy identifies the Head of Audit & Risk Management as one of the main contacts for staff wishing to report a concern that they believe they cannot discuss with their line manager. The number of referrals to Internal Audit continues to be relatively low, however when a referral is received they are generally of high significance leading to further investigation. From 1 April 2015 to 1 February 2016, two whistleblowing referrals (as defined in the policy) have been received, one of which is being investigated under alternative policy and procedure, whilst the other is currently subject to investigation by the Anti-Fraud team.

## **Police Liaison**

10. The Anti-Fraud Manager met with colleagues from the City of London Police in February to discuss how the City Corporation can assist the City Police with the dissemination of National Fraud Investigation Bureau (NFIB) intelligence alerts, across London Borough fraud teams, via his position on the London Borough Fraud Investigators Group (LBFIG) Executive Committee. The meeting was positive and the Anti-Fraud Manager is liaising with peers across London borough's fraud community and arranging for City Police colleagues from the NFIB to present at the next LBFIG AGM and training event.

## **Home Office Immigration Enforcement liaison**

11. The Anti-Fraud Manager met with a Chief Immigration Officer from the Home Office Immigration Enforcement team in January in order to explore a joint working initiative to tackle social housing fraud and No Recourse to Public Funds (NRPF) fraud across the City's social housing estates. NRPF has been identified in the Protecting the London Public Purse report 2015, as being a key fraud risk for London, with identified fraud in this area amounting to £7m. A joined up approach to tackling this fraud risk for the City Corporation will enable us to take robust action against those abusing the City's social housing stock, whilst colleagues from the Home Office Immigration Enforcement can take appropriate action against those who do not have the right to remain in the UK or to obtain support from public funds. A fraud drive proposal is being developed, progression will be reported to this Committee as part of our next up-date report.

## **Conclusion**

12. Internal Audit continues to provide a professional anti-fraud and investigation service, with successful investigations resulting in positive outcomes the City Corporation. Social housing tenancy fraud continues to be a key fraud risk for the City Corporation, with 15 properties successfully recovered so far this reporting year as a direct result of the teams work in this area.

## **Appendix 1: Housing Tenancy Fraud Caseload**

## **Appendix 2: Press Release – Housing Benefit Fraud**

## Appendix 1 - detailed analysis of the number of cases investigated during the current reporting year 2015/16 to 01/02/2016.

1. The chart below provides a detailed analysis of the number of cases investigated during the current reporting year 2015/16 to date, against the previous reporting year, showing all fraud and investigation types along with the value of investigated cases, including where these can be quantified, the value of corporate investigations.

<b>Activity</b>	<b>Completed Investigations 2014/15 <sup>1</sup></b>	<b>Investigation Value 2014/15 (£'s) <sup>1</sup></b>		<b>Completed Investigations 2015/16</b>	<b>Investigation Value 2015/16 (£'s)</b>
<b>Social Housing Tenancy Fraud <sup>2</sup></b>	10	180,000		15	270,000
<b>Right to Buy <sup>3</sup></b>	0	0		1	103,000
<b>Housing Application Fraud <sup>2</sup></b>	1	18,000		10	180,000
<b>Housing and Council Tax Benefit (Legacy cases)</b>	24	92,072		1	72,377
<b>Disabled Parking</b>	1	575		1	575
<b>Corporate Investigations <sup>4</sup></b>	12	22,192		4	216,907
<b>Total</b>	<b>48</b>	<b>312,839</b>		<b>32</b>	<b>842,859</b>

**Notes:**

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

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

<sup>3</sup> Right to buy discount value currently £103,000.

<sup>4</sup> Corporate Fraud Investigations include cases of fraud, corruption or conduct.

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## Appendix 2 – Housing Tenancy Fraud Caseload as at 01/02/2016

Housing Tenancy Fraud Case Referrals	April 2015 to Feb 2016	April 2014 to March 2015
Housing tenancy fraud referrals received in current year (Inc. c/f from previous year)	72	53
Right to buy referrals received in current year	10	3
Housing application referrals (Inc. NFI Appcheck) received in current year	43	2
Home purchase grant referrals received in current year	3	N/A
<b>Total</b>	<b>128</b>	<b>58</b>
<b>Cases/referrals currently under investigation</b>		
Cases/referrals currently under investigation	44	29
Cases/referrals closed with no further action	53	11
Cases with Comptroller & City Solicitor for prosecution	4	5
Cases with Comptroller & City Solicitor for civil recovery	1	0
Cases where possession order granted	0	0
Cases where successful possession gained <sup>1</sup>	15	10
Cases where successful prosecution action taken	0	2
Cases where fraudulent application identified	10	1
Right to buy fraud successfully identified	1	0
<b>Total</b>	<b>128</b>	<b>58</b>
<b>Value where successful possession gained/ right to buy fraud identified <sup>2</sup></b>		
	<b>£553,000</b>	<b>£180,000</b>
<b>Notes:</b>		
<sup>1</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>2</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. RTB discount value currently £103,000, per property.		

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<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee – For decision	08 March 2016
<b>Subject:</b> Annual Governance Statement – Methodology	<b>Public</b>
<b>Report of:</b> The Town Clerk and the Chamberlain	<b>For Decision</b>
<b>Report author:</b> Neil Davies, Head of Corporate Performance and Development	

## Summary

The City of London Corporation is required to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) alongside the annual Statement of Accounts.

This report proposes that the production of the AGS for 2015/16 follows the process established in previous years. The AGS will be drafted jointly by officers from the Town Clerk’s and Chamberlain’s Departments to reflect the need for corporate ownership. As part of this process, officers will consider the progress made in implementing the future developments identified in last year’s AGS.

The draft AGS will be presented for approval to this Committee in June, accompanied by a schedule of supporting evidence. Following approval by this Committee the AGS will be signed by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.

## Recommendation(s)

Members are asked to:

- Consider and approve the proposals in this report for the production and presentation of the Annual Governance Statement for 2015/16, and
- Consider whether any additional areas should be added to Annual Governance Statement for 2015/16.

## Main Report

### Background

1. The City of London Corporation is required by the Accounts and Audit Regulations 2015 to conduct a review at least once a year of the effectiveness of its system of internal control and prepare an Annual Governance Statement (AGS). The AGS must be published (“which must include publication on the authority’s website”) alongside the annual Statement of Accounts.

2. The AGS is prepared in accordance with proper practice guidance and has to be approved each year by an appropriate committee of the authority and signed by the most senior member and the most senior officer. In 2012, the Policy and Resources Committee considered a report on the process for producing the AGS, and approved the practice whereby the AGS is approved by this Committee and then signed by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.
3. The AGS is published on the City of London website, and reviewed by the external auditor. The external auditor is required to report if the AGS does not comply with proper practices, or if it is misleading or inconsistent with other information the external auditor is aware of from the audit of the Statement of Accounts. To date the external auditor has been content with the City Corporation's AGS.

### **Current Position**

4. The AGS for 2014/15 was approved by your Committee in June 2015. A supporting schedule of assurances was also presented to your Committee. This report outlines the proposed methodology for the production of the AGS for the financial year 2015/16.

### **Proposals**

#### Format:

5. It is proposed that the AGS for 2015/16 will follow a similar format as in previous years. This includes standard paragraphs in the first two sections: Scope of Responsibility and The Purpose of the Governance Framework. The other sections generally follow a standard structure with a description of the key controls/processes followed by a summary of key developments during the year. The AGS also includes a section on the work of the Audit and Risk management Committee. An outline of the draft 2015/16 AGS, following this format, is attached at Appendix 1.
6. It is proposed that the draft AGS will be presented to this Committee in the same format as last year, i.e. showing all of the additions, amendments and deletions as "track changes" from the approved and published 2014/15 statement.

### **Members are requested to approve these proposals for the production and presentation of the Annual Governance Statement for 2015/16**

#### Content:

7. The AGS is concerned with corporate controls and governance, rather than being confined to financial issues. To emphasise the need for corporate ownership, the AGS will be produced jointly by officers from the Town Clerk's and Chamberlain's Departments, as in previous years.
8. In producing the statement, officers will review the balance between the standing information on the internal control framework, and changes implemented during 2015/16, taking into consideration the overall length of the statement. The



outcomes in respect of the Future Developments identified in the 2014/15 AGS (listed in Appendix 1) will be incorporated into the relevant sections.

9. In previous years, Members have made suggestions as to additional items that should be included in the AGS.

**Members are requested to consider whether any additional areas should be added to the AGS for 2015/16.**

Timetable:

10. In recognition of the importance of the AGS as a corporate document, CIPFA states that it is essential that there is buy in at the top level of the authority. It is therefore proposed to present the draft AGS as follows:
  - May 16<sup>th</sup>: Chief Officers Summit Group.
  - June 14<sup>th</sup>: Audit and Risk Management Committee

Supporting Evidence:

11. It is proposed that an updated supporting schedule of assurances is presented to Members with the draft AGS, in the same format as that used in 2014/15. This demonstrates the wide range of on-going assurance provided to Members generally during the period covered by the AGS. In particular, this will provide assurance to Members of the Audit and Risk Management Committee regarding governance issues that fall within the remit of other Boards or Committees.

## **Delivering Good Governance in Local Government**

12. Following consultation in 2015, CIPFA and Solace are introducing a new governance framework for local government in 2016. The framework will define the principles that should underpin the governance of each local government organisation, and provide a structure to help individual authorities with their approach to governance. The framework and detailed guidance are due to be published in April, and will apply to annual governance statements prepared for the financial year 2016/17 onwards.

## **Appendices**

- Appendix 1 – Outline Annual Governance Statement 2015/16

## **Background Papers**

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

## **Neil Davies**

Head of Corporate Performance and Development

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## ANNUAL GOVERNANCE STATEMENT 2015/16: OUTLINE

### Scope of Responsibility

1. The City of London Corporation is a diverse organisation with three main aims: to support and promote the City as the world leader in international finance and business services; to provide modern, efficient and high quality local services, including policing, within the Square Mile for workers, residents and visitors; and to provide valued services, such as education, employment, culture and leisure to London and the nation. Its unique franchise arrangements support the achievement of these aims.
2. Although this statement has been prepared to reflect the City of London Corporation in its capacity as a local authority and police authority, the governance arrangements are applied equally to its other funds – City’s Cash and Bridge House Estates.
3. The City of London Corporation (“the City”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively; and that arrangements are made to secure continuous improvement in the way its functions are operated.
4. In discharging this overall responsibility, the City is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
5. The City has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE <sup>1</sup>Framework *Delivering Good Governance in Local Government*. A copy of the code is on the City’s website at [www.cityoflondon.gov.uk](http://www.cityoflondon.gov.uk). This statement explains how the City has complied with the code and also meets the requirements of regulation 6(1)(b) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

### The Purpose of the Governance Framework

6. The governance framework comprises the systems and processes by which the City is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the City to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
7. The system of internal control is a significant part of that framework and is designed to manage all risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable rather than absolute assurance of effectiveness. The City’s system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the City’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
8. The governance framework has been in place at the City for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

### Key Elements of the Governance Framework

Code of Corporate Governance

Information Management Strategy

Financial Management Arrangements

Risk Management

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

Health & Safety

Business Continuity

Role of Internal Audit

Performance Management

Audit and Risk Management Committee

## **Review of Effectiveness**

## **Head of Internal Audit's Opinion**

## **Future Developments**

**NB:** These are the Future Developments from the 2014/15 Annual Governance Statement (see *paragraph 8 of the covering report*):

- Reviewing the arrangements for the registration and publication of Declarations of Interest by the City's co-opted Members with a view to introducing a consistent approach to registration by both elected and co-opted Members that serve on the City Corporation's decision-making bodies.
- Revising best practice guidance for Chief Officers on quarterly performance reporting to service Committees
- Progressing the delivery of a programme of cross-cutting and departmental review projects to balance the revenue budget over the medium term to offset the impact of continuing reductions in Government funding
- Securing business benefits via improved efficiency and reduced cost of operations from the upgrade to the financial management system
- Improving the oversight of corporate risks by the establishment of a Chief Officer Risk Management Group
- Embedding the use of the new business risk management software to assist in the consistent reporting and management of risk across the Corporation
- Bringing the Health and Safety TopX process into line with the City's risk management process,
- Increasing transparency of the alignment of the internal audit plan to corporate risks

This annual governance statement was approved by the City's Audit and Risk Management Committee on XXXXX.

John Barradell  
Town Clerk and Chief Executive

Date:

Mark Boleat  
Chairman, Policy and Resources  
Committee

Date:



# CITY OF LONDON - CITY FUND

PLANNING REPORT TO THE AUDIT AND RISK MANAGEMENT COMMITTEE  
Audit for the year ending 31 March 2016

26 February 2016



# CONTENTS

INTRODUCTION .....	1
YOUR BDO TEAM .....	2
OUR CLIENT SERVICE COMMITMENT TO YOU .....	3
ENGAGEMENT TIMETABLE .....	4
AUDIT SCOPE AND OBJECTIVES.....	5
MATERIALITY .....	6
OVERALL AUDIT STRATEGY .....	7
KEY AUDIT RISKS AND OTHER MATTERS .....	8
INDEPENDENCE .....	17
FEEES .....	18
APPENDIX I: MATERIALITY.....	19
APPENDIX II: INDEPENDENCE.....	21

# INTRODUCTION

## PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements and use of resources of the Corporation City Fund for the year ending 31 March 2016. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Audit and Risk Management Committee and should not be shown to any other person without our express permission in writing.

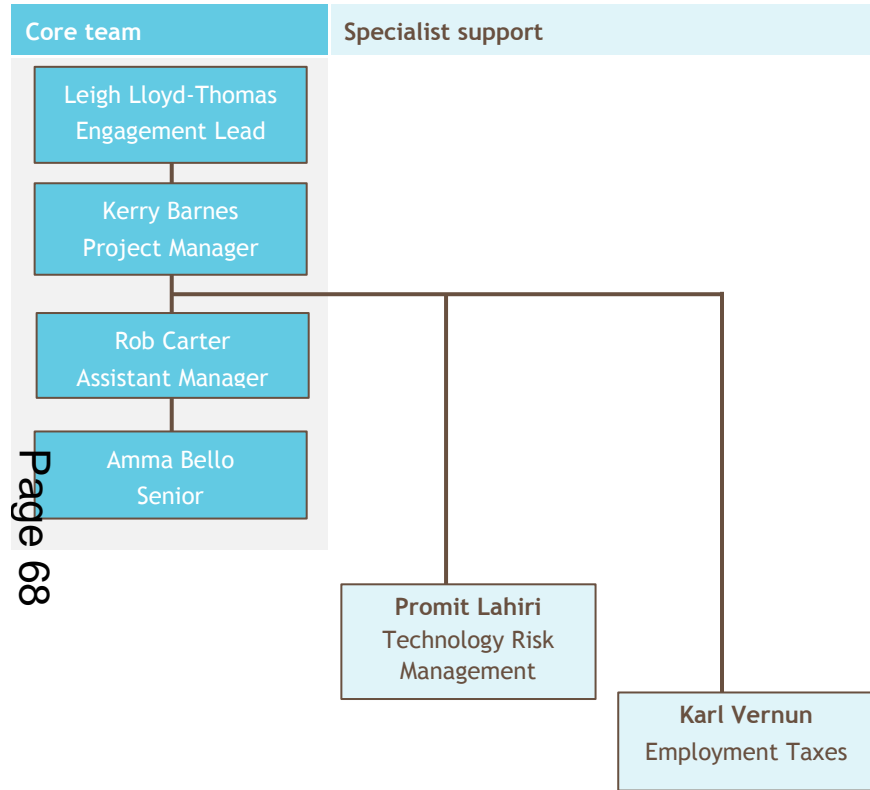
In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person to whom it is shown or into whose hands it may come, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

## CONTENT OF OUR REPORT

In this report, we set out the following:

- Our team and responsibilities for this year's audit
- Our client service commitment
- An overview of the audit timetable with key dates and deliverables
- The audit scope and objectives
- Our preliminary evaluation of materiality
- Our overall audit strategy
- Our initial assessment of the key audit risks and other relevant matters along with our planned audit approach
- Confirmation of independence and consideration of any independence related matters
- Our proposed fees for the audit.

# YOUR BDO TEAM



Name	Contact details	Key responsibilities
<b>Leigh Lloyd-Thomas</b> Engagement Lead	Tel: 020 7893 2616 leigh.lloyd-thomas@bdo.co.uk	Oversee the audit and sign the audit report
<b>Kerry Barnes</b> Project Manager	Tel: 020 7893 3837 kerry.barnes@bdo.co.uk	Management of the audit
<b>Rob Carter</b> Assistant Manager	Tel: 01473 320 736 robert.carter@bdo.co.uk	Day to day management and supervision of the audit
<b>Amma Bello</b> Senior	Tel: 020 7893 3155 amma.bello@bdo.co.uk	Day to day supervision of the on-site audit
<b>Promit Lahiri</b> Technology Risk Manager	Tel: 020 7893 3526 promit.lahiri@bdo.co.uk	Manage IT review for audit purposes
<b>Karl Vernun</b> Employment Tax Manager	Tel: 0207 893 3549 karl.vernum@bdo.co.uk	Manage employment tax review for audit purposes

Leigh Lloyd-Thomas is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements and use of resources.

In meeting this responsibility, he will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

- the financial statements are free from material misstatement, whether due to fraud or error
- the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Leigh is responsible for the overall quality of the engagement.



# OUR CLIENT SERVICE COMMITMENT TO YOU

## CLIENT SERVICE EXPECTATIONS

1

High quality audit service at a reasonable cost.

2

A quality team, with relevant expertise.

3

Clear communication.

4

Concentrating our work on areas of higher risk.

5

Avoiding surprises through timely reporting of issues.

6

Consulting with management to resolve matters early.

7

Meeting deadlines.

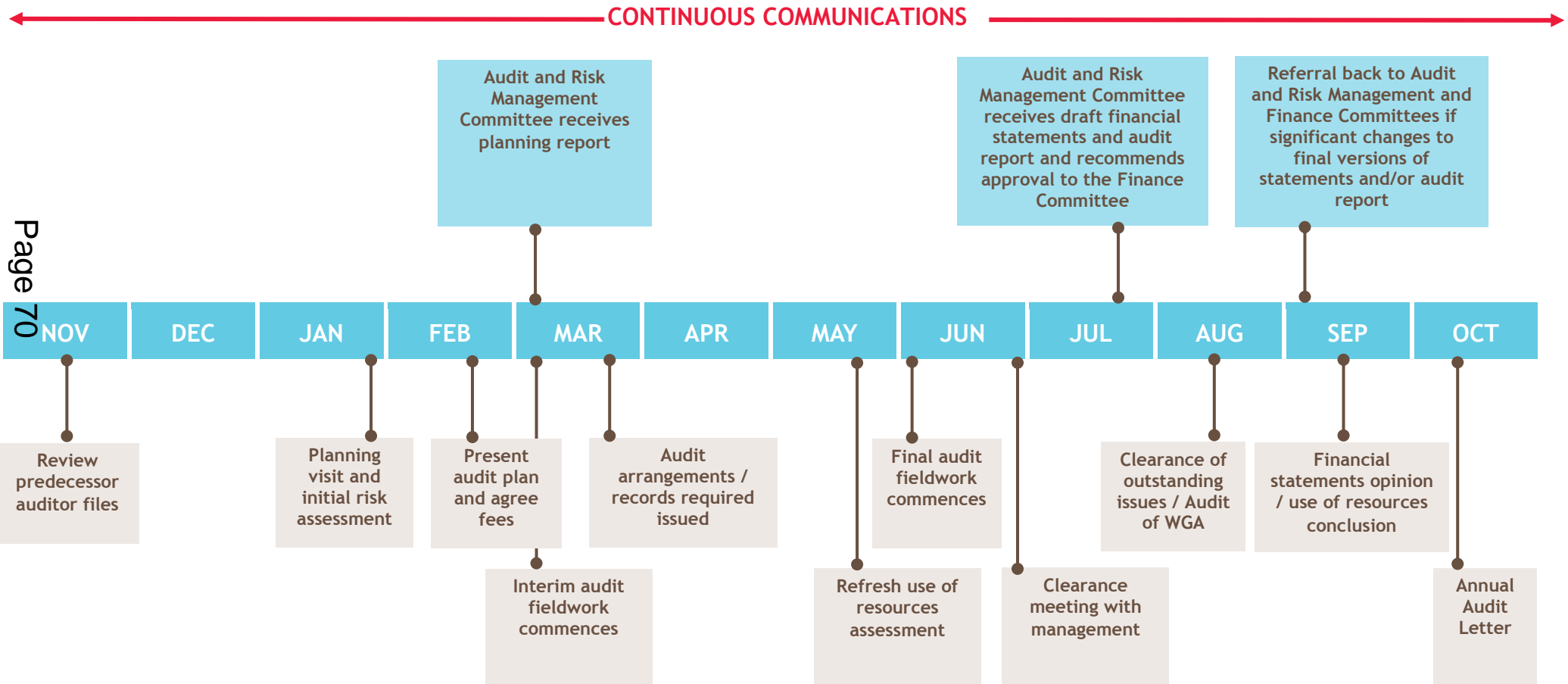
8

Identifying shortcomings in controls and processes.

# ENGAGEMENT TIMETABLE

## TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



# AUDIT SCOPE AND OBJECTIVES

## SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the NAO Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.

To form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
<p><b>1</b></p> <p>The financial statements give a true and fair view of the financial position of the authority and its expenditure and income for the period in question.</p>	<p><b>2</b></p> <p>The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.</p>	<p><b>3</b></p> <p>Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).</p>	<p><b>4</b></p> <p>The return required to facilitate the preparation of WGA consolidated accounts is consistent with the audited financial statements.</p>	<p><b>5</b></p> <p>The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>

Page 71

## ADDITIONAL POWERS AND DUTIES

<p><b>6</b></p> <p>To consider the issue of a report in the public interest.</p> <p>To make a written recommendation to the authority.</p>	<p><b>7</b></p> <p>To allow electors to raise questions about the accounts and consider objections.</p> <p>To apply to the court for a declaration that an item of account is contrary to law.</p> <p>To consider whether to issue an advisory notice or to make an application for judicial review.</p>
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# MATERIALITY

## AUTHORITY MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Corporation City Fund	£5,300,000	£100,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the Council has been based on 1.5% of the prior year gross expenditure. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

# OVERALL AUDIT STRATEGY

## We will perform a risk based audit on the authority's financial statements and use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the Corporation City Fund's business and the specific risks it faces. We discussed the changes to the business and management's own view of potential audit risk during our planning visit in order to gain an understanding of the activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at health sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in responses to risks.

## Risks and planned audit responses

For the financial statements audit, under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties

- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Legislative or policy changes
- Repeated financial difficulties or persistently poor performance
- Information from other inspectorates and review agencies suggesting governance issues or poor service performance.

We consider the relevance of these risks to the Corporation City Fund in forming our risk assessment and audit strategy.

## Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit planning and consider whether we are able to place any reliance on internal audit work as evidence of the soundness of the control environment.

# KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk ■ Other issue

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.	Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent. We consider the manipulation of financial results through the use of journals and management estimates as a significant fraud risk.	Not applicable.
	Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls.	In every organisation, management may be in a position to override routine day to day financial controls. Accordingly, our audit has been designed to consider this risk and adapt procedures accordingly.	
Revenue recognition	<p>Under International Standard on Auditing 240 “The Auditor’s responsibility to consider fraud in an audit of financial statements” there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.</p> <p>In particular, we consider there to be a significant risk in respect of the existence (recognition) and accuracy of the revenue and capital of grants that are subject to performance and / or conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).</p> <p>We also consider there to be a significant risk in relation to the completeness and existence of fees and charges and investment rental income recorded in the CIES.</p>	<p>We will carry out audit procedures to gain an understanding of the authority’s internal control environment for the significant income streams, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.</p> <p>We will test a sample of grants subject to performance and / or conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES.</p> <p>We will test a sample of fees and charges and investment rental income to ensure income has been recorded in the correct period and that all income that should have been recorded has been recorded.</p>	Government grant funding will be agreed to information published by the sponsoring Department.

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Investment property valuations</p> <p>Page 75</p>	<p>The Code has introduced a change in the basis of valuation of investment properties (IFRS 13), from a market value to a ‘highest and best use’ valuation. There is a possibility that valuations may be significantly different in certain circumstances particularly where an investment property could be developed for use with alternative consents, such as residential conversion, or where a current lease term is coming to an end and the property could be developed to enhance rental amounts.</p> <p>The Council will instruct JLL to carry out the annual valuation of the City Fund investment property portfolio having regard to the possibility of significant change in valuations under the highest and best use approach.</p> <p>This is not considered to be a change in accounting policy but a change in estimation technique that should be applied prospectively from 1 April 2015.</p> <p>Due to the significant carrying value of investment properties and inherent uncertainty that this new valuation basis could introduce, there is a risk that investment properties may not be appropriately valued as at 31 March 2015 and 31 March 2016.</p>	<p>We will review the instructions provided to the valuer and review the valuer’s skills and expertise in order to determine if we can rely on the management expert.</p> <p>We will confirm that the basis of valuation for assets valued in year is appropriate based on their usage and relevant observable inputs.</p>	<p>We will review independent data that shows indices and price movements for investment properties in central London.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Property, plant and equipment valuations</p> <p>Page 76</p>	<p>Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date. The fair value for housing dwellings, land and buildings included in PPE is a management estimate based on market values or depreciated replacement cost (DRC).</p> <p>Management use external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (minimum of every five years) employs an external expert (valuer) to undertake a full valuation.</p> <p>The indices available to management to assess valuation changes are produced independently and are based on observable data (asset sales and building contract prices). The valuation expert is independent of management and will use its sector knowledge of local sales to estimate the fair values and remaining useful economic lives of assets.</p> <p>We consider there to be a risk over the valuation of housing dwellings, land and buildings where valuations are based on assumptions or where updated valuations have not been provided for a class of asset at year-end.</p>	<p>We will review the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert.</p> <p>We will confirm that the basis of valuation for assets valued in year is appropriate based on their usage. We will confirm that an instant build modern equivalent asset basis has been used for assets valued at DRC.</p> <p>We will review valuation movements against indices of price movements for similar classes of assets and follow up valuation movements that appear unusual against indices.</p>	<p>We will review independent data that shows indices and price movements for classes of assets against the percentage movement applied by the Corporation City Fund.</p>



# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Crossrail commitment  Page 77	<p>The Corporation City Fund has committed to contribute £200 million towards the costs of constructing Crossrail. The payment is dependent on achievement of a number of conditions, primarily completion of certain works in relation to Crossrail stations. Management has reported that the commitment conditions are crystallised only upon completion of these works and continue to report this as a commitment rather than a liability in the financial statements. The original project plan had assumed that the required works would be completed by March 2016, but there appears to be slippage with completion forecast in March 2017.</p>	<p>We will review the progress of the Crossrail works against the agreement commitments required to crystallise the payment and review the disclosures in the financial statements.</p>	<p>Contract works notices from Crossrail.</p>
	<p>There is a risk around the appropriate date for recognition of the liability to pay amounts based on the crystallisation events in the agreement, and appropriate disclosures in the financial statements.</p>		
Lease premiums and MRP charge	<p>The Corporation City Fund is party to a significant number of lease arrangements as lessor. The premiums and rents are apportioned between the land element, which will ordinarily be an operating lease recognised as revenue, and the building element which is likely to be a finance lease and recorded as a capital disposal. The element of the premium relating to the land is treated as deferred income and released to revenue over the term of the lease. The apportionment between the land and building elements is a complex accounting estimate and there is a risk that the value of the split applied may not be appropriate.</p>	<p>We will review the process applied for apportioning lease premiums between land (revenue) and buildings (capital) including reviewing the work of external valuer to confirm if this is appropriate. We will also select a sample of leases and confirm that the allocations have been accurately calculated.</p>	<p>Not applicable.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Lease premiums and MRP charge (continued)	<p>The funding of capital expenditure from cash received from long lease premiums which are deferred is expected to result in internal borrowing and a positive capital financing requirement for the first time on 31 March 2017. This internal borrowing requires the City to make a prudent annual repayment from revenue known as the Minimum Revenue Provision (MRP). At its meeting on 16 February, the Finance Committee agreed that the MRP is to be equal to the amount of deferred income released, resulting in an overall neutral impact on the bottom line.</p>	<p>Although a MRP is not anticipated to be required until 2017/18, following a positive capital financing requirement on 31 March 2017, we will review the MRP policy and confirm that the arrangements for matching the MRP to the release of deferred income are appropriate.</p>	

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Pension liability assumptions</p> <p>Page 79</p>	<p>The net pension liability comprises the Corporation City Fund's share of the market value of assets held in the City of London Pension Fund and the estimated future liability to pay pensions. An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We will agree the disclosures to the information provided by the pension fund actuary.</p> <p>As the auditors of the City of London Pension Fund, we will review the controls for providing accurate membership data to the actuary.</p> <p>We will review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.</p>	<p>We will agree the disclosures to the report received from the actuary.</p> <p>We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p>
<p>Non-domestic rates appeals provision</p>	<p>Billing authorities are required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled. Management use this information to calculate a success rate for specific business types for settled appeals, and applies an appropriate rate to each type of business appeal still outstanding at year end.</p> <p>We consider there to be a risk in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.</p> <p>We are aware that some NHS organisations are also appealing their business rate charge and are seeking to obtain charitable status to claim mandatory rate relief.</p>	<p>We will review the accuracy of the appeals data to confirm that it is complete based on the VOA list, and that settled appeals are removed.</p> <p>We will review the assumptions used in the preparation of the estimate including the historic success rates to confirm if the rates applied are appropriate.</p> <p>We will monitor progress with the potential rate relief claims from NHS organisations and the potential impact on the collection fund account.</p>	<p>We will compare the listing of current appeals to listings from the VOA.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Allowances for non-collection of receivables	<p>The Corporation City Fund includes a material amount in respect of provision for non-collection of council tax and NDR arrears. The provision is based on management assumptions in relation to the collection of the debt.</p> <p>There is a risk that the provisions may not accurately reflect collection rates based on age or debt recovery rates.</p>	We will review the provision model for significant income streams and debtor balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears.	Not applicable.
Page 80 Consideration of related party transactions	<p>We consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.</p> <p>There is a risk that related party transactions disclosures are omitted from the financial statements, or do not accurately reflect the underlying related party transaction, resulting in material misstatement.</p>	We will document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions. We will discuss with management and review member's and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us.	Companies House searches for undisclosed interests.
Highways network assets	The Code will adopt the revised basis for valuations of highways network assets from 2016/17 (depreciated historic cost to depreciated replacement cost), and this will require implementation from 1 April 2016 but with no restatement for 2015/16.	We will review the 'new standards adopted but not yet implemented' disclosure note to ensure that the potential impact (where quantified) on the 2016/17 financial statements on the valuation of the highways network asset is disclosed.	Not applicable.

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Narrative reporting	The Corporation City Fund will be required to produce a 'Narrative Report' replacing the Explanatory Foreword in the financial statements.	We will compare the narrative report against the Code requirements to ensure that all elements of the narrative report are correctly included.	Not applicable.
	The Narrative Report includes additional information not previously included in the Explanatory Foreword.	We will review the narrative report to ensure consistency with our understanding of the entity and the financial statements.	
Fraud and error	We are required to discuss with you the possibility of material misstatement, due to fraud or error.	We will continue to consider throughout the audit process and discuss with management.	Not applicable.
	We are informed by management that there have not been any cases of material fraud or error, to their knowledge.		

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

AUDIT RISK AREAS - USE OF RESOURCES			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<b>Sustainable finances (City Police)</b>  <b>Page 82</b>	<p>Whilst the recently released revenue allocations from the Policing Minister up to 2018/19 were better than expected, City Police is still facing significant challenges in ensuring that it has sustainable finances.</p>	<p>We will review the assumptions used in the City Police Medium Term Financial Strategy and assess the reasonableness of the cost pressures and grant funding amounts.</p>	<p>Not applicable.</p>
	<p>The update to the Medium Term Financial Strategy (MTFS) to 2018/19 has forecast current budget gaps for City Police in 2017/18 (£2.9 million) and 2018/19 (£4.8 million) which includes current earmarked reserves being exhausted during 2018. Management is currently reviewing plans to address the resource gaps identified in the MTFS.</p>	<p>We will monitor the delivery of the budgeted savings in 2015/16 as part of its new “City First” operating model and assess the reasonableness of the planned savings schemes in future years.</p>	
	<p>Identifying the required level of savings from 2016/17 will be a challenge and is likely to require difficult decisions around service provision and increases in business rate premium or contributions from City Fund.</p>		
<b>Sustainable finances (City Fund )</b>	<p>The City Fund’s MTFS is currently forecasting a surplus position over the next four years, including a surplus of £5.9 million in 2016/17 reducing to £1 million by 2019/20. This position is healthier than originally planned as the anticipated RSG settlement was predicted to fall from £12 million in 2015/16 to £nil by 2019/20. However, the recent budget announcement indicates that City Fund should still receive £6 million RSG in 2019/20.</p> <p>The MTFS is based on key income and expenditure assumptions as well as saving/income generation proposals where service budgets include savings of £3.8 million in 2015/16 increasing to £10.8 million in 2018/19. If key assumptions and savings plans have not been based on reliable data or have been overly optimistic the financial position could deteriorate over the medium term.</p>	<p>We will undertake a high level review of the assumptions in the City Fund Medium Term Financial Strategy, including benchmarking key variable such as inflationary pressures and grant income, and savings schemes.</p>	<p>Not applicable.</p>

# INDEPENDENCE

## INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to 'those charged with governance'. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate Audit and Risk Management Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm's independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2016.

We have not identified any potential threats to our independence as auditors.

We have confirmed that we have not provided any non audit services.

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

# FEES

## FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2016 are:

	£
Audit fee	86,383
Certification fee (Housing benefits subsidy)	11,396
<b>Total audit and certification fees:</b>	<b>97,779</b>
Fees for audit related services	TBC
Fees for non audit services	0
<b>TOTAL FEES</b>	<b>97,779</b>

Page 84

## OTHER FEES ANALYSIS

Audit related services (other certification fees):

	£
Teachers' Pension (local education authority)	TBC
Teachers' Pension (Centre for Young Musicians (City's Cash))	TBC
Pooling of Housing Capital Receipts	TBC

Fee invoices will be raised as set out below, following which our firm's standard terms of business state that full payment is due within 14 days of receipt of invoice:

- Instalment 1 £43,191.50 in July 2015
- Instalment 2 £21,595.75 in March 2016
- Instalment 3 £21,595.75 in June 2016
- Certification fees will be billed on completion of the work.

### Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).



# APPENDIX I: MATERIALITY

## CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
  - Narrative disclosure e.g. accounting policies, going concern
  - Statutory performance targets
  - Instances when greater precision is required (e.g. senior management remuneration disclosures).

Page 85

International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the authority, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
  - Assist in establishing the scope of our audit engagement and audit tests
  - Calculate sample sizes
  - Assist in evaluating the effect of known and likely misstatements on the financial statements.

# APPENDIX I: MATERIALITY

## Continued

### REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

### UNADJUSTED ERRORS

- Page 86
- In accordance with auditing standards, we will communicate to the Audit and Risk Management Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
  - Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
  - We will obtain written representations from the Audit and Risk Management Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
  - There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
    - Clear cut errors whose correction would cause non-compliance with statutory performance targets, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
    - Other misstatements that we believe are material or clearly wrong.
-

## APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
LEIGH LLOYD-THOMAS - Engagement lead	1 <sup>st</sup> year	31 March 2021
KERRY BARNES - Project manager	1 <sup>st</sup> year	31 March 2026
Engagement Quality Control Reviewer	1 <sup>st</sup> year	31 March 2021

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# CITY OF LONDON PENSION FUND

PLANNING REPORT TO THE AUDIT AND RISK MANAGEMENT COMMITTEE  
Audit for the year ending 31 March 2016

26 February 2016

# CONTENTS

INTRODUCTION .....	1
YOUR BDO TEAM .....	2
OUR CLIENT SERVICE COMMITMENT TO YOU .....	3
ENGAGEMENT TIMETABLE .....	4
AUDIT SCOPE AND OBJECTIVES.....	5
MATERIALITY .....	6
OVERALL AUDIT STRATEGY .....	7
KEY AUDIT RISKS AND OTHER MATTERS .....	8
INDEPENDENCE .....	13
FEES.....	14
APPENDIX I: MATERIALITY.....	15
APPENDIX II: INDEPENDENCE.....	17

# INTRODUCTION

## PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements of the pension fund for the year ending 31 March 2016. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Audit and Risk Management Committee and should not be shown to any other person without our express permission in writing.

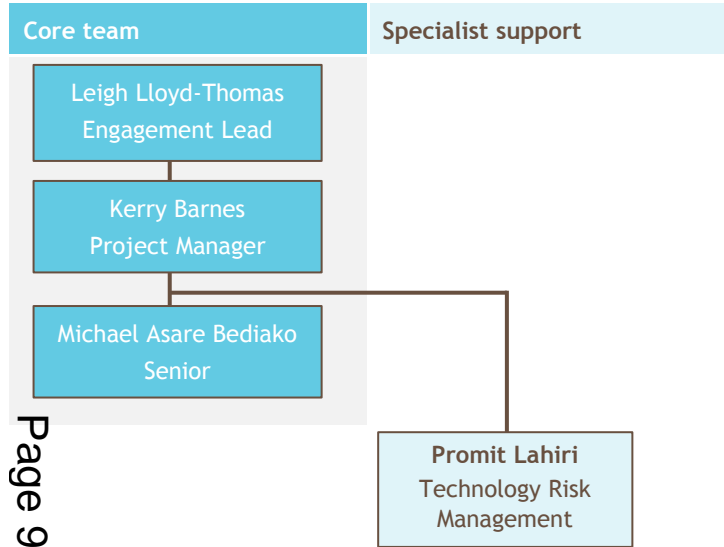
In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person to whom it is shown or into whose hands it may come, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

## CONTENT OF OUR REPORT

In this report, we set out the following:

- Page 91
- Our team and responsibilities for this year's audit
  - Our client service commitment
  - An overview of the audit timetable with key dates and deliverables
    - The audit scope and objectives
    - Our preliminary evaluation of materiality
    - Our overall audit strategy
    - Our initial assessment of the key audit risks and other relevant matters along with our planned audit approach
    - Confirmation of independence and consideration of any independence related matters
    - Our proposed fees for the audit.
-

# YOUR BDO TEAM



Name	Contact details	Key responsibilities
<b>Leigh Lloyd-Thomas</b> Engagement Lead	Tel: 020 7893 2616 leigh.lloyd-thomas@bdo.co.uk	Oversee the audit and sign the audit report
<b>Kerry Barnes</b> Project Manager	Tel: 020 7893 3837 kerry.barnes@bdo.co.uk	Management of the audit
<b>Michael Asare Bediako</b> Senior	Tel: 020 7893 3646 michael.asarebediako@bdo.co.uk	Day to day supervision of the on-site audit
<b>Promit Lahiri</b> Technology Risk Manager	Tel: 020 7893 3526 promit.lahiri@bdo.co.uk	Manage IT review for audit purposes

Page 92

Leigh Lloyd-Thomas is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, he will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error

Leigh is responsible for the overall quality of the engagement.



# OUR CLIENT SERVICE COMMITMENT TO YOU

## CLIENT SERVICE EXPECTATIONS

1

High quality audit service at a reasonable cost.

2

A quality team, with relevant expertise.

3

Clear communication.

4

Concentrating our work on areas of higher risk.

5

Avoiding surprises through timely reporting of issues.

6

Consulting with management to resolve matters early.

7

Meeting deadlines.

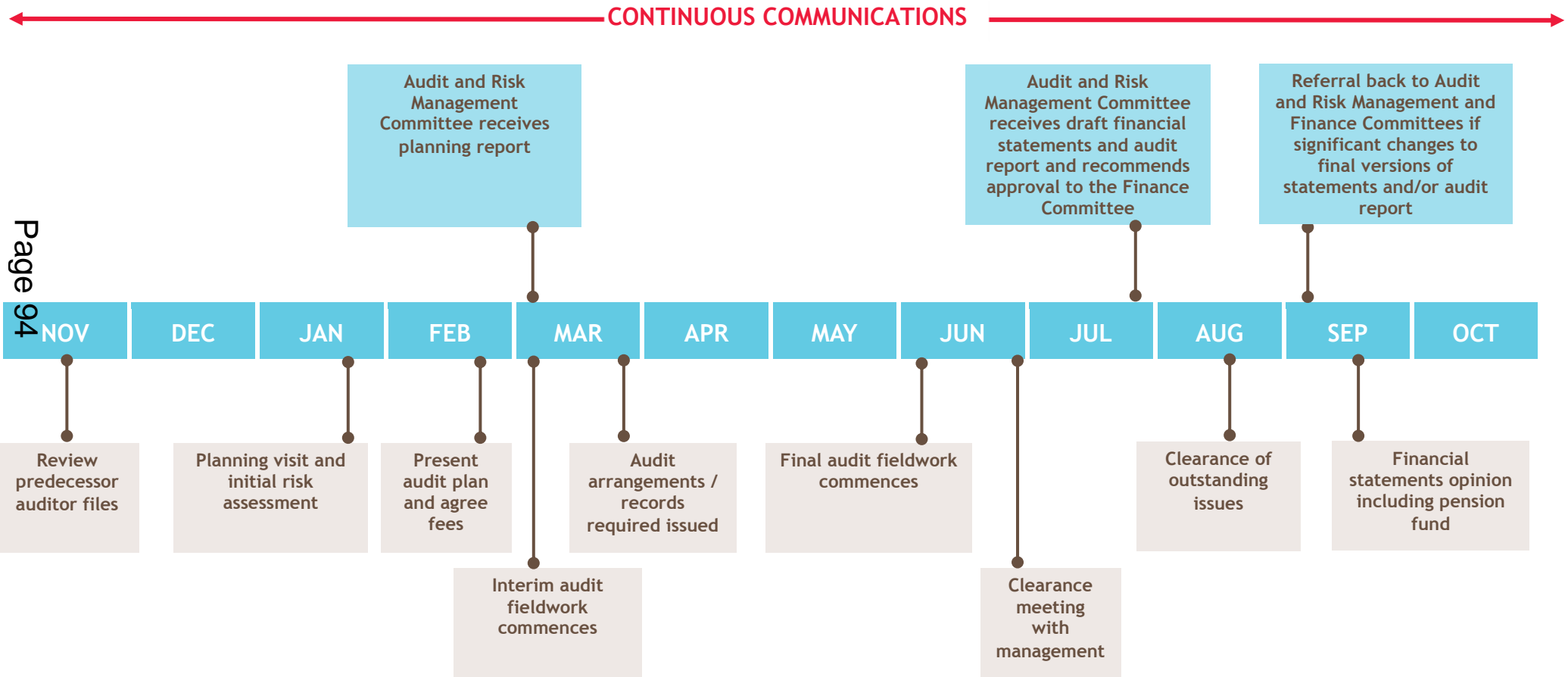
8

Identifying shortcomings in controls and processes.

# ENGAGEMENT TIMETABLE

## TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements.



# AUDIT SCOPE AND OBJECTIVES

## SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the NAO Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.

To form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	ADDITIONAL REQUIREMENTS
<b>1</b>	The financial statements give a true and fair view of the financial transactions of the pension fund for the period, and the amount and disposition at the period end of the assets and liabilities, other than liabilities to pay pensions and benefits after the period end.	<b>3</b>	<b>4</b> Review the pension fund annual report and report on the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the statement of accounts.
	<b>2</b> The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.	Other information published together with the audited financial statements is consistent with the financial statements.	

# MATERIALITY

## MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Pension fund overall materiality	£8,200,000	£160,000
Specific materiality for other financial statement areas:		
- Fund account	£1,500,000	-

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the pension fund financial statements will initially be based on 1% of net assets. Specific materiality (at a lower level) may be considered appropriate for certain financial statement areas and we set materiality for the fund account at 5% of contributions receivable.

At this stage, these figures are based on the prior year gross assets amounts and contributions receivable. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

# OVERALL AUDIT STRATEGY

## We will perform a risk based audit on the pension fund financial statements

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the pension fund and the specific risks it faces. We discussed the changes to the fund, such as scheme regulations, and management's own view of potential audit risk during our planning visit in order to gain an understanding of the activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

We also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

We then carry out our audit procedures in response to risks.

## Risks and planned audit responses

Under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

## Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit planning and consider whether we are able to place any reliance on internal audit work as evidence of the soundness of the control environment.

# KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk ■ Other issue

## AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<b>Management override</b>  Page 98	The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of the fund’s policies, aims and objectives and to manage the risks facing the fund; this includes the risk of fraud.	Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent. We consider the manipulation of financial results through the use of journals and management estimates as a significant fraud risk.	Not applicable.
	Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls.	In every organisation, management may be in a position to override routine day to day financial controls. Accordingly, our audit has been designed to consider this risk and adapt procedures accordingly.	
<b>Revenue recognition (contributions)</b>	Under International Standard on Auditing 240 “The Auditor’s responsibility to consider fraud in an audit of financial statements” there is a presumption that income recognition presents a fraud risk.  For pension funds, the risk can be identified as affecting the completeness, accuracy and existence of contributions income.	We will carry out audit procedures to gain an understanding of the pension fund’s internal control environment for receiving and recording contributions income in accordance with the schedule of contributions, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.  We will perform an examination, on a test basis, of evidence relevant to the amounts and timing of contributions receivable to the fund including checking to employer payroll records, where relevant.	We will check a sample of contributions receivable from the Corporation to the payroll records to ensure that the correct amounts have been paid by the employee and employer.  For other significant admitted and scheduled bodies, we will select a sample of bodies each year and request confirmation from that organisation that the correct amounts have been paid to the pension fund for selected employees.

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Fair value of investments (private equity)</p> <p>Page 99</p>	<p>The investment portfolio includes unquoted private equity holdings valued by the fund manager. The valuation of private equity assets may be subject to a significant level of assumption and estimation and valuations may not be based on observable market data.</p> <p>In some cases, the valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations.</p> <p>As a result, we consider there to be a significant risk that investments are not appropriately valued in the financial statements.</p>	<p>We will obtain direct confirmation of investment valuations from the fund managers and request copies of the audited financial statements (and member allocations) from the fund.</p> <p>Where the financial statement date supporting the valuation is not coterminous with the pension fund's year end, we will confirm that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds.</p> <p>Ensure investments have been correctly valued in accordance with the relevant accounting policies.</p>	<p>Direct confirmation of fund valuation and audited financial statements for private equity investments.</p>
<p>Fair value of investments (pooled investments)</p>	<p>The fair value of funds (pooled investments) is provided by individual fund managers and reported on a quarterly basis. These funds are quoted on active markets.</p> <p>There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.</p>	<p>We will obtain direct confirmation of investment valuations from the fund managers and agree valuations, where available, to readily available observable data (such as Bloomberg).</p> <p>We will ensure that investments have been correctly valued in accordance with the relevant accounting policies.</p> <p>We will obtain independent assurance reports over the controls operated by the fund managers and existence of underlying investments in the funds.</p>	<p>Direct confirmation of investment valuations from fund managers.</p> <p>Assurance report on the operating effectiveness of internal controls within each of the fund manager organisation.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Page 100</p> <p>Investment Management Expenses</p>	<p>Local Government Pension Fund Accounts are required to disclose investment management expenses.</p> <p>Management expenses included in the pension fund accounts represents the fee for the service provided by and any performance related fees in relation to the fund manager. However, fund managers do not ordinarily provide information on any 'hidden' fees included in investing contributions. These fees are deducted when the investment is made by the fund manager and hence is included in the change in market value of investments.</p> <p>The Financial Conduct Authority criticised the investment management industry for not reporting charges to investors sufficiently clearly. In particular, it criticised the annual management charge as failing 'to provide investors with a clear, combined figure for charges'.</p> <p>Last year, CIPFA issued guidance on obtaining and separately presenting these additional charges in the fund accounts. While not mandatory to report these costs separately, there is a clear expectation that LGPS fund accounts do observe this guidance. CIPFA intends to publish revised guidance in April.</p> <p>We consider there to be a significant risk in the presentation of investment management expenses in the fund accounts where these 'hidden' fees are not identified and separately reported.</p>	<p>We will review the arrangements put in place by management to identify all relevant investment management fees, and responses provided by fund managers, to ensure that the true costs are disclosed appropriately in the fund accounts.</p>	<p>Not applicable.</p>



# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Pension liability assumptions	<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation uses inappropriate assumptions to value the liability.</p>	<p>We will review the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate.</p> <p>We will review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data.</p> <p>We will agree the disclosure to the information provided by the actuary.</p>	<p>We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p>
Membership disclosure	<p>Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed.</p> <p>There is a risk that the membership database may not be accurate and up to date to support this disclosure.</p>	<p>We will obtain membership records and review the controls over the maintenance of these records. We will undertake sample testing of movements of members to transactions recorded in the fund account.</p> <p>We will review action taken in response to findings of the National Fraud Initiative (NFI) data matching exercise of paid amounts to pensioners with the UK register of deaths, and any 'life certification' exercise undertaken.</p>	<p>Review of NFI data matching.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Consideration of related party transactions	We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.	<p>We will document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions.</p> <p>We will discuss with management and review Corporation members and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us.</p>	Companies House searches for undisclosed interests.
Fraud and error	<p>We are required to discuss with you the possibility of material misstatement, due to fraud or error.</p> <p>We are informed by management that there have not been any cases of material fraud or error, to their knowledge.</p>	We will continue to consider throughout the audit process and discuss with management.	Not applicable.

# INDEPENDENCE

## INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Risk Management Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2016.

Our appointment by the Audit Commission (and confirmed by Public Sector Audit Appointments Limited) covers both the Corporation City Fund and pension fund. We do not consider this to be a threat to our independence and objectivity.

We have not identified any potential threats to our independence as auditors.

We have confirmed that we have not provided any non audit services.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

# FEES

## FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2016 are:

	£
Code audit fee (pension fund)	21,000
<b>TOTAL FEES</b>	<b>21,000</b>

Fee invoices will be raised as set out below, following which our firm's standard terms of business state that full payment is due within 14 days of receipt of invoice:

- instalment 1 £11,000 in July 2015
- instalment 2 £5,000 in March 2016
- instalment 3 £5,000 in June 2016.

Page 104

### Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the pension fund financial statements prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

# APPENDIX I: MATERIALITY

## CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
  - Narrative disclosure e.g. accounting policies, going concern
  - Instances when greater precision is required (e.g. related party transactions disclosures).

International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the pension fund, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
  - Assist in establishing the scope of our audit engagement and audit tests
  - Calculate sample sizes
  - Assist in evaluating the effect of known and likely misstatements on the financial statements.

# APPENDIX I: MATERIALITY

## Continued

### REASSESSMENT OF MATERIALITY


- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

### UNADJUSTED ERRORS

- Page 106
- In accordance with auditing standards, we will communicate to the Audit and Risk Management Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
  - Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
  - We will obtain written representations from the Audit and Risk Management Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
  - There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
    - Clear cut errors whose correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
    - Other misstatements that we believe are material or clearly wrong.
-

## APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
LEIGH LLOYD-THOMAS - Engagement lead	1 <sup>st</sup> year	31 March 2021
KERRY BARNES - Project manager	1 <sup>st</sup> year	31 March 2026



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

Page 108

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City of London

Report to the Audit Committee  
on the year ended 31 March 2015  
Certification work

Final Report

# Contents

1.	Executive summary	1
2.	Grant claims and returns certified in 2014/15	2
3.	Adjustments and qualification letters issued	3
4.	Commentary on housing benefit claim	4
5.	Commentary on non-PSAA returns	5
6.	Responsibilities Statement	6
7.	Analysis of Certification Fees	7

# 1. Executive summary

## Certification of Claims & Returns 2014/15

We have pleasure in setting out in this document our report to the Audit Committee of the City of London (“the Authority”) on our certification work for the year ended 31 March 2015. This report summarises the principal matters that have arisen from our work. It is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention.

This year only the Housing Benefit Subsidy claim required certification as part of our contract with Public Sector Audit Appointments (PSAA) (previously the Audit Commission).

Additionally, we have certified returns relating to Teachers’ Pension Contributions, Young Musicians Pension Contributions and Pooling of Capital Receipts. These returns fall outside the PSAA certification regime, but we have included information on these returns in this letter in order to give you a complete picture of our work on grants and returns in 2014/15.

With respect to testing on the Housing Benefit Subsidy and Pooling of Capital Receipts returns, there have been no amendments and we have not issued a qualification letter.

The Pooling of Capital Receipts claim was subject to an amendment to reduce the RTB sales receipt by £2,700 but was not subsequently qualified.

## 2. Grant claims and returns certified in 2014/15

The following claims and returns have been certified and delivered to the appropriate authority in relation to 2014/15:

### PSAA grant claims and returns

Claim or return	Value of claim/ Return	Date certified	Certification deadline	Adjustments required	Qualification letter issued
Housing Benefit	£5,989,302	28/10/2015	30/11/2015	No	No

### Non-PSAA grant claims and returns

Claim or return	Value of claim/ return	Date certified	Certification deadline	Adjustments required	Qualification letter issued
Capital Receipts	£1,469,200	11/01/2016	30/11/2015*	Yes	No
Teachers' Pensions (total contributions deducted)	£191,548	02/11/2015	30/11/2015	No	No
Young Musicians	£19,207	02/11/2015	30/11/2015	No	No

\*Due to a system wide issue with the certification system, LOGASnet, which affected all authorities, despite the audit work being completed prior to the deadline we were unable to certify until 11/01/2016. DCLG have stated that authorities will not be penalised for late submission due to this issue.

# 3. Adjustments and qualification letters issued

## **Adjustments**

The Capital Pooling return was found to have an error of £2,700 due to the additional discount applicable to 7, Avondale House that was not originally accounted for correctly.

## **Qualification letters issued**

No qualification letters were issued this year.

# 4. Commentary on Housing Benefit claim

## Certification approach

- Certification instruction BEN01, issued by Public Sector Audit Appointments (PSAA), was followed in accordance with the HBCOUNT 2015 instructions. This is a modular approach consisting of six separate testing elements.
- The system parameters (i.e. this year's benefit rates and allowances) were agreed to those in use at the Authority and a review of the Northgate software controls was performed.
- Electronic workbooks supplied by PSAA were used to test a sample of 20 cases (or as many as the Authority received) for each of the three benefit types (HRA rent rebates, non-HRA rent rebates and rent allowances) for the Authority.
- There were no errors identified in the prior year, therefore no additional samples were needed in order to satisfy the Cumulative Audit Knowledge and Experience (CAKE) testing requirement.
- No non-isolated errors were identified in the current year that could give rise to an overpayment of benefit so no 40+ samples were required.

## Findings

No errors were identified, therefore we certified the claim without amendment or qualification.

## 5. Commentary on non-PSAA returns

We have performed work certifying the Authority's returns to Teachers' Pensions in respect of contributions to teachers' pensions and the return to the Department for Communities and Local Government in respect of capital receipts subject to pooling arrangements.

### **Teachers' Pensions**

The teachers' pensions return has been certified in line with certification instruction TP05 issued by Teachers' Pensions.

We noted no errors. The return was certified without amendment and without qualification.

### **Teachers' Pensions – Centre for Young Musicians**

The teachers' pensions return for the Centre for Young Musicians has been certified in line with certification instruction TP05 issued by Teachers' Pensions.

We noted no errors. The return was certified without amendment and without qualification.

### **Capital Receipts**

The capital receipts return has been tested in line with certification instruction CFB06 issued by the Department for Communities and Local Government.

A difference of £2,700 was identified due to the additional discount applicable to 7 Avondale House that was not originally accounted for correctly. As a result we extended our sample by 4 in order to test 100% of the population. The extended work confirmed that the error was isolated, therefore, we proposed an amendment to the LOGASnet return to reduce the RTB sales receipt by £2,700.

The return was certified post amendment without qualification.

## 6. Responsibility statement

The Statement of Responsibilities of grant-paying bodies, authorities, PSAA and appointed auditors in relation to claims and returns, issued by the PSAA, sets out the respective responsibilities of these parties, and the limitations of our responsibilities as appointed auditors and this report is prepared on the basis of, and the grant certification procedures are carried out, in accordance with that statement.

The matters raised in this report are only those that came to our attention during our certification procedures and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented.

This report sets out those matters of interest which came to our attention during the certification procedures. Our work was not designed to identify all matters that may be relevant to the Members and this report is not necessarily a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

*Deloitte LLP*

### **Deloitte LLP**

Chartered Accountants

St Albans

23 February 2016



## 7. Analysis of certification fees

Claim or return	2015 £	2014 £
<b>PSAA claim or return</b>		
Housing Benefit Subsidy	<b>14,940</b>	15,195
<b>Non-PSAA claim or return</b>		
Teachers' Pensions Contributions	<b>4,500</b>	4,000
Young Musicians	<b>4,500</b>	4,000
Pooling of Housing Capital Receipts	<b>2,340</b>	2,294
<b>Total</b>	<b>26,280</b>	<b>25,489</b>

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