



Audit and Risk Management Committee

Date: TUESDAY, 5 MARCH 2013
Time: 1.45pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Jeremy Mayhew (Chairman)
Alderman Ian Luder (Deputy Chairman)
Alderman Nick Anstee
Nigel Challis
Hilary Daniels (External Member)
Revd Dr Martin Dudley
Deputy Robin Eve
Oliver Lodge
Kenneth Ludlam (External Member)
Caroline Mawhood (External Member)
Jeremy Simons
Alderman Simon Walsh
Deputy Douglas Barrow (Ex-Officio Member)
Ray Catt (Ex-Officio Member)
Roger Chadwick (Ex-Officio Member)

Enquiries: Julie Mayer
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julie.mayer@cityoflondon.gov.uk

Lunch will be served in the Guildhall Club at 1pm

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBER DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THIS AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and summary of the meeting held on 5 February 2013.

(Pages 1 - 6)
4. **STRATEGIC RISK 2 - SUPPORTING THE BUSINESS CITY**
Report of the Director of Economic Development

For decision
(Pages 7 - 12)
5. **OUTSTANDING ACTIONS OF THE COMMITTEE**
Report of the Town Clerk.

For information
(Pages 13 - 16)
6. **CHIEF OFFICER EXPENSE CLAIMS**
Report of the Town Clerk

For information
(Pages 17 - 24)
7. **RISK MANAGEMENT UPDATE**
Report of the Chamberlain

For information
(Pages 25 - 60)
8. **MANAGING RISKS FOR EXHIBITIONS WITH VALUABLE DISPLAYS**
Report of the Chamberlain

For information
(Pages 61 - 64)
9. **INTERNAL AUDIT UPDATE REPORT**
Report of the Chamberlain

For information
(Pages 65 - 84)

10. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT**
Report of the Chamberlain

For information
(Pages 85 - 96)
11. **ANTI-FRAUD AND INVESTIGATIONS UPDATE REPORT**
Report of the Chamberlain

For information
(Pages 97 - 104)
12. **ANNUAL GOVERNANCE STATEMENT - METHODOLOGY**
Report of the Chamberlain

For decision
(Pages 105 - 124)
13. **DELOITTE'S ANNUAL GRANT CERTIFICATIONS LETTER**
Report of the External Auditor

For information
(Pages 125 - 132)
14. **STRATEGIC RISK 6 - PROJECT RISK**
Report of the Town Clerk

For decision
(Pages 133 - 150)
15. **COMMITTEE WORK PROGRAMME**
Report of the Town Clerk.

For information
(Pages 151 - 152)
16. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
17. **ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT**

Part 2 - Non-Public Agenda

18. EXCLUSION OF THE PUBLIC

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

19. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

To agree the non-public minutes of the meeting held on 5 February 2013.

For Decision
(Pages 153 - 156)

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

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

Agenda Item 3

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 5 February 2013

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Tuesday, 5 February 2013 at 1.45pm

Present

Members:

Jeremy Mayhew (Chairman)	Kenneth Ludlam (External Member)
Alderman Ian Luder (Deputy Chairman)	Caroline Mawhood (External Member)
Alderman Nick Anstee	Jeremy Simons
Nigel Challis	Alderman Simon Walsh
Hilary Daniels (External Member)	Deputy Douglas Barrow (Ex-Officio Member)
Revd Dr Martin Dudley	Ray Catt (Ex-Officio Member)
Deputy Robin Eve	Roger Chadwick (Ex-Officio Member)

In Attendance:

Martin Farr (Chairman of the Planning Committee)
Deputy Michael Welbank (Deputy Chairman of the Planning Committee)
Deputy Wendy Mead (Deputy Chairman of the Port Health and Environmental Services Committee)

Officers:

Susan Attard	- Town Clerk's Department
Neil Davies	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Chris Bilsland	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Suzanne Jones	- Chamberlain's Department
Paul Nagle	- Chamberlain's Department
Sabir Ali	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Heather Bygrave	- External Auditor, Deloitte
Peter Bennett	- City Surveyor
Philip Everett	- Director of the Built Environment
Paul Beckett	- Department of the Built Environment
Sue Ireland	- Director of Open Spaces

1. APOLOGIES

Apologies were received from Oliver Lodge.

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

The Chairman, Jeremy Mayhew and Deputy Chairman, Alderman Ian Luder declared interests in respect of item 17, due to potential conflicts of interest by virtue of their association with each preferred tenderer. Both Members were advised that, as the Chamberlain's oral update was on process only, they need not leave the room, but Alderman Luder chose to do so.

Members noted that the Chairman had recently withdrawn from the selection panel for the new External Auditor for Non-Local Authority Funds.

3. **MINUTES**

The public minutes and summary of the Audit and Risk Management Committee of 12 December 2012 were approved.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members noted the following actions, which would be discharged on today's agenda:

- Publication of City's Cash
- Deloitte Annual Audit Plan for Non-Local Authority Funds
- Effectiveness Review
- Internal Audit Plan
- Internal Audit Recommendations follow up – this action is on-going. It was agreed this item could be closed.
- Barbican Centre: Construction Design Management (Health and Safety Review) – the Head of Audit has received confirmation that these recommendations have been implemented.
- New Strategic Risk: Barbican Art Gallery – a report on 'Wider Issues affecting Exhibitions with Valuable Displays' will be brought to the March Committee.

Officer Expenses. Members noted that the Town Clerk is responsible for regularising the arrangements and that the matter fell within the remit of the Establishment Committee. The Deputy Town Clerk would provide an update at the March Audit and Risk Management Committee.

Hampstead Heath Dams. The City Surveyor had provided an indicative timetable, as requested at the last meeting. Members noted that further to the recent tendering exercise, 3 out of 4 of the contractors had withdrawn. In response to questions, the City Surveyor explained that the system had produced some very large international contractors and this contract might not have been appropriate for them. The Chamberlain, being the Chief Officer with overall responsibility for procurement, would be working with the City Surveyor to investigate these general issues and would report back to the Committee.

All other items were subject to further actions/resolutions arising from items on today's agenda.

5. **STRATEGIC RISK 4 - PLANNING POLICY**

This report explained the risk assessment for Strategic Risk 4: Planning Policy. Members noted the need to maintain a suitable planning policy context for development to enable the City to continue to operate as an international financial and business centre.

RECEIVED

6. **STRATEGIC RISK 5 - FLOODING IN THE CITY**

This report explained the risk assessment for Strategic Risk 5: Flooding in the City. Members noted that parts of the City are at risk from river flooding and surface water flooding, which would cause disruption to City activities. There was also the potential for reputational damage to the City Corporation arising from poor preparation or inadequate responses. The Deputy Chairman of the Port Health Committee was in attendance and confirmed that both she and the Chairman were happy with the responses.

The Deputy Chairman challenged the rating of the impact of the risk and felt that it should be higher; ie 4, not 3. The Chairman asked if the Officer Strategic Risk Group could look at this in more detail, particularly the impact on public transport and the forthcoming relocation of the City Police to Walbrook Wharf.

RECEIVED

7. **AUDIT AND RISK MANAGEMENT COMMITTEE EFFECTIVENESS REVIEW**

In September 2012, Members approved a proposal to conduct an effectiveness review of the Audit and Risk Management Committee, in accordance with best practice identified by the External Auditors and CIPFA. The Head of Corporate Performance and Development thanked Members for their responses to the questionnaire.

There was a general agreement to keep to 7 meetings a year, to spread the business as evenly as possible and to try to keep meetings within 2 hours. There was a strong agreement that the July meeting should, if at all possible, be devoted entirely to the Statements of Accounts. Whilst accepting that the 2 hour time limit was desirable, the Chairman felt that if the Audit and Risk Management function was to be effective, particularly in a complex organisation such as the City Corporation, it might occasionally be necessary to extend meetings. The External Members favoured this approach above adding more meetings.

The External Auditor was of the opinion that, given the Committee's large workload, the meetings ran at a very reasonable pace. Furthermore, the Chairman was respectful of visiting Chairmen and those officers presenting just one or two items and was happy to re-arrange agendas accordingly. Members also noted that the Town Clerk prepares a timetable for the agendas and the Chairman keeps to this as far as possible, but without stifling debate.

RESOLVED, that:

- 1. The Audit and Risk Management Committee continue to meet 7 times a year.**
- 2. A training needs assessment be conducted.**
- 3. The Committee's Terms of Reference be strengthened to include overseeing anti-fraud and anti-corruption arrangements and that this be recommended to the Court of Common Council in April 2013.**
- 4. A Survey and Effectiveness Review of the Committee be undertaken annually.**

8. POST-IMPLEMENTATION REVIEW OF THE GOVERNANCE ARRANGEMENTS

Members reviewed the current Terms of Reference for the Audit and Risk Management Committee and recommended the following amendments, subject to approval by the Court of Common Council in April 2013:

1. The Quorum be amended to 5; i.e. 4 Court of Common Council Members and at least 1 External Member but that this is reviewed again at the March Audit and Risk Management Committee.
2. The reference to Risk Management be strengthened to include overseeing anti-fraud and anti-corruption arrangements.
3. The recommendation of the Report to the Court of Common Council, dated 6 December 2012 '*Post Implementation Review of the Governance Arrangements*' be agreed; ie that the Committee include in its Terms of Reference responsibility for making recommendations to the Court of Common Council for the appointment of External Auditors.

RECEIVED

9. INDEPENDENT REVIEW OF THE RISK MANAGEMENT STRATEGY AND HANDBOOK

In June 2011, the Audit and Risk Management Committee resolved that a review of the effectiveness of risk management be undertaken through an independent external review. This report proposed that the review be presented to the October Committee meeting. This would allow time for the revised risk register templates to be embedded and for some of the improvements in the risk management approach, proposed by the new Risk and Assurance Manager, to be progressed.

RESOLVED, that:

The review of the Risk Management Strategy and Handbook be reported to the October Audit and Risk Management Committee.

10. INTERNAL AUDIT PLANNING 2013/14

This report presented the Annual Audit Plan for 2013/14. In response to questions from an External Member, the Head of Audit and Risk Management explained that there was some reliance on other independent inspection activity as it avoids duplication; this is particularly relevant to the City Police and Community and Children's Services Department. Members also noted that the team had recently acquired a temporary fraud officer, with responsibility for investigating housing benefit and tenancy fraud. The Head of Audit and Risk Management confirmed that there had been some attempts to infiltrate the City Corporation's IS system, but they had all been blocked. Members noted that a report, summarising inspections by HM Inspector of Constabularies of the City Police during 2012/13, and the management actions taken, would be presented to the Audit and Risk Management Committee in June 2013.

In response to a question from the External Members about the Performance and Efficiency Board, the Head of Internal Audit and Risk Management offered to highlight, in future, any control issues identified from Efficiency analysis work undertaken for the Efficiency Board, but advised that they were likely to be few. Members felt that the age analysis of when previous audits had been undertaken was very helpful and asked if this analysis could be provided, as agreed.

RESOLVED, that:

The 2013/14 Audit Plan be agreed.

11. COMMITTEE WORK PROGRAMME

Members noted that the timings for the Audit of City's Cash Funds would change, as these accounts would be moving to the UK GAAP accounting framework. Therefore, the accounts would be presented to the October Committee if possible but, if not, Members might need to hold a special meeting in November. The Chairman expressed a strong preference for the accounts to be presented to the October Audit and Risk Management Committee.

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

There were no questions.

13. ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT

There were no items of urgent business.

14. EXCLUSION OF THE PUBLIC

RESOLVED, that:

Under Section 100 (A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part 1, Paragraphs 1, 2 & 3, of Schedule 12A of the Local Government Act.

15. **NON-PUBLIC MINUTES**
The non-public minutes of the Audit and Risk Management Committee of 12 December 2012 were approved.
16. **NON-LOCAL AUTHORITY ENTITIES AUDITED BY DELOITTE**
Members received a report of the Chamberlain
17. **AN UPDATE ON THE TENDER FOR NEW EXTERNAL AUDITOR FOR NON-CITY FUND**
Members received a report of the Chamberlain
18. **PLANNING GOVERNANCE**
Members received a report of the Comptroller and City Solicitor
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 of urgent business

The meeting ended at 3.45 pm

Chairman

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Agenda Item 4

Committee(s):	Date(s):	Item no.
Audit and Risk Management Committee	5 March 2013	
Subject: Strategic Risk 2 - Supporting the Business City	Public	
Report of: Director of Economic Development	For Information	
<u>Summary</u>		
<p><u>Strategic Risk 2</u> – Supporting the Business City – has been reviewed and updated to take account of recent initiatives.</p> <p>Although there are more external factors beyond the City Corporation’s control such as the moves towards closer Eurozone integration and the Prime Minister’s EU referendum strategy, this risk is mitigated by a comprehensive and evolving programme of work either directly by City Corporation or facilitated by it (e.g. through organisations such as TheCityUK). It is specifically directed at supporting City and international businesses, both in the UK and overseas, notably in Europe, and providing the best possible business environment for the financial and professional services industry. Activity includes regular dialogue with relevant Government departments.</p> <p>Recommendations</p> <p>The Committee is asked to consider this report and to consider whether any recommendations should be made with regard to the management of the risk by officers.</p>		

Main Report

Background

1. This report has been prepared in accordance with the request of the Audit and Risk Management Committee. It provides an account of SR2 and the mitigating arrangements in place.
2. Current specific threats to a stable and thriving business environment include domestic and EU tax and regulation, and the fall out from the Eurozone crisis. More recently, the debate about the UK’s relationship with the EU and the proposed referendum, announced on 23 January 2013, in the next Parliament creates uncertainty about London’s long-term attractiveness as a business centre. UK membership of the Single Market is key to attracting and returning international businesses and maintaining the UK’s international competitiveness. The impact of the overall risk could be a reduction in business activity in the City, and lower income and engagement with the City Corporation.

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

Current Position

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

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

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

Conclusion

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

Appendices

Appendix 1: Risk Tracker Extract

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Paul Sizeland
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Risk	The City Corporation fails effectively to defend and promote the competitiveness of the business city which loses its position as the world leader in international financial and business services. Links to: Strategic Aims SA1 & SA3 and Key Policy Priorities KPP1 & KPP3	Gross Risk		R
		Likelihood	Impact	
		5	4	

Detail	If the City Corporation fails to provide effective support for and promotion of the competitiveness of the business city there is a danger that the City will lose its international position leading to a reduction in business activity in the City, lower income for and industry engagement with CoL. One of EDO's main purposes is to mitigate this risk. However, it should be noted that damage to the City's competitive position could occur as a result of circumstances beyond CoL's ability to influence.
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<u>Specific Issues</u>	<u>Mitigating Controls</u>
<p>Domestic and EU tax and regulation is crucial to City competitiveness</p> <p>The development of a European Banking Union and the ability to continue contracting euro-denominated business in the UK.</p> <p>The debate over the UK's relationship with, and membership of, the EU creates uncertainty over London's place in the Single Market and thus its attractiveness to international firms.</p> <p>Crisis over LIBOR and other issues which pose a major threat to the City's reputation.</p>	<p>Programme of work of the EDO - and with TheCityUK - to promote and maintain City's competitiveness; and explain CoL's role (ref. EDO Business Plan) and role of the industry in supporting the wider economic growth and jobs creation agenda.</p> <p>Increased International Regulatory Strategy Group activity in UK and in EU Member States to shape the European and international regulatory landscape in a way that preserves the free flow of capital and promotes open markets, and to minimise impact on the development of a European Banking Union on the European Single Market.</p> <p>Programme (since October 2010) to coordinate and promote various initiatives to improve professionalism and business culture across the financial services industry under the umbrella of the Lord Mayor's 'Investing in Integrity' initiative.</p> <p>Robust policy, media and political response to industry developments affecting public perceptions of the City as a whole.</p> <p>Role of the Lord Mayor as an ambassador for the Business City.</p> <p>Role of the Policy and Resources Committee Chairman in promoting the City.</p>

<u>Summary and Further Action</u>	Net Risk		A
	Likelihood	Impact	
	3	4	
	Control Evaluation		

The controls in place reduce the likelihood of this risk materialising from 5 to 3. At any given time there are a number of issues that could undermine the City's position as a world leader in international financial and business services. Specific issues will be refreshed at each review with appropriate mitigation.

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
Public Sector Internal Audit Standards	More clarity required on the definition of a 'Board' and the role of Audit Committees. Response to the consultation to be submitted by 1 October, seeking clarity on the action point.	Chris Bilsland/ Paul Nagle	The Public Sector Internal Audit Standard was published by CIPFA on the 18 th December 2012. Additional guidance for local authorities will be included in the Local Government Application Note on the PSIAS, which CIPFA plan to publish in March 2013. An updated draft of the guidance has been reviewed by the Chamberlain. When this guidance is formally issued, it will be reported to Committee.
Internal Audit Update Report	Information to be refined further to give greater clarity on the amount of carry forward work from the previous year's audit plan in terms of actual audits and audit days taken to complete work. Performance information in 'Update and Recommendations follow up reports' to be presented as one item in future.	Paul Nagle	To be reflected in the March 2013 and June 2013 Committee audit update reports.
Internal Audit Planning 2013/14	i) Highlight any control issues identified from Efficiency analysis work undertaken for the Efficiency Board. ii) Age analysis of when previous audits had been undertaken to be provided.	Paul Nagle	i) No issues to report in the March 2013 internal audit update report. ii) Will be circulated w/c 25/2/2013

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
Hampstead Heath Hydrology	Audit Committee to continue to receive regular updates.	Peter Bennett/ Chris Bilsland	Work is progressing on the new Hampstead Heath tender process, as are investigations into the first tendering exercise. Officers will provide a full evaluation as soon as possible. <i>(Strategic Risk 11 - Pond Embankment Failure is on the Workplan for September)</i>
Approval Regime for Officers' Expenses	Noted Town Clerk's responsibility for regularising the arrangements.	Susan Attard	An update will be provided to March Committee
Deloitte Annual Audit Plan for City Fund	The structure of the report would be reviewed to ensure it is clear that all relevant fraud matters affecting the Corporation of London have been brought to the attention of Committee Members.	Paul Nagle	Will be reflected in March Committee Fraud Investigation Update report
Tender for new External Auditor for Non City Fund	<ol style="list-style-type: none"> 1. Members to be canvassed on who would wish to remain outside of the consultation 2. Report to Court of Common Council in April, as to whether or not the Committee recommends the chosen supplier. 	<ol style="list-style-type: none"> 1 Caroline Al-Beyerty 2 Caroline Al-Beyerty 	<ol style="list-style-type: none"> 1. Complete 2. Will be emailed to Members of the Audit and Risk Management Committee, including those identified by

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
			action 1.
Wider Issues affecting Exhibitions with Valuable Displays	Request for a more general report, extending to the Guildhall Art Gallery and anywhere else within the City Corporation with valuable exhibits; including fire risk as well as theft or damage. This report could also cover other eventualities; i.e. delays in settling claims.	Susan Attard Sabir Ali	Report to March Committee
International Centre for Financial Regulation	The Chamberlain suggested that Members await the outcome of the police report before receiving a report and taking a view about risk assurance implications. In relation to Fraud matters, the Chairman suggested that information and intelligence sharing between the City of London and City Police should be encouraged. Where Police liaison is occurring this should be clear in Committee reports.	Chris Bilsland	Business Support Director and Internal Audit have met with City of London Police Economic Crime Directorate and established bi-monthly liaison meetings. The next investigation update report in March 2013, and subsequent reports, will make extent of Police liaison clearer
Committee Effectiveness Review	<ol style="list-style-type: none"> 1. A training needs assessment be conducted. 2. The Committee's Terms of Reference be strengthened to include overseeing anti-fraud and anti-corruption arrangements. 3. A Survey and Effectiveness Review of the Committee be undertaken annually. 	<ol style="list-style-type: none"> 1. Member Development Steering Group 2. Julie Mayer/Dan Hooper 3. Neil Davies 	2. Revised ToR to be presented to April Court of Common Council for approval.

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
Post implementation Review of the Governance Arrangements	<ol style="list-style-type: none"> 1. The Quorum be amended to 5 Court of Common Council Members and at least 1 External Member. 2. The recommendation of the Report to the Court of Common Council, dated 6 December 2012 '<i>Post Implementation Review of the Governance Arrangements</i>' be agreed; i.e. that the Committee include in its Terms of Reference responsibility for making recommendations to the Court of Common Council for the appointment of External Auditors. 	Julie Mayer/ Dan Hooper	Revised ToR to be recommended to April Court of Common Council for approval.
Planning Governance	A review of the Director of the Built Environment's new Processes and Procedures to be undertaken after their first year of operation, in the context of the governance concerns expressed by Alderman Anstee.	Susan Attard	Scheduled for October Committee
Strategic Risk 5 – Flooding in the City	The Chairman asked if the Officer Strategic Risk Group could look at the rating in more detail, particularly the impact on public transport and the forthcoming relocation of the City Police to Walbrook Wharf and whether it should be 4, not 3.	Susan Attard Sabir Ali	Officer Strategic Risk Management Group will review at March 2013 meeting.

Agenda Item 6

Committee(s):	Date(s):
Audit & Risk Management Committee	05/03/2013
Subject: Chief Officer Expense Claims	Public
Report of: Town Clerk	For Information
<p>The City of London Corporation has a number of appropriate processes and procedures in place for staff generally to reclaim expenditure committed on official City Corporation business. It has, however, been noted that our policies and procedures do not specifically deal with how claims made by Chief Officers are processed and this report seeks to clarify the position.</p> <p>The current system of authorisation will be strengthened in future, with claims made by Chief Officers having to be countersigned by one of three authorising senior officers: namely, the Town Clerk, the Chamberlain or the Comptroller & City Solicitor.</p> <p>The Comptroller & City Solicitor has drafted a procedure which has been given to Chief Officers and will be implemented with effect from 25th February 2013.</p> <p>Recommendation(s)</p> <p>Members are asked to note the report.</p>	

Main Report

Background

1. Members have previously agreed a Scheme for claiming business expenses for any legitimate expense incurred in undertaking City Corporation business eg travel costs. This Scheme has been in operation for a number of years.

Current Position

2. It appears that the current system of countersigning Chief Officer expenses (which involves approval by junior officers) has developed. Chief Officers are the only group where expenses could be signed off by a more junior member of staff as expenses for all other staff are signed off by their line manager. The position relating to Chief Officers is considered to be unsatisfactory. The Comptroller & City Solicitor was asked to review the arrangements and has drafted a more appropriate and robust procedure specifically for Chief Officers when claiming business expenses.

3. The procedure specifies that one of the three 'Statutory Chief Officers' will countersign Chief Officer expenses ie: the Town Clerk, Chamberlain or Comptroller & City Solicitor. Chief Officers have been divided into three groups each with a specified senior officer to countersign any claims. This is to share any additional work between three senior officers. The Town Clerk's expenses will be approved by the Chamberlain or Comptroller & City Solicitor.
4. The new procedure has been given to Chief Officers and will be implemented with effect from 25 February 2013.

Implications

5. This new procedure will ensure that any Chief Officer expenses are approved by a senior officer and there is a clear audit trail to that effect.

Conclusion

6. This procedure regularises controls and Members are asked to note the action taken to implement a clear countersigning process by a more senior officer for Chief Officer expenses.

Appendices

- Appendix 1 – Procedure for the Approval of Chief Officer Expenses plus related forms.

Libby Grant

Head of Corporate HR & Business Services, Town Clerk's Department

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Procedure for the Approval of Chief Officer Expenses

Introduction

The City Corporation has in place an Expenses Scheme whereby staff can reclaim expenditure committed on official City Corporation business. For Chief Officers any expenses claims should be made following the procedure outlined below.

Procedure

- All claims must comply with the City Corporation's policy and procedural requirements for the payment of expenses in force from time to time; this includes prior authorisation by the Town Clerk (or in the case of the Town Clerk, by the Chamberlain) for any overseas travel.
- Wherever possible, Corporation procurement cards should be used.
- All claims for expenditure incurred on City Corporation business, must be supported by receipts/invoices for the sums incurred and submitted on official Business Expenses forms. The two forms available to Chief Officers are:
 - the Business Expenses & Travel Claim (attached to the Business Travel Scheme)
 - Form EXP5 – Miscellaneous Business Expenditure
- Expense claims shall be grouped and submitted for approval no more than once per month and Chief Officers may wish to pass to their departmental Finance Managers for initial checking;
- Any expenditure claims must then be submitted to the Authorising Officer as set out below;
- The Authorising Officer may authorise a claim, request further information or decline to authorise a claim (providing written reasons) if they believe that the claim is not allowable under the policy or is otherwise defective.
- In the event of a dispute in relation to claims refused by the Chamberlain or the Comptroller and City Solicitor the matter shall be referred to the Town Clerk.

Authorising Officers

The Town Clerk, Chamberlain and Comptroller and City Solicitor ("the Statutory Chief Officers") are authorised to approve and authorise Chief Officer's expenses and will be responsible for the approval of expenses claims by Chief Officers as set out below. In the absence of the responsible Statutory Chief Officer either of the other Statutory Officers may act in their place for the purposes of approving expenses. The Town Clerk's expenses will be approved by the Chamberlain or the Comptroller and City Solicitor.

Town Clerk

Chamberlain

Comptroller and City Solicitor

Remembrancer

Deputy Town Clerk

Director of Human Resources

Director of Economic Development

Director of Public Relations

Chamberlain

The Town Clerk

Director of Open Spaces

Director of Culture Heritage and Libraries

Principal of the Guildhall School of Music & Drama

The Private Secretary to the Lord Mayor

Director of Markets and Consumer Protection

Comptroller & City Solicitor

City Surveyor

Director of Built Environment

Director of Community and Children's Services

Managing Director of the Barbican Centre

Head of City of London Boys' School

Head of City of London Girls' School

Head of the Freemans' School

20 February 2013



BUSINESS EXPENSES AND TRAVEL CLAIM

①

Department or Committee:			
Name:		Designation:	
Purpose of Expense:			

COMPLETE FOLLOWING BOX FOR BUSINESS TRIPS:

Title & Purpose of Trip:						
Trip Commencement & Return Dates:						
Category of Trip (Tick Appropriate Box):	1		2		3	
Committee Approval (Category 1 & 2):						

Expenditure Totals (B/f from reverse side of this form)		Gross Total (Incl VAT) £
Accommodation		
Travel	Mileage (non staff only)	
Meals & Incidental Business Expenses		
Hospitality / Entertainment		
Personal Incidental Expenses		
Gross Total		
Deduct Net Funds Advanced (Total advance less sums returned & banked)		
Reimburse To /(ReclaimFrom) Claimant		

FINANCE OFFICE USE ONLY:		
CBIS Code	Amount £	VAT Code
		KP
VAT Amount		
		KP
VAT Amount		
		KP
VAT Amount		
		KP
VAT Amount		
Gross Total		
		CR
ADV.1 Reference No.		

Claimant's Signature:		Date:	
Authorised By:		Date:	

FINANCE OFFICE USE ONLY:

Supplier No:		Document Ref:	
Transaction Ref:		Entered on CBIS by:	
Authorised By:		Date:	

Agenda Item 7

Committee(s):	Date(s):
Audit and Risk Management Committee	5th March 2013
Subject: Risk management update	Public
Report of: Chamberlain	For Information
Summary <p>This report presents the Audit and Risk Management Committee with an update on the current strategic risk register and the proposal to strengthen the City's Risk management framework.</p> <p>Since the last report SR10: Adverse Political Developments has increased its Likelihood score to 2 and decreased its Impact score to 4, although the overall net risk assessment remains the same at Amber. This is in recognition of the forthcoming City elections which may lead to further public debate around the City Corporation's representational activities.</p> <p>Following Summit Group approval, the number of Strategic risks has increased to 14. A new Strategic risk has been added in relation to breaches under the Data Protection Act (SR16). Recent examples of monetary penalties have been applied following loss of data in a number of local authorities, a sector in which the Information Commissioner considers to be endemic in the failure to protect data.</p> <p>In accordance with the rolling review of risk there are two strategic risks included within the agenda which are SR2: Supporting the Business City (Lead Officer: Director of Economic Development) and SR6: Projects risk (Lead Officer: Town Clerk)</p> <p>An improvement plan has been developed to strengthen the City's risk management framework, over a two year period. This has been developed after wide engagement with key officers and has looked at existing approaches to managing risks, such as the governance framework for risks, the risk scoring methodology and risk reporting framework, amongst others. A small working group will be formed to take forward the actions listed within the improvement plan.</p>	

The original schedule of Strategic Risk reviews has been amended slightly to take in to account the timing of the Local authority settlement in December 2013, following the expected Comprehensive Spending Review announcement in October 2013. As a result the Committee reviews of SR3 (Financial Stability) and SR14 (Longer Term Financial Viability) has been moved to the February 2014 meeting with subsequent Strategic Risk reviews also moved further into the future.

Recommendations

Members are asked to note

- the changes to the strategic risks, including the addition of the new risk SR16 (Para 3 and Appendix 1);
- the actions listed within the risk management improvement plan (Appendix 2);
- the changes within the cyclical review of the strategic risks (Para 12).

Main Report

Background

1. The strategic risk register was last reviewed by the Audit and Risk Management Committee on 12th December 2012, by the Strategic Risk Management Group on 22nd January 2013 and by the Summit Group on 11th February 2013.
2. Each risk has been reviewed and updated by the responsible risk owner, in accordance with the established risk framework. The latest strategic risk register contains 14 Strategic risks and is appended to this report for review (Appendix 1).

Current Position

3. Key changes to the City's strategic risks, since last reported, are summarised below:
 - SR6 (Projects risk): Risk owner has changed to the Town Clerk to acknowledge the Town Clerk's responsibility for overseeing the processes, procedures and guidance relating to project management. The Chief Officer's for each project, however, are still responsible for ensuring risk management is carried out for individual projects. Reference to events has also been removed from the description as this risk only covers events associated with commissioning and delivery of large scale, high profile or prestigious projects. A separate report is on your agenda for consideration.

- SR10 (Adverse Political Developments): The forthcoming City elections may lead to further public debate around the City Corporation's representational activities. In reflection of this the likelihood score has been amended and increased from a score of 1 to 2. The impact score has also reduced from 5 to 4 as it was deemed the previous net risk score was overstated. In light of these changes the risk still remains at its Amber status.
 - SR16 (Data Protection Breach): Recent examples of monetary penalties have been applied following loss of data in a number of local authorities, a sector in which the Information Commissioner considers to be endemic in the failure to protect data. Fines for breaching the Act can be up to £500,000. Mitigating measures are currently in place to raise the profile of data protection across departments, including reminding officers of its importance and the consequences of breaching the Act. There is a need to emphasise the importance of Data Protection and improve awareness, compliance and cooperation amongst all staff across the organisation.
4. To illustrate the current risk profile, the strategic risks have been plotted on the City's risk matrix in accordance with the net scores of the impact and likelihood assessments (Appendix 1).
 5. The risk management framework continues to help in identifying strategic risks in accordance with the definition established in the Risk Management Handbook:

Strategic risks are those that are identified as having an impact on the achievement of the City Corporation's Strategic Aims or Key Policy Priorities.

One or more of the following four criteria must apply:

- The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities.
- A departmental risk that has significant impact on multiple operations if realised.
- The risk has been identified as present for a number of departments.
- There are concerns over the adequacy of departmental arrangements for managing a specific risk.

Risk Management Improvement Plan

6. As a result of the appointment of the new Risk and Assurance Manager an opportunity arose to review the Corporation's risk management framework which was put in place about two years ago (2011). Whilst there is an increased awareness of risk and the importance of managing risk, there is still more work to do to get it fully and consistently embedded across all departments.
7. The initial review by our new Manager covered several areas, some of which are listed below:
 - Governance arrangements in managing risks;
 - Groups responsible for reviewing risks;
 - Current systems in place to develop risk reports;
 - Scoring methodology; and
 - Ease of using risk management for assurance purposes.
8. Following discussions with senior management and departmental risk champions a risk improvement plan has been developed with 6 long term objectives. This was considered by the Strategic Risk Management Group and Chief Officer Summit Group who have endorsed the further work. The overall aim of the improvement plan is to strengthen and raise awareness of risk management across all areas of the City Corporation. Some of the planned activities include:
 - Reviewing the Governance arrangements for managing risk, and the roles of the associated officer groups (e.g. SRMG, Summit Group);
 - Reviewing the scoring and grouping of risks to enable a more logical method of escalation of high risks and also to bridge the gap between departmental and strategic risks;
 - Improving the content of the risk register and introduce the management of opportunity risk within the risk framework; and
 - Raising the awareness of risk management across the organisation, through training and the use of the internal communications network.
9. Awareness of risk management has begun through the direct engagement of the internal communications network, and also through a dedicated slot within the City Corporation's eLeader magazine. It is anticipated that through these networks officers, at all levels previously not exposed to risk management, will better understand and see how their roles can help embed and assist in managing risks for the City.
10. With the agreement of the Deputy Town Clerk, a small group of officers will be established to review and further develop the improvement plan with specific dates for completion.

Cyclical Review of Strategic Risks

11. A structured approach to reviewing the City's strategic risks has been adopted in order to promote full coverage and review.
12. The original schedule of Strategic Risk reviews has been amended slightly following the December 2012 Audit and Risk Management Committee. Although it is expected that the next Comprehensive Spending Review announcement will be delivered in October 2013, the settlement for Local authorities is not expected until December 2013. As a result SR3 (Financial Stability) and SR14 (Longer Term Financial Viability) has been moved to the February 2014 meeting of the Audit and Risk Management Committee, subsequent Strategic Risk reviews have also moved further into the future.
13. This is the current schedule of review of risks by the Audit and Risk Management Committee.

Forthcoming reviews:		Date
SR4	Planning Policy	5 th February 2013
SR5	Flooding in the City	5 th February 2013
SR2	Supporting the Business City	5 th March 2013
SR6	Project Risk	5 th March 2013
SR1	Failure to Respond to a Terrorist Attack	25 th June 2013
SR9	Health and Safety Risk	25 th June 2013
SR11	Pond Embankment Failure	17 th September 2013
SR13	Public Order and Protest	17 th September 2013
SR8	Reputation Risk	15 th October 2013
SR10	Adverse Political Developments	15 th October 2013
SR3	Financial Stability	5 th February 2014
SR14	Longer term Financial Viability	5 th February 2014
SR4	Planning Policy	5 th March 2014
SR5	Flooding in the City	5 th March 2014
SR2	Supporting the Business City	17 th June 2014
SR6	Project Risk	17 th June 2014
Previous reviews:		Date
SR3	Financial Stability	12 th December 2012
SR11	Pond Embankment Failure	12 th December 2012
SR14	Longer term Financial Viability	12 th December 2012
SR8	Reputation Risk	20 th September 2012
SR9	Health and Safety Risk (second review)	20 th September 2012
SR10	Adverse Political Developments	20 th September 2012
SR1	Failure to Respond to a Terrorist Attack	14 th June 2012
SR2	Supporting the Business City	14 th June 2012
SR9	Health and Safety Risk	7 th March 2012

Conclusion

14. The risk register continues to be actively reviewed and updated by risk owners in line with the requirements stipulated by the Risk Management Handbook. Members are asked to note the latest strategic risk register appended to this report which includes changes to the risk score of SR10: Adverse political developments and the addition of the new strategic risk SR16 relating to breaches under the Data protection act.
15. Members are also asked to note the actions listed within the Risk management improvement plan and the change in the cyclical review of strategic risks.

Appendices

- Appendix 1 – Strategic Risk Register
- Appendix 2 – Risk Management Improvement Plan

Sabir Ali

Risk and Assurance Manager

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City of London Corporation

Strategic Risk Register

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SR7	Major IS Failure - Managed operationally by Chamberlain	
SR12	Industrial Action - Oversight maintained by Director of Corporate HR	

City Corporation Strategic Risk Register	Owned By	Chief Officers' Group	Version	2013 - 03
	Administered By	Sabir Ali	Date	05/03/2013

Summary Risk Register

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Risk No.	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
SR1	City Corporation fails to work effectively with related parties to respond appropriately following a terrorist attack to restore service delivery, assist business recovery and support the community.	4	5	Town Clerk	City Police proactively managing the risk of terrorism. Disaster recovery/contingency plan in place, includes responsibilities under the Civil Contingencies Act.	1	5	A ↔	Maintain existing controls.	G
SR2	The City Corporation fails effectively to defend and promote the competitiveness of the business city which loses its position as the world leader in international financial and business services.	5	4	Town Clerk / Director of Economic Development	Economic Development Office engaged in a programme of work to support and enhance the business city, in accordance with the EDO Business Plan.	3	4	A ↔	Maintain existing controls.	G
SR3	Reducing investment income and central government grants or unexpected requirements for significant expenditure results in Corporation being unable to maintain a balanced budget and maintain healthy reserves on City's Cash & City Fund significantly impacting on service delivery levels.	4	4	Chamberlain / Town Clerk	Medium term financial planning. Efficiency Board and Efficiency and Performance Sub-Committee established to scrutinise progress in implementing 12.5% savings.	4	2	A ↔	Additional resilience to be developed from savings realised through PP2P and further saving reviews.	G
SR4	City Corporation not seen to, or unable to, significantly influence general planning policy or transport plan decision makers in London, leading to lack of capacity of system to service the City.	3	3	City Planning Officer	Lobbying and participation in consultation exercises, regular monitoring/ discussion at Summit Group and Chief Officers' Group.	2	3	A ↔	Maintain existing controls.	G

KEY	1	2	3	4	5	Control Evaluation:
Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain	R: Existing controls are not satisfactory
Impact	Insignificant	Minor	Moderate	Major	Catastrophic	A: Existing controls require improvement/Mitigating controls identified but not yet implemented fully
*Direction relates to change in assessment since last review (up/down/both)						G: Robust mitigating controls are in place with positive assurance as to their effectiveness

Summary Risk Register

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Risk No	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
SR5	City Corporation fails to adequately address the impact of a major flood on the City in relation to businesses, roads, transportation, etc.	2	4	Director of the Built Environment	Partnership in pan-London consortia with other Lead Local Flood Authorities. Contingency plan in place, in accordance with Civil Contingencies Act responsibilities.	1	3	G ↔	Further modelling work is being undertaken for areas at high risk of surface water flooding and feasibility studies are planned for further mitigation measures.	A
SR6	Commissioning and delivery of large scale, high profile or prestigious projects proves to be inadequate, resulting in reputational, organisational and financial problems.	3	4	Town Clerk	Projects Sub-Committee providing scrutiny over project risk. Project Management Toolkit in place and includes reference to risk management model in accordance with City Policy.	2	3	A ↔	Development of requirements for Post Project Appraisal, learning lessons from experience.	G
SR7	<i>Major failure in information systems leading to significant disruption to business, inability to meet legal or regulatory requirements, effect on health and safety, financial or reputational loss.</i>	Risk Closed		<i>Chamberlain</i>	<i>IS Security Policy, investment in SAN and Disaster Recovery arrangements.</i>	Risk Closed 22/02/2012 <i>managed on an operational level</i>				
SR8	Negative publicity and damage to the City Corporation's reputation.	4	4	Town Clerk / Director of Public Relations	Communications Strategy in place, experienced media/communications team, Departmental Communication Representatives meetings, PR Toolkit.	3	4	A ↔	On-going work with PR Consultants to improve City Corporation's ability to manage increasingly challenging reputational issues.	G
SR9	Major failure of health and safety procedures resulting in a fatality in an accident on City of London Corporation premises or to a member of the City of London workforce.	4	4	Health and Safety Committee / Relevant Chief Officer	Officer Health and Safety Committee in operation, monitoring key H&S issues and having oversight of the Health and Safety Top X risks.	1	4	A ↔	Enhanced Corporate Health & Safety Policy in consultation - now with CoG. Due for approval in March 2013.	A

KEY	1	2	3	4	5	Control Evaluation:
Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain	R: Existing controls are not satisfactory
Impact	Insignificant	Minor	Moderate	Major	Catastrophic	A: Existing controls require improvement/Mitigating controls identified but not yet implemented fully
*Direction relates to change in assessment since last review (up/down/↔)						
G: Robust mitigating controls are in place with positive assurance as to their effectiveness						

Summary Risk Register

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Risk No	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
SR10	Adverse political developments undermining the effectiveness of the City of London Corporation.	5	5	Remembrancer	Promotion of the good work of the City Corporation, City Corporation needs to remain relevant and “doing a good job” and be seen as such.	2	4	A ↔	Maintain existing controls.	G
SR11	Major flooding caused as a result of pond embankment failure at Hampstead Heath.	3	5	Director of Open Spaces / City Surveyor	On-going monitoring of water levels, emergency action plan, public consultation, project management.	3	5	R ↔	Major project initiated to upgrade the pond embankments, not yet delivered.	A
SR12	<i>Industrial/employee action resulting in significant or severe disruption to service delivery.</i>	Risk Closed		<i>Director of Corporate HR</i>	<i>High level impact analysis, arrangements/policy communicated to all staff.</i>	Risk Closed 07/03/2012 <i>managed on an operational level</i>				
SR13	City Corporation fails to manage effectively negative impacts arising from Public Order and Protest, leading to a loss of confidence in the organisation.	4	4	Town Clerk	Major Incident Plan and Disaster Recovery Plan.	1	4	A ↔	Monitor and review in light of lessons learned from recent issues.	G

KEY	1	2	3	4	5	Control Evaluation:
Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain	R: Existing controls are not satisfactory
Impact	Insignificant	Minor	Moderate	Major	Catastrophic	A: Existing controls require improvement/Mitigating controls identified but not yet implemented fully
*Direction relates to change in assessment since last review (up/down/)						G: Robust mitigating controls are in place with positive assurance as to their effectiveness

Summary Risk Register

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Risk No	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
SR14	Further reductions in current spending round will reduce grant income for the City Corporation resulting in the Corporation being unable to maintain a balanced budget and maintain healthy reserves in City Fund significantly impacting on service delivery levels. Whilst it is almost certain that reductions in grant income will occur, we do not know the timing or the magnitude. However City Fund is not entirely dependent in grant funding, hence the likelihood is a 4 rather than a 5.	4	3	Chamberlain / Town Clerk	Manageable within current reserves Financial forecasting and planning Maintaining prudent management of City Fund finances and using current financial planning to build up reserves. Direct engagement with central government on grant formula Scrutiny of central risk efficiency proposals by the Efficiency Board and Efficiency and Performance Sub-Committee.	4	2	A ↔	Further actions will focus on three main areas: 1. High profile transformation. 2. 'Unfashionable' stewardship or housekeeping measures. 3. Control of staffing costs.	G
SR15	Works in high value loan exhibitions at Barbican Art Gallery are stolen or damaged.	2	5	Managing Director, Barbican Centre	Formal risk management and risk assessment process in place for every exhibition, External advice provided by National Security Advisor and Head of National Museums Security Group. Compliance with detailed conditions for security and care of work during transport and while on our premises Gallery risk management group verifies compliance with all conditions prior to period of risk. Physical and electronic security measures fully deployed.	1	3	G ↔	Maintain existing controls.	G

KEY	1	2	3	4	5	Control Evaluation:
Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain	R: Existing controls are not satisfactory
Impact	Insignificant	Minor	Moderate	Major	Catastrophic	A: Existing controls require improvement/Mitigating controls identified but not yet implemented fully
*Direction relates to change in assessment since last review (up/down/)						G: Robust mitigating controls are in place with positive assurance as to their effectiveness

Summary Risk Register

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Risk No. 36

Risk No.	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
SR16	A breach of the Data Protection Act due to poor compliance or mishandling of personal information	5	5		Central monitoring & issuing of guidance including DP awareness . Annual awareness emails and other awareness raising tools. Some monitoring of data processor contracts to ensure DPA compliance.	3	3	A	Compliance audits to be undertaken by the Town Clerk's Information Officers. E-learning training course to be kept up to date and reviewed at regular intervals.	A

KEY	1	2	3	4		Control Evaluation:
Likelihood	Rare	Unlikely	Possible	Likely	Alm	R: Existing controls are not satisfactory
Impact	Insignificant	Minor	Moderate	Major	Cat	A: Existing controls require improvement/Mitigating controls identified but not yet implemented fully
*Direction relates to change in assessment since last review (up/down/stable)						G: Robust mitigating controls are in place with positive assurance as to their effectiveness

Risk Supporting Statement SR1

Risk Owner: Town Clerk

Risk	City Corporation fails to work effectively with related parties to respond appropriately following a terrorist attack to restore service delivery, assist business recovery and support the community.	Gross Risk	R
	Links to: Strategic Aims SA1 & SA2 and Key Policy Priority KPP3	Likelihood	Impact
		4	5
Detail	This risk has a number of components for the City Corporation resulting from its role as an employer, Local Authority and the Police Authority for the square mile. The risk from the policing perspective (operational policing) is managed by the Commissioner of Police, the remaining elements cover a range of operational areas e.g. disaster recovery/business continuity, building management, employee and community safety. The City Corporation also has responsibility under the Civil Contingencies Act 2004 to its businesses and residential communities to support them in the aftermath of a terrorist attack.		
<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>		
Specific locations are potential targets (high profile areas/buildings in the City and City Corporation assets) Public/business confidence in the City as a safe environment and international reputational issues Employee/community welfare (visitors, residents and workers)	Iconic sites within the City have been assessed by the Security Services and plans concerning these are regularly exercised. Generic Emergency Management Plan and Disaster Recovery/Business Continuity Arrangements are in place and are regularly exercised. Guidance and support is provided to businesses and residents. Other relevant mitigations: Building safety and evacuation/invacuation plans are in place for City of London Corporation's corporate premises.		
<u>Summary</u>		Net Risk	A
This risk relates specifically to the City Corporation's ability to address the impacts of terrorist attack through its role as the lead for coordinating the activities of its service departments and other public services to restore the business and residential infrastructure. The City of London Corporation arrangements were tested regularly in preparation for the Olympic Games and a testing and exercising schedule will ensure the City Corporation remains able to respond appropriately to a terrorist attack. The City of London Police undertakes a range of activities with other agencies (Met Police, Home Office, MI5) to disrupt terrorist activity. The Home Office Current Threat Level is at Substantial (Terrorist attack is a strong possibility) therefore it is essential that the City Corporation undertakes a level of planning and exercising to ensure that, together with its partner agencies, it is ready to respond to and lead the recovery phase of the emergency response to an incident.		Likelihood	Impact
		1	5
		Control Evaluation	
	G		

Risk Supporting Statement: SR2

Risk Owner: Town Clerk / Director of Economic Development

Risk	The City Corporation fails effectively to defend and promote the competitiveness of the business city which loses its position as the world leader in international financial and business services. Links to: Strategic Aims SA1 & SA3 and Key Policy Priorities KPP1 & KPP3	Gross Risk	R	
		Likelihood	Impact	
		5	4	
Detail	If the City Corporation fails to provide effective support for and promotion of the competitiveness of the business city there is a danger that the City will lose its international position leading to a reduction in business activity in the City, lower income for and industry engagement with CoL. One of EDO's main purposes is to mitigate this risk. However, it should be noted that damage to the City's competitive position could occur as a result of circumstances beyond CoL's ability to influence.			
<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>			
Domestic and EU tax and regulation is crucial to City competitiveness The development of a European Banking Union and the ability to continue contracting euro-denominated business in the UK. The debate over the UK's relationship with, and membership of, the EU creates uncertainty over London's place in the Single Market and thus its attractiveness to international firms. Crisis over LIBOR and other issues which pose a major threat to the City's reputation.	Programme of work of the EDO to promote and defend City's competitiveness and explain CoL's role (ref. EDO Business Plan) and role of the industry in supporting the wider economic growth and jobs creation agenda. International Regulatory Strategy Group's role to shape the European and international regulatory landscape in a way that preserves the free flow of capital and promotes open markets and to the development of a European Banking Union does not lessen the European Single Market. Programme to coordinate and promote diverse initiatives under way to improve governance, professionalism and business culture across the financial services industry under the umbrella of the Lord Mayor's 'Trust and Values – Investing in Integrity' initiative. Robust policy, media and political response to industry developments affecting public perceptions of the City as a whole. Role of the Lord Mayor as an ambassador for the Business City. Role of the Policy and Resources Committee Chairman in promoting the City.			
<u>Summary</u>			Net Risk	A
The controls in place reduce the likelihood of this risk materialising from 5 to 3. At any given time there are a number of issues that could undermine the City's position as a world leader in international financial and business services. Specific issues will be refreshed at each review with appropriate mitigation.			Likelihood	Impact
			3	4
			Control Evaluation	
		G		

Risk Supporting Statement: SR3

Risk Owner: Chamberlain / Town Clerk

Risk	Reducing investment income and central government grants or unexpected requirements for significant expenditure results in Corporation being unable to maintain a balanced budget and maintain healthy reserves on City's Cash & City Fund significantly impacting on service delivery levels. Links to: Strategic Aim SA2 and Key Policy Priority KPP2	Gross Risk	R
		Likelihood	Impact
		4	4
Detail	To a large degree, this risk has already been realised, the organisation is now in the process of managing the impact of reductions in funding and negating the impact on reserves. Two significant projects are underway to build resilience against further financial pressures.		
<u>Specific Threats/Issues</u> n/a	<u>Mitigating Actions</u> Medium term financial planning. Scrutiny of efficiency proposals by the Efficiency Board and Efficiency and Performance Sub-Committee. Work with London Councils and direct engagement with Central Government. Independent assurance work undertaken by Internal Audit regarding efficiency proposals.		
<u>Summary</u> The overall strategy is now to make additional savings and efficiencies to not only balance the budget, but to generate surpluses to offer some protection should the financial position deteriorate. Last year the City put in place a savings plan to achieve 2% efficiency savings, in addition to having already secured 12.5% the previous year. The cumulative efficiency savings are progressing well against forecast. Further savings resulting from PP2P and the accommodation review will build resilience to further funding reductions.	Net Risk	A	
	Likelihood	Impact	
	4	2	
	Control Evaluation		

Risk Supporting Statement: SR4

Risk Owner: City Planning Officer

Risk	City Corporation not seen to, or unable to, significantly influence general planning policy or transport plan decision makers in London, leading to lack of capacity of system to service the City. Links to: Strategic Aim SA1 and Key Policy Priority KPP3	Gross Risk	A
		Likelihood	Impact
		3	3
Detail	This risk links closely with SR2, supporting the business city and SR8 reputation risk. A key objective of the City of London's planning function is to provide a planning strategy that is sympathetic to the needs/wishes of developers, balanced with the requirements of legislation, wider planning strategy for London and the interests of existing City businesses and residents. Maintaining an environment where large companies may develop office accommodation suitable to be used as global headquarters and to improvements to transport infrastructure are critical to the City maintaining its status as the leading financial and business centre. A number of different issues that may lead to this risk being realised, and these issues are monitored, assessed and addressed as needed.		
<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>		
Relaxation of national rules relating to change of use from offices or hotels to residential and relating to temporary change of use without the need for specific planning permission.	Early engagement with policy makers before formal consultation and as part of the consultation process. Member representation at London Councils. Responding to new proposals from Ministers or the Mayor and seeking changes or local exemptions where needed.		
Listed building status - further designations could restrict the ability to redevelop key areas of the city.	Publication of research evidence to make the City's case that it is strategically important and locally distinctive. Revision of City's development plan policies as needed to mitigate the local effects of national policy changes. Engagement with English Heritage regarding possible listing proposals and the general approach to the listing of post-war buildings to give greater certainty.		
<u>Summary</u>	The effect of any one of the above issues as an isolated occurrences is likely to be moderate, although the cumulative effect of multiple instances relating to one or more of the above would be more significant. The controls in place reduce the risk but on-going as the planning and transport policy context is constantly evolving. Engagement with English Heritage is relevant regarding the possible listing of further post-war buildings.	Net Risk	A
		Likelihood	Impact
		2	3
		Control Evaluation	
		G	

Risk Supporting Statement: SR5

Risk Owner: Director of the Built Environment

Risk	City Corporation fails to adequately address the impact of a major flood on the City in relation to businesses, roads, transportation, etc. Links to: Strategic Aim SA2 and Key Policy Priority KPP3	Gross Risk	A
		Likelihood	Impact
		2	4
Detail	There are three elements to this risk; river flooding, surface water flooding and an inadequate response to flooding. While river flooding is unlikely, a significant area south of Thames Street would be affected by it, compounded by the fact that flood water would remain trapped behind the river defences. Surface water/sewer flooding is a more likely scenario, with London's drainage system lacking the capacity to accommodate prolonged, intense rainfall. Responsibility for the sewer network lies with Thames Water not the City, although the City has overall responsibility for co-ordination of flood risk as a Lead Local Flood Authority. Strategic Flood Risk Assessment Review 2012 has confirmed that surface water flooding would be restricted to relatively few, small areas in the Fleet Valley and the Thames Riverside, with most of the City unaffected.		
<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>		
River Flooding rare (1) impact major (4)	Main defence provided by Environment Agency through Thames Barrier and river wall defences, proven reliability over the past 30 years. Latest research shows that the Barrier will remain effective until at least 2035 and could be adapted to last much longer.		
Surface water flooding rare (1) minor (2) impact moderate (3)	Partnership working with pan-London bodies, surrounding boroughs, Thames Water and Environment Agency to reduce the risk and resist its effects. Planning controls constrain building design and uses in higher risk areas. Further modelling work has been undertaken to define vulnerable areas and investigate mitigation, resistance and resilience measures in those areas.		
Inadequate response to flooding unlikely (2) impact minor (4)	Contingency plan in place. City Corporation has responsibilities under the Civil Contingencies Act to maintain a Multi-Agency Flood Plan. Further work planned as part of the City's Flood Risk Strategy.		
<u>Summary</u>	While it is not possible for the City to mitigate the risk of flooding, it is possible to minimise the impact of such an incident through planning policy to avoid critical or vulnerable uses in higher risk areas, to increase runoff storage capacity through sustainable drainage measures, and through robust contingency planning. The City has responsibilities under the Flood Risk Regulations 2009 and Flood and Water Management Act 2010, culminating in a flood risk management plan for areas which are at significant risk of flooding, to be in place by June 2015.	Net Risk	G
		Likelihood	Impact
		1	3
		Control Evaluation	
		A	

Risk Supporting Statement: SR6

Risk Owner: Town Clerk

Risk	Commissioning and delivery of large scale, high profile or prestigious projects proves to be inadequate, resulting in reputational, organisational and financial problems. Links to: Strategic Aims SA1, SA2 & SA3 and Key Policy Priorities KPP1, KPP2, KPP3, KPP4 & KPP5	Gross Risk	A
		Likelihood	Impact
		3	4

Detail	New project management arrangements came in to effect in October 2011 to drive a more consistent approach for capital, supplementary revenue and major revenue projects. The project management arrangements have improved the consistency of information that is being provided about each project and has led to more open communication about the progress being made in the delivery of projects. Once fully embedded the organisation (led by the Projects Sub-Committee) will be better placed to obtain assurance that project risk is being managed appropriately. These arrangements do not cover all projects, generally exceptions will relate to revenue expenditure and change programmes, risks emerging from these projects are expected to be captured within departmental risk registers.
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<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>
To be populated with the details of high risk projects as the PM Toolkit becomes embedded and the required level of analysis is available. Further risks to be identified from Departmental Risk Registers as the requirements of the Risk Management Handbook are embedded.	Projects Sub-Committee reviews all projects at a high level on a periodic basis via programme reports which provide a status of 'red', 'amber' or 'green' with all projects rated 'red' and 'amber' reported more frequently. The Sub-Committee provides scrutiny of individual proposals and project management to ensure value for money is achieved. Designation of Project Sponsors and individual establishing individual project boards to provide scrutiny and oversight.

<u>Summary</u> At present, this risk relates to the arrangements in place to manage projects and project risk. As the Project Management Toolkit and Risk Management Handbook are embedded, this will evolve to capture specific high risk projects, or significant risks within projects. NB: While the Town Clerk is responsible for implementing the corporate processes, procedures and guidance relating to project management, the Chief Officer for each project is responsible for ensuring risk management is carried out for the project. Further Action: Development of requirements for Post Project Appraisal, learning lessons from experience.	Net Risk	A
	Likelihood	Impact
	2	3
	Control Evaluation	
	G	

Risk Supporting Statement: SR8

Risk Owner: Town Clerk / Director of Public Relations

Risk	Negative publicity and damage to the City Corporation's reputation.	Gross Risk	R
	Links to: Strategic Aims SA1, SA2 & SA3 and Key Policy Priorities KPP1, KPP2, KPP3, KPP4 & KPP5	Likelihood	Impact
		4	4
Detail	This risk may materialise as a result external factors or failure to manage risk within the operations of the organisation. There will always be an inherent risk around reputation, but the specific threats present at any one time will vary depending on the nature of key projects, internal and external developments or factors. A shortlist of the most significant issues is maintained, updated by the Director of Public Relations on a quarterly basis using information gained from on-going liaison with departments and, in future as risk management becomes embedded, through examination of departmental risk registers. In addition to the shortlist below, there is a broad risk in relation to negative publicity or adverse media comment following failure of service delivery. The likelihood and impact of this is very much dependent upon the circumstances and outcome of the failure.		
Specific Threats/Issues	Mitigating Actions		
n/a	<ul style="list-style-type: none"> - Communications strategy in place - Experienced media/communication team with the right skills to handle reputation issues - Regular liaison with Committees and departments including through Departmental Communication Representative Meetings etc., aiming to ensure the overall reputation of the organisation is kept under close review during all policy deliberations - PR Tool kit prepared for departmental communications representatives - Examination of departmental risk registers to identify emerging issues (on-going) - Working with PR Consultants to improve City Corporation's ability to respond to PR challenges 		
Summary	Likelihood	Impact	Net Risk
Hampstead Heath Hydrology and related issues	2	5	A
Use of the City YMCA	3	2	Likelihood
London Living Wage	5	3	Impact
Debate around the transparency and accountability for City's Cash	5	3	3
Adverse comment or publicity on the role, purpose and governance of the City Corporation	3	3	4
Managing the impact of street works on visitors, residents and workers	5	3	Control Evaluation
External website project fails to meet delivery timetable and objectives as a communication tool	1	3	
Adverse publicity from any failures of performance by City Schools.	3	3	G

Risk Supporting Statement: SR9

Risk Owner: Health and Safety Committee / Relevant Chief Officer

Risk	Major failure of health and safety procedures resulting in a fatality in an accident on City of London Corporation premises or to a member of the City of London workforce. Links to: Strategic Aims SA2 & SA3 and Key Policy Priority KPP2	Gross Risk	R	
		Likelihood	Impact	
		4	4	
Detail	Corporate oversight of health and safety risk is maintained by Corporate Human Resources, an officer Health and Safety Committee is in operation, chaired by the Deputy Town Clerk. A health and safety risk management system is in place, with consistent reporting and review mechanisms, ensuring that the key risks identified across the organisation are escalated accordingly. The committee monitors progress to address significant issues as they arise. For the purpose of maintaining the Strategic Risk Register, a shortlist of the most significant current health and safety risks will be maintained.			
<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>			
Enhanced Corporate Health & Safety Policy in consultation - now with CoG. Due for approval in March 2013. Management of Contractors.	Policy in place to meet legal requirement Corporate Training is in place and effective Health & Safety working groups in operation Top X being reported – further work on content improvement planned Accidents reported and investigated via a new system (Reactive system) Departmental Competencies Improved and departmental H&S committees being monitored			
<u>Summary</u> The Action plan is making good progress reviewing the H&S systems across the Corporation of London to ensure H&S Compliance however the Policy has been delayed as a result of the new TC recruitment . The TC has now been briefed and is supportive of the enhanced policy. Key to the successful implementation and delivery of a holistic safety management system based on proactive and reactive procedures is a review of Corporate Governance processes and the H&S Policy. This process is now at final consultation with CoG and is looking at going before Establishment Committee in March. Various Near Misses identified recently demonstrates that culture is slowly changing, which is positive. This process has recently identified issues with contractor management which could have serious ramifications had the risk been realised however these issues were / are being identified and have been investigated and changes effected to systems to prevent recurrence.	Net Risk	A		
	Likelihood	Impact		
	1	4		
	Control Evaluation			
				A

Risk Supporting Statement: SR10

Risk Owner: Remembrancer

Risk	Adverse political developments undermining the effectiveness of the City of London Corporation. Links to: All Strategic Aims and Key Policy Priorities.	Gross Risk	R
		Likelihood	Impact
		5	5
Detail	Owing to its nature and geographical size, the City Corporation is particularly vulnerable to political developments concerning London government. There are two main issues at present; the continuing financial turmoil and fallout from “Occupy” is resulting in slanted scrutiny of the City Corporation and the longer term threat to the local authority functions from sharing of services and a consequent London Government review.		
<u>Specific Threats/Issues</u>		<u>Mitigating Actions</u>	
<p>“Occupy” and the current turmoil in the financial system has provoked allegations of undue influence and partial accounts of the City Corporation’s representational activities. The forthcoming City elections are likely to lead to further public debate.</p> <p>A Local Government review is not currently timetabled but the increased interest in sharing services (and offices) between authorities and Boundary Commission proposals may reinstate earlier suggestions for 5 or 6 “super boroughs”, raising concerns around the viability of a separate administration for the Square Mile.</p>		<p>Promotion of the good work of the City Corporation, City Corporation needs to remain relevant and “doing a good job” and be seen as such. This risk has an Unlikely (2) likelihood, but potentially Major (4) impact.</p>	
<u>Summary</u>		Net Risk	A
The organisation needs to ensure it is seen as important and relevant across a wide field of activities that are not geographically limited to the Square Mile. Current public affairs activities should be maintained to this end. Any functions which may be vulnerable on account of their size if kept as free standing operations need to be identified and the case for ameliorating action (e.g. partnerships, shared services) considered.		Likelihood	Impact
		2	4
		Control Evaluation	
		G	

Risk Supporting Statement: SR11

Risk Owner: Director of Open Spaces / City Surveyor

Risk	Major flooding caused as a result of pond embankment failure at Hampstead Heath.	Gross Risk	R
	Links to: Strategic Aim SA3 and Key Policy Priority KPP4	Likelihood	Impact
		3	5
Detail	If there were to be failure of the pond embankments during a major storm, and no warning was given, the number of lives at risk on the Hampstead chain would be in the region of 400 and on the Highgate chain would be around 1000. This would also result in inundation and damage to local properties, roads and the railway lines towards Kings Cross. Detailed analysis has identified that dam crests are not currently able to cope with the level of overtopping expected to occur as a result of such a storm, increasing the risk of erosion and dam failure. The City of London Strategic Flood Risk Assessment 2012 with new surface water modelling identified 4 areas of risk in the City from upstream run-off (including Hampstead Heath).		
Specific Threats/Issues		Mitigating Actions	
Insufficient warning given of flooding		Telemetry system installed and managed by the City Surveyor as an integral part of the on-site Emergency Action Plan for reservoir dam incidents enabling early warning where pre-determined water levels at key ponds in both the Hampstead and Highgate chains of ponds are breached. Testing of this with the emergency plan and Hampstead staff has happened and further tests are planned with Mitie. (City Surveyor/Director of Open Spaces)	
Inadequate response to dam overtopping		Emergency Action Plan for on-site response in place and Camden now have an off-site plan in place Liaison with Camden Council's emergency planners is on-going, to work through issues raised by Emergency Services and to appraise them of revisions to our work plan as it develops. (City Surveyor/Director of Open Spaces)	

<p>Sensitivities of the local community regarding the natural aspect of the Heath</p> <p>Non delivery of project to upgrade pond embankments (includes slippage from agreed timetable and budget)</p>	<p>The City has undertaken extensive consultation with local stakeholders about why this project is required. The City has established a Stakeholder Group to enable key groups to contribute to the detailed design of the scheme and has appointed a dedicated officer to manage consultation. Hampstead Heath, Highgate Wood and Queens Park Committee actively engaged with local community. The group has already met several times to develop their understanding of the project. A Strategic Landscape Architect independent of the Design Team has been appointed to champion the landscape. (Director of Open Spaces)</p> <p>There remains a potential risk of legal challenge. This is most likely to arise in relation to the City's need to adhere to current Guidance that sets standards for dams that is opposed by certain Groups/individuals.</p> <p>On-going monitoring by Project Board and Projects Sub Committee. Negotiations for the appointment of the Design Team are complete but took a month longer than planned, The contractor's appointment may be affected by the pre-election period for spring elections, the Project Board are considering ways to mitigate this. (City Surveyor).</p>
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<p>Summary</p> <p>A project has been initiated to upgrade the pond embankments, but until such time that this project is completed (2014/15) there remains a risk of flooding downstream. Responsibility for the delivery of this project rests with the City Surveyor and in relation to the City's reputation, day to day management of the ponds and the community welfare aspects of this risk, the Director of Open Spaces.</p>	<p>Net Risk</p>	<p>R</p>
	<p>Likelihood</p>	<p>Impact</p>
	<p>3</p>	<p>5</p>
	<p>Control Evaluation</p>	
	<p>A</p>	

Risk Supporting Statement: SR13

Risk Owner: Chamberlain / Town Clerk

Risk	City Corporation fails to manage effectively negative impacts arising from Public Order and Protest, leading to a loss of confidence in the organisation. Links to: Strategic Aims SA1 & SA2 and Key Policy Priority KPP3	Gross Risk	R
		Likelihood	Impact
		4	4

Detail	This risk has a number of components for the City Corporation resulting from the roles as an employer, a Local Authority and as the Police Authority for the square mile. The risk from the policing perspective (operational policing) is managed by the Commissioner of Police, the remaining elements cover a range of operational areas e.g. disaster recovery/business continuity, building management, employee and community safety. The City Corporation also has a responsibility under the Civil Contingencies Act 2004 to its businesses and residential communities to support them in the aftermath of violent Public Order and Protest. This risk is directly linked to SR2 (Supporting the Business City), SR3 (Financial Stability) and SR8 (Reputation Risk), assessment of SR13 may lead to reassessment of these risks.
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<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>
<p>Planned protest marches in or near the City that, although peaceful, interrupt the daily life of the City by their presence.</p> <p>Planned protest marches that become disorderly or violent whether in the City or elsewhere that adversely affect business, property or communities for which the City Corporation has a statutory or corporate responsibility.</p> <p>Static protests whether peaceful or disorderly that adversely impact on the daily life of the City or adversely affect business, property or communities for which the City Corporation has a statutory or corporate responsibility.</p> <p>Spontaneous or organised outbreaks of civil disorder that adversely impact on the daily life of the City or adversely affects business, property or communities for which the City Corporation has a statutory or corporate responsibility.</p>	<p>The City of London Police and the City Corporation, as Category 1 responders (as designated by the Civil Contingencies Act 2004) have statutory responsibilities to warn and inform and prepare for any major incident, whatever the cause.</p> <p>These responsibilities are delivered through the Major Incident Plan and Disaster Recovery/Business Continuity Plans for both organisations.</p> <p>The City Corporation has worked with the Crime Prevention Association to produce guidance for City business to mitigate the impact of protest. This guidance has been distributed across the City.</p>

Summary Many of the controls operated by the City Corporation are designed to reduce the impact of protest whether peaceful or violent. For peaceful protest, we send advisory messages and updates that allow City businesses and residents to plan for disruption. If the protest or public order issue becomes violent, major incident and Business Continuity plans provide the framework for incident management, support to businesses and residents and long term recovery. Recent civil unrest across the world and particularly in London highlights the risk of public order or protest affecting the City.	Net Risk	A
	Likelihood	Impact
	1	4
	Control Evaluation	
G		

Risk Supporting Statement: SR14

Risk Owner: Chamberlain / Town Clerk

Risk	Further reductions in current spending round will reduce grant income for the City Corporation resulting in the Corporation being unable to maintain a balanced budget and maintain healthy reserves in City Fund significantly impacting on service delivery levels. Whilst it is almost certain that reductions in grant income will occur, we do not know the timing or the magnitude. However City Fund is not entirely dependent in grant funding, hence the likelihood is a 4 rather than a 5. Links to: Strategic Aim SA2 and Key Policy Priority KPP2	Gross Risk	A
		Likelihood	Impact
		4	3
Detail	<p>This risk is already headlined in the financial planning update presented informally to Resource Allocation Sub Committee in July. To mitigate the impact a further 2% efficiency savings have been identified which if implemented will put the City Fund non Police Services into surplus by £2.8m in 2015/16.</p> <p>Since the RASC decision the Chartered Institute of Public Finance has produced a forecast indicating likely resource public services spending reductions of 7.5% in real terms over 2015/16 and 2016/17. Whilst impossible to predict the impact on the City, it would be prudent to use this as a proxy for the level of grant reductions we might anticipate. Over 2015/16 and 2016/17 such a reduction equates to £4m -£5m Police and £3m non- Police services. However we have sufficient reserves to allow us to plan for managed savings once the magnitude of any reduction is known.</p>		
<u>Specific Threats/Issues</u> N/A	<u>Mitigating Actions</u> Manageable within current reserves Financial forecasting and planning Maintaining prudent management of City Fund finances and using current financial planning to build up reserves. Direct engagement with central government on grant formula Scrutiny of central risk efficiency proposals by the Efficiency Board and Efficiency and Performance Sub-Committee.		

<p>Summary</p> <p>The financial strategy already addresses this risk in making additional savings and efficiencies to not only balance the budget, but to generate surpluses to offer some protection. We can't remove the risk that the financial position will deteriorate, but we are already well on our way to mitigate it. Further actions, drawn from those recommended in the CIPFA publication "The Long Downturn", will focus on three main areas:</p> <ol style="list-style-type: none"> 1. High profile transformation – we are currently pursuing a transformation agenda e.g. PP2P. 2. 'Unfashionable' stewardship or housekeeping measures - including tight cost control and reducing overhead spending. But above all maintaining the tone of austerity and efficiency that is needed in modern public services. 3. Control of staffing costs- we are already applying policies to control 'incremental pay creep' and honorarium payments , but close attention needs to be paid towards managing head count. 	Net Risk	A
	Likelihood	Impact
	4	2
	Control Evaluation	
	G	

Risk Supporting Statement: SR15

Risk Owner: Managing Director, Barbican Centre

Risk	Works in high value loan exhibitions at Barbican Art Gallery are stolen or damaged.	Gross Risk	R										
		Likelihood	Impact										
		2	5										
Detail	The main business of Barbican Art Gallery is to programme art exhibitions. This entails us taking responsibility for high value loans from private individuals and arts institutions. Our forthcoming exhibition 'Bride and the Bachelors' (13 Feb to 9 June 2013) is more valuable than is normal. The risk has two main elements: financial and reputational. If works are lost or damaged there would be a financial liability to the owner. In terms of reputation there would be adverse negative publicity for the city, and additionally lenders might be reluctant to lend works in the future, putting the viability of Barbican Art Gallery at stake.												
<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>												
Theft or damage to art works during transit, installation/de-installation or while exhibition open to public or at night time when gallery closed. Financial risk: obligation to compensate lenders in case of theft or damage Reputational risk: Negative response by owners fuelling media reaction.	Preventative measures. Formal risk management and risk assessment process in place for every exhibition, signed off by Chief Operating and Financial Officer. External advice provided by National Security Advisor and Head of National Museums Security Group. Compliance with detailed conditions for security and care of work during transport and while on our premises as required by Government Indemnity, commercial insurance and lenders. Gallery risk management group verifies compliance with all conditions prior to period of risk. Physical and electronic security measures fully deployed. Additional mitigation in event of incident Government Indemnity and other insurance Damage limitation communications strategy prepared in advance												
<u>Summary</u>	<table border="1"> <tr> <td>Net Risk</td> <td>G</td> </tr> <tr> <td>Likelihood</td> <td>Impact</td> </tr> <tr> <td>1</td> <td>3</td> </tr> <tr> <td colspan="2">Control Evaluation</td> </tr> <tr> <td colspan="2">G</td> </tr> </table>			Net Risk	G	Likelihood	Impact	1	3	Control Evaluation		G	
Net Risk	G												
Likelihood	Impact												
1	3												
Control Evaluation													
G													
The gross risk is high because of the value of the works in Barbican Art Gallery exhibitions. Mitigating actions will reduce the risk from red to green. Likelihood will be reduced via security measures. Financial impact is mitigated via Indemnity and insurance cover. Reputational impact is mitigated by communications strategy.													

Risk Supporting Statement: SR16

Risk Owner: Assistant Town Clerk

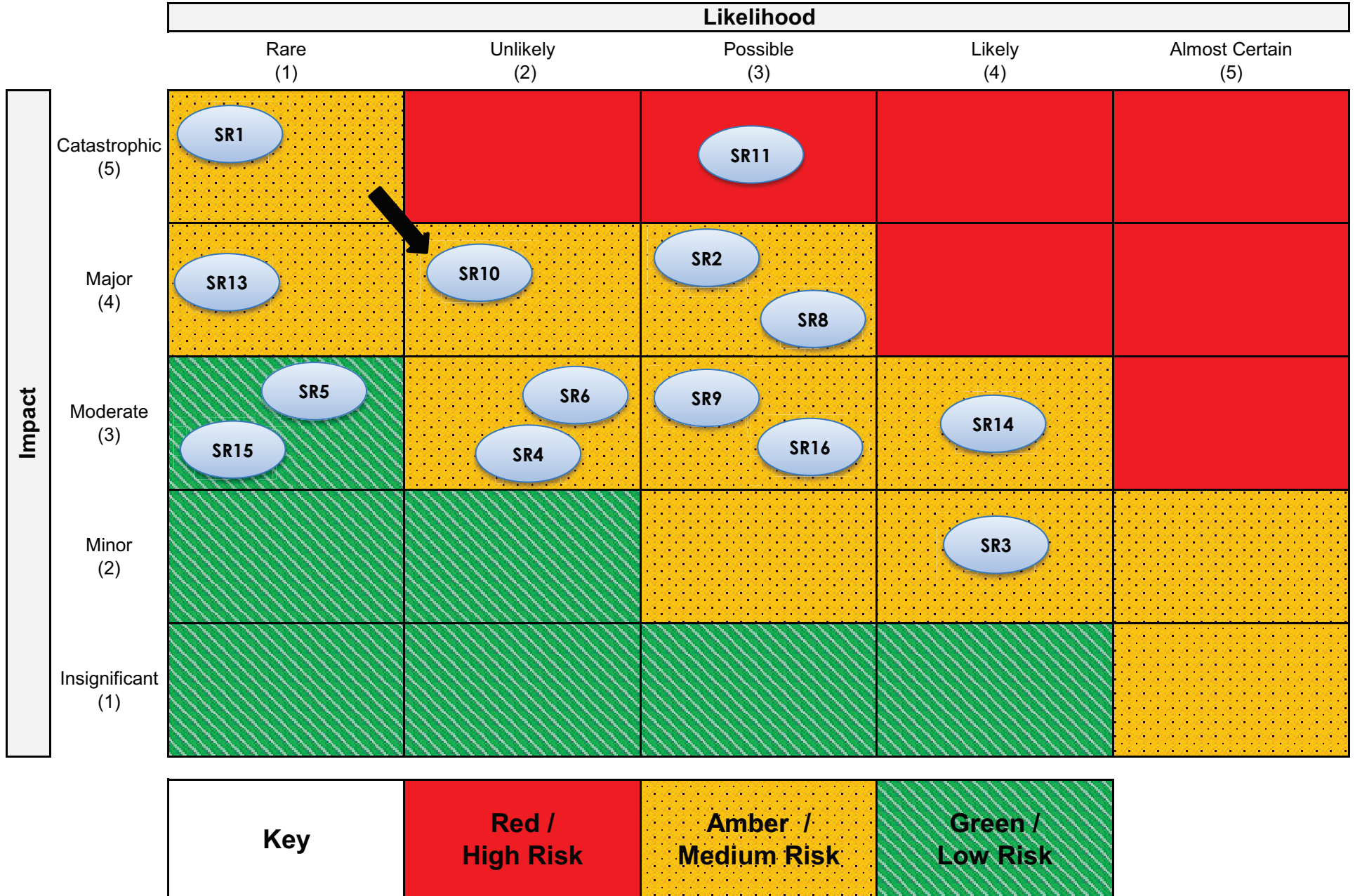
Risk	A breach of the Data Protection Act 1998, by any CoL department due to poor compliance or mishandling of personal information, could result in harm to individuals, a monetary penalty of up to £500,000, compliance enforcement action and significant adverse media coverage. Links to: All Strategic Aims and Key Policy Priorities.	Gross Risk	R
		Likelihood	Impact
		5	3

Detail	The Information Commissioner regularly uses his powers to impose considerable fines on public authorities for breaches of the Data Protection Act. There is a need to emphasise the importance of Data Protection and improve awareness, compliance and cooperation amongst staff across the organisation.
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<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>
Lack of staff awareness of, and engagement with, the DPA. Office moves/relocations increase the possibility of losing or misplacing personal information. Transferring personal information to third parties, e.g. when contracting out services. Incorrect/accidental disclosure or loss of personal information, e.g. when sending personal information using any medium. Insufficient security in place to protect personal information.	Central monitoring & issuing of guidance exists (since 2003), along with nominated senior officer responsibility. - Access to Information network established, with reps across all departments. - DP awareness written into corporate employee policies as a requirement. - Code of Conduct requirement to complete the corporate DPA e-learning course. - Rolling program of tailored DPA training presentations for all staff and Members. - Record of all presentation attendees and e-learning sign-offs kept for audit purposes. - Awareness emails sent annually to all staff. - Other awareness raising tools used when highlighting key issues. - Some monitoring of data processor contracts to ensure DPA compliance.

<u>Summary</u> All officers should be aware of the DPA requirements, and ensure full compliance is maintained at all times. Personal information, in whatever format it is held, should be kept secure at all times. Appropriate policies, procedures and tools should be in place, regarding the management of personal information, including where there is a requirement to share, transfer, disclose, transport and destroy it. To further reduce the risks associated with data protection breaches, compliance audits will have to be undertaken across the organisation. The audits can be undertaken by the Town Clerk's Information Officers in conjunction with each department, looking at what personal information is held, what procedures are in place and what improvements need to be made in the handling of personal information. The e-learning training course should continue to be kept up to date and reviewed at regular intervals.	Net Risk	A
	Likelihood	Impact
	3	3
	Control Evaluation	
	A	

Strategic Risk Profile



Guidance Notes

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

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

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

Guidance Notes

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

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

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Risk management – Improvement Plan 2013/15

Proposal for activity to take forward beginning April 2013.

Objective	Tasks
1. Relook at the governance structures for risk	<ul style="list-style-type: none">• Separation of strategic decision makers from operational decision makers• Risks reviewed quarterly by set groups: SRMG, Summit and ARMC• Set different reporting guidelines for departments taking into account their current arrangements and resources available• Create a yearly reporting cycle for risks to the Committee
2. Creating a fluid risk reporting framework through the risk scoring mechanism	<ul style="list-style-type: none">• Determine the organisations risk appetite and improve current risk scoring guidance• Create a logical and mathematical risk matrix (future proofing for risk systems and any mathematical modelling)• Using the scoring mechanism to decide escalation criteria for team, divisional, departmental and strategic risks.• Putting risks into groups of operational, strategic and corporate risks• Avoiding duplication of risks, ensuring the same risk is reported to relevant meetings
3. Improving the content of the risk registers	<ul style="list-style-type: none">• Articulating the risks in easy to understand forms (Cause, Risk, Effect)

Risk management – Improvement Plan 2013/15

Objective	Tasks
	<ul style="list-style-type: none"> • Closure of non-significant business as usual risks • Supporting statement and risk register summary combined into one. • Introducing control owners changing focus from Gross risk scores to target risk scores • Redesign risk register • Promote and report on opportunity risks
<p>4. Using people perception to drive a proactive risk culture</p>	<ul style="list-style-type: none"> • Change 'risk register' to 'risk tracker' • Review risks to replace words which could cause issues(e.g. change 'death of user' to 'failure to service user') and to review risk guidance to avoid using terms with highly negative connotations (e.g. change Terminate to Avoid) • Promote good practice of risks, and submit to risk based awards
<p>5. Improve staff skill set and build awareness of risk management</p>	<ul style="list-style-type: none"> • Revise the intranet and internet with adequate risk related information • Create a suite of training tools for staff to access, regardless of position • Increase risk awareness through newsletters, briefings and posters • Use of risk coordinators for internal promotions and attendance at DMT's

Risk management – Improvement Plan 2013/15

Objective	Tasks
6. Creating risk initiatives	<ul style="list-style-type: none"><li data-bbox="598 324 1380 526">• Undertake proactive risk initiatives across the organisations such as fraud risk projects, working with Corporate projects, Health and Safety, Insurance, Procurement and HR.

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Agenda Item 8

Committee(s):	Date(s):
Audit and Risk Management Committee	5th March 2013
Subject: Managing Risks for Exhibitions with valuable displays	Public
Report of: Chamberlain	For Information
Summary <p>The City of London Corporation displays many Art works and Exhibits to the public in order to support the City's objective of providing a Vibrant and Cultural City. Strict arrangements are in place for both the security and for the care of the items, whether they are City owned or loaned for exhibition purposes. Adequate insurance arrangements are in place and advice is also sought from the National Security Adviser regarding the minimisation of risk for loans under the Government Indemnity Scheme. As a result our arrangements are satisfactory and the risks associated with the Arts and Exhibits are at an acceptable level.</p> Recommendations <p>Members are to consider the contents of this report and the low risk assessment in the management of exhibitions with valuable displays.</p>	

Main Report

Background

1. Following discussion at the December 2012 Audit and Risk Management Committee of the report on the Bride and Bachelors Exhibition at the Barbican Art Gallery, Members requested a general report to review arrangements of the Guildhall Art Gallery and anywhere else within the City Corporation with valuable exhibits. This report also covers other eventualities such as the risk of fire, theft or damage.

Guildhall Art Gallery

2. The Guildhall Art Gallery is open to the public, generally free of charge, with charges only being applied for some specific exhibitions when exhibits are obtained on loan from other collections. As with all Galleries there is an inherent risk of damage to art work and exhibits. Whilst damage limitation is possible, for example, by glazing paintings, or by putting barriers or screens in front of artworks, this is not always possible or desirable. When these measures are taken then the enjoyment of the cultural offer may not be fully appreciated by

members of the public and as such a high degree of access is granted, this also supports the City's objective to provide a Vibrant and Cultural City.

3. Prior to accessing the Art Gallery the front entrance has three full-time, certified security staff who enforce regulations and scan all bags carried by visitors entering the building. Regular monitoring is also undertaken by the National Security Adviser (NSA), who works for the Arts Council. The NSA has advised that the Guildhall Art Gallery is a fit and proper institution to display works of art on loan, under the Government Indemnity Scheme, from Government Collections, e.g. National Portrait Gallery and Tate Britain. The NSA also authorises the loan of paintings on the basis that the security at the Gallery is satisfactory.
4. The security desk has CCTV monitors which are actively and regularly checked by one of the two members of security staff on duty at the front entrance. Images from these CCTV monitors are also relayed to the Guildhall Security Control Room. Gallery staffs also patrol areas to observe and check on activity throughout the day.
5. The risk of theft is considered low due to the 24 hour security presence and the items on display being mostly very large paintings, which would cause difficulty to anyone trying to conceal or remove them off site. Smaller works are either mirror plated or fitted with security fixings.
6. The Guildhall Art Gallery is only a 5 minute walk from Wood Street Police Station, so the emergency response by City Police would be quicker than in many comparable galleries. Information on crime trends and best practice advice is also provided by the London Museums Security Group which is administered by the Metropolitan Police's Art and Antiques Unit, of which the Culture, Heritage and Libraries staff are active members.

Mansion House

7. Mansion House holds two major collections, both of which are securely kept and maintained. The building has strict entry requirements for all staff and guests and security arrangements are adapted in accordance with events or dinners being held. Both of the major collections have their own security arrangements in place to keep items secure and safe.
8. The donated plate collection is held within a vault with key code steel door access. The room is monitored through a dedicated 24/7 security system and is regularly monitored by security officers. Because of the value of the collection, an annual plate collection check is undertaken by internal audit.
9. The Harold Samuel collection, which is an 84 piece art collection, is displayed throughout Mansion House. Each artwork has tiny tags, which are used to determine the environmental conditions of the room ensuring the right humidity and temperature is kept to at all times.

10. A two phase fire alarm system is in place, checked on a six monthly basis, with weekly tests as per the norm in other City Corporation buildings. The two phase fire alarm system helps to distinguish between general faults and actual fire alerts based on the sound generated. Access to and around the building is tightly controlled through 24 hour CCTV surveillance, with monitors being housed within the buildings security lodge.

Fire risk

11. The Regulatory Reform (Fire Safety) Order 2005 requires fire risk assessments to be carried out at all City of London premises. Each department is responsible for carrying out fire risk assessments of its properties. Risk assessments may be undertaken internally by officers with appropriate training or departments may employ external consultants. Mansion House undergoes a fire risk assessment on a 6 monthly basis, with the last assessment ending December 2012. The Guildhall complex, including the Art Gallery was recently inspected by consultants: 'The Fire Protection Association'.

12. It is understood from City Surveyor's Department that the Guildhall Art Gallery's fire alarm system will be renewed in the next 2 years as part of an overall improvement to the Guildhall complex's system.

Insurance

13. The City of London's Fine Art Insurance Policy was recently put out to tender. Valuations are updated annually, recognising that values can go down as well as up according to trends in the arts market.

14. In the last 3 years (excluding the Barbican Art Gallery) there have only been 3 claims made on the Fine Art Policy, totalling some £3,000 all of which relate to minor damage, with the last claim being made in September 2011.

15. Whenever works of art are moved outside the Guildhall complex, the Insurance Team of Chamberlain's Department is informed so that insurers are kept aware of the location of items (particularly where individual items or the total value at one location are of particular high value).

16. When works of art are borrowed from Guildhall Art Gallery, the insurance for their removal is the responsibility of the borrowing institution. Exhibition and other loans are subject to contract, and all handling/ transport is undertaken by approved specialist fine art carriers.

Disaster Recovery

17. Business Continuity Plans and Emergency Response Plans are managed locally within departmental areas with advice from Town Clerk's Department. The Guildhall Art Gallery liaises with the London Fire Brigade regarding recovery and disaster exercises, through City Surveyor's Department, with the next exercise scheduled to take place in March 2013.

Other areas

18. Risks are well managed in the loaning of exhibits as these are thoroughly assessed prior to lending. Some of the Guildhall Art Gallery's collection is on display in other City buildings, such as the Old Bailey, Guildhall School of Music and Drama, and so on. This is done on a hiring basis similar to other works of art being lent to exhibitions world-wide.
19. Regular facilities reports, security reports and environmental readings are received from potential venues. Where security is identified as inadequate loans are not followed through - or for existing venues, works are removed if re-assessments of security provisions identify levels have fallen below required levels. Independent insurance assessment of security provisions can also be requested if required. Also there is an upper limit on individual loan item values to reduce risk further.

Conclusion

20. Arts and Exhibits held within the City are managed at a high level with strict arrangements in place for security and the upkeep of valuables. Our insurers have not raised any concerns with the procedures at the Guildhall Art Gallery or Mansion House and continue to provide us with cover to manage the financial risk we face. As such this is an area of low risk, and Members are asked to note the contents of this report.

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Committee(s):	Date(s):	Item no.
Audit & Risk Management Committee	5 th March 2013	
Subject: Internal Audit Update Report		Public
Report of: Chamberlain		For Information
<p>Summary</p> <p>This report provides an update on internal audit activity since the last Audit & Risk Management Committee on the 12th December 2012.</p> <p>The outcomes from the six main audit reviews finalised since the last audit update report are reported and significant risk issues highlighted from the following audit reviews which had an Amber assurance assessment:</p> <p>- DCCS – Childcare Provision</p> <p>The review of DCCS individual budgets identified four amber priority recommendations. Three of these actions due for completion by April 2013 were to reduce the number of 'council controlled budgets' to only those with the most complex care needs, establish and agree the financial reassessment process, and introduce a financial monitoring process. The final amber priority action to improve the audit trail and the quality of supporting documentation held for each service user will be implemented by July 2013 subject to the implementation of new software.</p> <p>- DCCS Childcare Provision</p> <p>The review of DCCS Childcare provision identified three amber priority actions which were all completed prior to the finalisation of the audit report. They related to the use and reconciliation of child care vouchers, ensuring both the childcare petty cash and holiday play scheme petty cash are operated in accordance with financial regulations.</p> <p>Satisfactory progress has been made in delivering the 2012/13 audit work programme, with 49% completed as at 1st February 2013. This is 11% less than the originally projected 60% position for this time of the year. It is anticipated that this gap will be narrowed further before the end of March 2013, through close performance monitoring of the delivery of audit reviews. The reason for this is that the level of audit</p>		

resources required to complete the 2011/12 audit plan at the beginning of 2012/13 was significantly more than anticipated when the 2012/13 audit plan was developed and approved in February 2012. Work is currently focused on completing and reporting the remainder of the 2012/13 audit programme. Sufficient internal audit work will be completed for 2012/13 upon which to base the Head of Audit Annual audit opinion in May 2013.

Following feedback from Members at the December 2012 Committee, implementation of audit recommendations KPIs have been included within KPI analysis for the internal audit function. KPI targets have been set to give greater emphasis on the implementation on Red and Amber priority recommendations. Further analysis of performance in this area is provided in the separate audit recommendations follow-up report.

Since the last update report, the IS Senior Auditor position has been filled from the 18th February and a temporary Fraud investigator is now in place from the end of January. A senior auditor has recently resigned for which a recruitment process is currently underway and an oral update can be given at the meeting.

Recommendation

It is recommended that the update is noted.

Main Report

Key audit findings

1. Since the last update to the December meeting of the Audit & Risk Management Committee, six main audit reviews have been finalised. Two of these reviews resulted in an Amber assurance rating for which the headline issues and consideration of impact is analysed in **Table 1**. Further details of three of these reports are provided in **Appendix 1**.

Table 1 – Key Audit Report Headlines (details of recommendations. in brackets)	Assurance Level	Impact (H/M/L)
<p>Community & Children’s Services – Individual Budgets (4 amber, 11 green)</p> <p>Materiality: This review focused on the change of approach in delivering social care from where the City was seen as the main source of care to being an enabler to care services through personal needs assessment and provision of individual budgets to individuals. The cost of individual budgets for 2012/13 was circa £2m.</p> <p><i>The majority of the City's individual budgets are administered via a 'council controlled budget' which mirrors the historic role of the City as the 'provider' of care rather than the 'enabler'. The audit recommended that consideration should be given to reducing the number of 'council controlled budgets' to only those with the most complex care needs.</i></p> <p><i>Procedures and supporting documentation developed to support the assessment, monitoring and review processes operate effectively although it was established that the financial reassessment process has not yet been agreed between the Social Care Team and the Finance Team within the Chamberlains department.</i></p> <p>Management Response:</p> <p>All recommendations were agreed and are due to be implemented by July 2013 subject to the successful implementation of the new social care records system.</p>	Amber	Medium

<p>Community & Children’s Services – Childcare Provision (3 amber, 7 green)</p> <p>Materiality: The City of London operates three OfSTED registered childcare provisions; the Sir John Cass Play Centre, the Cass Child & Family Centre and an afterschool facility at the City of London Community Education Centre (COLCEC). The COLCEC provision was outsourced during 2010/11. Income budgets for 2011/12 were £90k (combine total) for the remaining centres.</p> <p><i>Scope exists for to align the operations of the two centres more closely and improve the level of monitoring of the Cass Child & Family Centre. Following completion of the audit review agreement was obtained from the Governing Body of the Sir John Cass Foundation School to transfer management responsibility of the Playcentre to the school. It is expected the new arrangement will address the issues identified.</i></p> <p>Management Response: All recommendations were accepted; with nine being implemented prior to issue of the final audit report. The one remaining green recommendation will be fully implemented as of 01/04/13.</p>	Amber	Low
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2. In addition to highlighting these key issues arising from recent internal audit work, the five internal audit reviews identified in **Table 2** have been finalised and reported over the last three months with a Green Assurance rating. Audit report summaries from these reviews have recently been circulated separately to the Audit & Risk Management Committee and the Chairman and Deputy Chairman of the relevant Service Committee. The detailed full internal audit report can be provided to members of this Committee on request.

Table 2 – Green Assurance Audit Reviews	Amber recs.	Green recs.	Total
Department of the Built Environment			
Enterprise Services - Contract Arrangements	-	3	3
Coach Park Special Investigation	-	-	-
Mansion House			
Supplies & Services Expenditure	-	2	2

Table 2 – Green Assurance Audit Reviews	Amber recs.	Green recs.	Total
Barbican Centre			
Theatre Thefts	1	2	3

Audit Work Delivery

3. Work in delivery of the 2012/13 plan as at 1st February 2013 is set out in **Table 3** below.

Table 3 – Audit Plan Progress	Current Plan	Not Started	Planning	Fieldwork	Draft Report	Final/ Complete	% completion
Full Reviews	77	8	12	23	10	24	44%
Spot Check/Mini-reviews	60	15	10	8	3	24	45%
Irregularity investigations	7	0	0	0	2	5	100%
A&I/support reviews	25	0	1	9	n/a	15	60%
Total	169	23	23	40	15	68	49%

4. Further commentary on this 49% completion of the audit plan against the assumed profile of completion is provided later in paragraph 9. Since the 2012/13 audit plan was agreed at the 22nd February 2012 Audit & Risk Management Committee, there have been a number of changes which have been agreed with management. The reasons for changes are detailed in **Appendix 2**. Changes occur as a result of audit planning meetings with senior management and re-assessment of audit priorities, resources and suitable timing of audit work.

5. The following main reviews are at draft reporting stage and will be reported to the Committee shortly:-

Department	Review
DCCS	Housing – Responsive Repairs
Corporate Wide	Projects Board–Project priority classification
Chamberlains	Investments
GSMD	Income (including Fees System)
City of London Freemans School	Premises Expenditure
City Surveyor	Crematorium Refurbishment
Culture, Heritage & Libraries	Procurement of Reprographic equipment
Barbican Centre	Contract Audit – Cost Monitoring
Built Environment	Off Street Parking – Income Systems

6. Details of main audit reviews planned for the first quarter of the 2013/14 plan year (April 2013 to June 2013) are provided at **Appendix 3**.
7. Analysis of audit days delivered for the 2012/13 planning period is provided in **Appendix 4**.

Internal Audit Section Performance

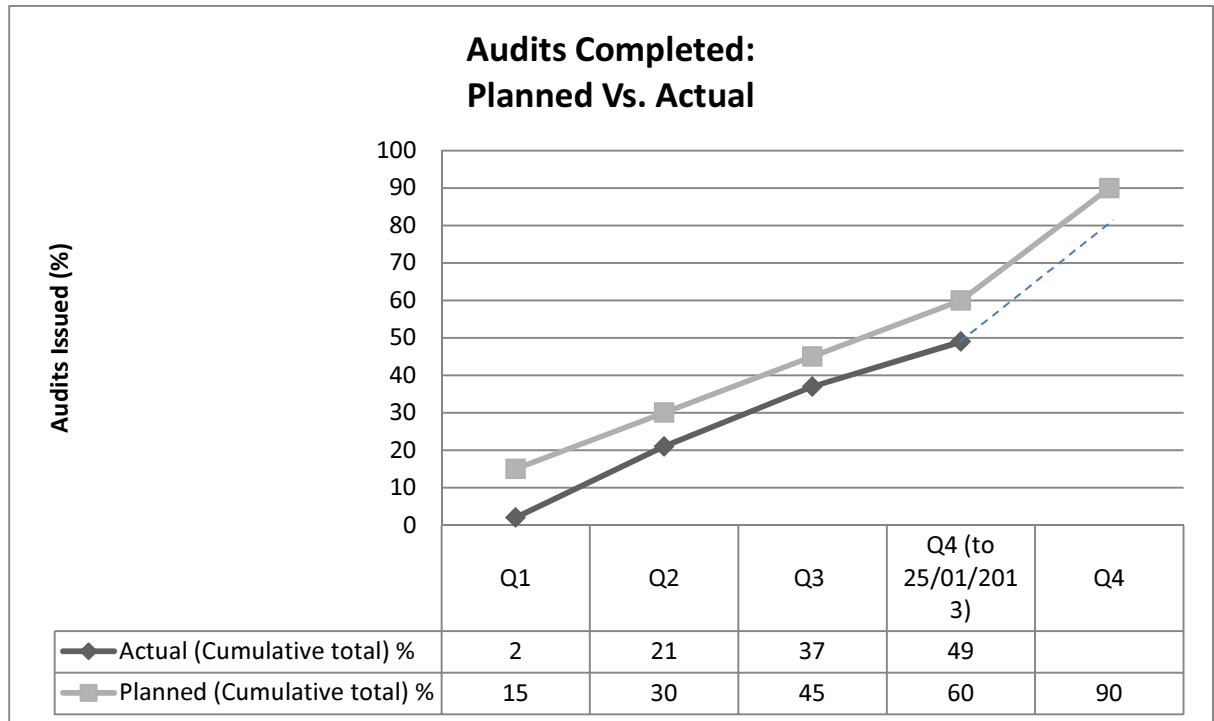
8. The following Key Performance Indicators are used for monitoring the Internal Audit section. Performance against these indicators is set out in the table below. Where targets have not been achieved, further comments on corrective action are provided after the table.

Performance Measure	Target	2012/13 Performance	Feb 13	Nov 12
completion of audit plan	90% of planned audits completed to draft report issued stage by end of plan review period (31st March 2013) –	49% completion to the end of January 2013- see comments below	☹	☹

Performance Measure	Target	2012/13 Performance	Feb 13	Nov 12
<i>New</i> % recommendations confirmed fully implemented at time of formal follow-up	Overall – 75% Red – 100% Amber – 80% Green – 70%	Overall 65% Red – 100% Amber 67% Green 64%	☹	n/a
% recommendations accepted	target 95%	98% - target exceeded	😊	😊
timely production of draft report	80% of draft reports issued within 4 weeks of end of fieldwork	77% - just below target	☹	😊
timely agreement and issue of final report	80% of final reports (including agreed management action plan) issued within 5 weeks of issue of draft report	92% - target exceeded	😊	☹
customer satisfaction	through key question on post audit surveys – target 90%	90%	😊	😊
% of audit section staff with relevant professional qualification	– target 75%	75%	😊	☹

9. **Completion of audit plan** – A graph is provided below to show delivery of the internal audit plan against the assumed profile of completion anticipated at the start of the year. Performance in completion of the 2012/13 audit plan was at 49% (at 1st February 2013) which is 11% less than the projected 60% position for this time of the year. The main reason for this is that the level of audit resources required to complete the 2011/12 audit plan at the beginning of 2012/13 was significantly more than anticipated when the 2012/13 audit plan was developed for approval in February 2012. An

additional 260 days of audit work was required to complete the audit reviews from the 2011/12 plan which delayed work in starting the 2012/13 plan. In addition, there has been a small reduction in the audit resource availability to the section due to turnover of staff.



10. It is anticipated that this gap will be narrowed further before the end of March 2013, through close performance monitoring of the delivery of audit reviews. Sufficient internal audit work will be completed for 2012/13 upon which to base the Head of Audit Annual audit opinion in May 2013.
11. **Implementation of Recommendations** – Overall implementation of audit recommendations as measured by formal follow-up reviews undertaken over the last year is currently at 65%. Following feedback from Members at the December 2012 Committee, this performance indicator has been included within KPI analysis for the internal audit function. KPI targets have been set to give greater emphasis on the implementation on Red and Amber priority recommendations. Further analysis of performance in this area is provided in the separate audit recommendations follow-up report.
12. **Timely production of draft report** - performance in issuing draft reports within 4 weeks of end of fieldwork is just below target at 77%. This area of performance is being kept under close review as there has been a small drop in performance since the last quarter (81%).
13. **Timely agreement and issue of final report** - performance in finalising Internal Audit work now exceeds target at 92%. An increased emphasis on

agreeing draft audit recommendations at audit exit meetings has been adopted to assist with the timely completion of audits. Detail of the utilisation of internal audit time resource is provided in **Appendix 4**.

Development of the Internal Audit Section

14. The new audit automation software (MK) is now being used to track the implementation of all red and amber priority recommendations.
15. Auditor skills and personal development is a key focus for the section. Particular attention is being given to the sharing of skills and expertise more widely within the team, particularly in specialist audit areas where succession planning is a key consideration. Good progress is being made being made by auditors in their professional studies with three auditors passing papers in December 2012 exams (ACCA and IIA)
16. The Senior IS auditor resigned with effect from the 2nd November. A recruitment process for this role has been successful with the new post holder commencing on the 18th February 2013. A senior auditor has recently resigned and the post became vacant on the 18th February. A recruitment exercise is underway to fill this position and an oral update can be given to the Committee.

Conclusion

17. Internal Audit work continues to identify improvement areas for management. Internal audit's overall opinion on the City's internal control environment is that it remains adequate and effective.

Head of Audit & Risk Management

Background Papers:

2012/13 Internal Audit Plan

- **Appendix 1 - Audit Report Summaries**
- **Appendix 2 – 2012/13 Audit Plan Changes**
- **Appendix 3 – Next Quarter internal audit planned reviews**
- **Appendix 4 – Audit Resource Analysis**

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APPENDIX 1 – Amber Moderate Assurance Audit Review Outcomes

Audit: Department of Community & Children's Services – Childcare Provision  (3 Amber, 7 Green priority recommendations)		
<p><u>Audit Scope:</u></p> <p>The City of London operates three OfSTED registered childcare provisions: the Sir John Cass (SJC) Playcentre, the Cass Child & Family Centre and an after school facility at the City of London Community Education Centre (COLCEC). The COLCEC provision was outsourced to the London Borough of Islington during 2010/11. Income budgets for 2011/12 were £40k (Sir John Cass Playcentre) and £50k for the Cass Child & Family Centre. This review focused upon arrangements in place at the Cass Child & Family Centre and the Sir John Cass Playcentre. This report refers to the findings at these centres.</p> <p>The review sought to provide assurance on the income, booking and purchasing arrangements for the City managed childcare provisions are effective. In addition, occupancy levels will be reviewed to determine the extent to which targets have been achieved.</p>	<p><u>Audit Findings:</u></p> <p>Generally the income and booking procedures in place at both of the centres are adequate. A number of minor issues were identified with the use and reconciliation of child care vouchers; however it was noted at the time of testing that steps were being taken to improve the arrangements. Opportunities were identified to improve the processes in place at each centre and to increase the alignment between the two. The proposed transfer in management responsibility for the SJC Playcentre; to the school; provides scope for closer working arrangements between the two centres</p> <p>Audit testing indicated that places at both centres are filled to an acceptable level and are adequately staffed with only minor opportunities for improvement identified.</p> <p>Following completion of our fieldwork the Governing Body of the Sir John Cass Foundation School agreed to the management transfer of the playcentre provision from January 2013; this should address a number of issues outlined in this report.</p>	<p><u>Management Response:</u></p> <p>All recommendations were agreed with the Chief Officer; with 9 of the recommendations been implemented before issue of the final report. The remaining green recommendation will be implemented by April 2013.</p>

Audit: Department of Community & Children's Services – Social Care – Individual Budgets  (4 Amber, 11 Green priority recommendations)

<u>Audit Scope:</u>	<u>Audit Findings:</u>	<u>Management Response:</u>
<p>Individual Budgets are a central part of the Government's personalisation agenda, the drive to give service users greater independence through choice and control over the care and support services they receive.</p> <p>The purpose of the review was to examine the adequacy of arrangements in place in respect of care assessment, monitoring and review; assurance that the resource allocation tool used during the assessment operates effectively and was used consistently by Social Workers; developing and maintaining support plans for service users; financial monitoring arrangements and determining progress against savings targets established for adult social care.</p>	<p>The majority of the City's individual budgets are administered via a 'council controlled budget' which mirrors the historic role of the City as the 'provider' of care rather than the 'enabler'. It was acknowledged during discussion with key DCCS personnel that this scenario does not fit with the overarching theme of the personalisation agenda which aims to place individuals in charge of their own care. An amber priority recommendation has been made to reduce the number of 'council controlled budgets' to only those with the most complex care needs in order to further embrace the personalisation agenda.</p> <p>Overall, the policies and procedures in place to administer individual budgets are adequate and demonstrate an improvement upon previous arrangements. Procedures and supporting documentation developed to support the assessment, monitoring and review processes operate effectively although it was established that the financial reassessment process has not yet been agreed between the Social Care Team and the Finance Team within the Chamberlains department. In addition, minor improvements could be made to the procedure manuals to ensure they remain relevant and encompass processes fully.</p> <p>Improvements could also be made in relation to the audit trail and the quality of supporting documentation held for each service user. Our testing determined that the support planning process operates effectively although there is scope to ensure that support plans are attached to electronic files to a greater extent.</p> <p>Procedures in place to monitor the delivery and on-going appropriateness of individual care packages are effective. However, the financial monitoring processes had not yet been established.</p>	<p>A total of 15 recommendations were made; of which four were rated as amber recommendations. Three of the four amber recommendations will be fully implemented by April 2013 with the remaining implemented by July 2013 subject to the implementation of new software. The 11 remaining green recommendations will be implemented between March and July 2013 and are subject to the successful installation of the new records system.</p>

2012/13 Audit Plan Changes since April 2012

1 – Additional Work

Department	Review	Priority	Days	Reason
Project Sub-Committee	London Metropolitan Archives Contract for Windows Replacement – Final Accounts Review	High	15	Request for investigation made by the Project Sub-Committee
Chamberlain's	Consultancy advice on mitigating risk of external unauthorised access	High	10	Re-assessment of risk
Chamberlain's	Development of the Chamberlain's IS Emergency Plan	Medium	5	Request received from the Chamberlain's department to provide support in the development of the emergency plan
City of London Police	Review of adherence to standing orders on the appointment of consultants at the City of London Police	Medium	5	Examine the extent to which standing orders have been complied with in relation to the appointment of a consultant as part of the City First programme.
Built Environment	Car Park Income and Monitoring (Tower Hill)	High	20	Further review of controls in relation to income collection and monitoring at the Tower Hill car park following the identification of control risks during a previous review.
City Surveyors	Building Management System	Medium	5	Consultancy advice on the development of the BMS following a request from the City Surveyors Department
Barbican Centre	Barbican Podium (Beech Gardens Waterproofing)	High	5	Request received to investigate the estimated cost of works, fees and staff time.
City Bridge Trust	City Bridge Trust – Due Diligence Arrangements	High	25	Review of due diligence and monitoring arrangements for grants issued by the City Bridge Trust and support in enhancing existing anti-fraud controls
Community & Children's Services Department	Sir John Cass Private Fund Accounts – Verification (2010/11 and 2011/12)	Medium	10	Independent verification of accounts required prior to sign-off.
Barbican Centre	Cost Monitoring	High	15	Re-prioritisation of Contract Audit Plan
Chamberlains/Built Environment	Car Parking System – ICT Security	High	10	Request received from the IS Division in respect of risks with the current system in operation
Corporate	VFM Project Prioritisation Assessment Review	High	30	Management request as a result of Financial pressure on Capital Programme
Community & Children's Services/ Culture, Heritage & Libraries	Artizan Street Development – ICT Security	High	10	To provide advice and guidance on IS security issues within the new library and community centre
Culture, Heritage &	Irregular ordering and review of Library	Medium	15	To investigate the ordering of an unrequired photocopier

Libraries	Photocopier contracts			by former member of staff and overall management of library leased photocopiers
Barbican Centre	Cash loss and office thefts	High	15	Investigate circumstances of cash loss and reported thefts from secure areas.
Town Clerks	Election preparations	High	25	Consultancy advice on risk assessment and preparations for Member elections.
City of London Police	City First change programme	High	15	Review of realisation of savings
Markets	Spitafields income generation	High	10	Review of maintenance recharging to tenants for addition work requests.

Note: does not include changes to Museum of London and London Councils audit plan

2 –Reviews Cancelled/Deferred

Department	Main Review	Days	Deferred/ Cancelled	Reason
Barbican Centre	Variation Orders and Change Control Procedures	20	Deferred	Significant contract audit coverage of Barbican Centre activities through other recent audit work.
Barbican Centre	CSA Extensions of Time	10	Deferred	Significant contract audit coverage of Barbican Centre activities through other recent audit work.
Barbican Centre	Small Works of Repairs and Maintenance	15	Deferred	Significant contract audit coverage of Barbican Centre activities through other recent audit work.
Built Environment	Planning Applications	10	Deferred	Planning application performance monitoring covered by mini-review of KPIs initiated at request of Efficiency Board earlier in year.
Built Environment	Section 106 Agreements	5	Deferred	Staff vacancy
Chamberlains	Business Rates and Council Tax – IS system review	15	Deferred	Reduced resource availability within the IS Audit Team
City of London School for Girls	Supplies and Services	20	Cancelled	Sufficient coverage via other recent audit work
City of London Police	ICT Support Service Contracts	10	Deferred	New partnership arrangements have been delayed.
City of London Police	Fleet Management & VFM	15	Deferred	Audit Staff vacancy
City of London Police	Supplies and Services	20	Cancelled	Replaced with review of City First Programme
City Surveyor	Cost Monitoring on Operational Properties	15	Deferred	Reduced resource availability within the Contract Audit Team
City Surveyors	Life Cycle Costing on Operational Properties	20	Deferred	Deferred to enable higher priority work to be undertaken
City Surveyors	Security Services Contract	20	Deferred	Deferred to accommodate VFM Project Assessment Review
Community & Children's Services Department	Connexions – career advice	5	Cancelled	Changes in Central Government policy has resulted in the transfer of responsibility for providing the service from Local Authorities to secondary education providers.
Community & Children's Services Department	Asylum Seekers: Assessment, Monitoring & Payment	5	Deferred	Deferred to enable higher priority work to be undertaken
Community & Children's Services	Nursery Grants	5	Cancelled	Nursery grants are covered by a separate review within the audit plan

Department	Main Review	Days	Deferred/ Cancelled	Reason
Department				
Community & Children's Services	Housing Lettings & Voids	10	Deferred	Following discussion and risk assessment with DCCS Director
Community & Children's Services	Housing Sales & Purchases	10	Deferred	Following discussion and risk assessment with DCCS Director. Alternative advice and guidance sought on assurance arrangements over transfer of Heath & Wellbeing responsibilities.
Comptroller & City Solicitor	Income & Expenditure	15	Deferred	Department request
Comptroller & City Solicitor	Legal Consultation	10	Deferred	Department request
Corporate	Payment Card Industry Scheme – Data Security Standard Compliance	15	Deferred	Reduced resource availability within the IS Audit Team
Corporate	City of London Website	15	Deferred	Reduced resource availability within the IS Audit Team.
Corporate	Data Security- Sensitive Data Stored on W:/Drive	10	Cancelled	Issues have been resolved by the IS Division following audit planning
Corporate	Sensitive Data Penetration Test (I) & (II)	26	Cancelled	Due to Internal Audit's comprehensive software testing , in audits of numerous server configurations, this is deemed not currently required
Corporate	Finance and Project Control Review	20	Cancelled	Audit approach to this area being reviewed in light of new project management arrangements.
Corporate	Routine Revenue Review	15	Deferred	Replace by additional audit reviews
Corporate	Vertical Supplementary Revenue Project	15	Cancelled	Replace by additional audit reviews
Culture, Heritage & Libraries	Supplies & Services	10	Cancelled	Staff vacancy
GMSD	Professor's Contracts	20	Deferred?	Staff vacancy
Mansion House	Premises Related Expenditure	15	Cancelled	Sufficient audit coverage, supplies and services reviewed in current year, plus new MITIE contract arrangements in place
Remembrancers	Functions & Guildhall Lettings Income	15	Deferred	Staff vacancy

Appendix 3 - Main Internal Audit Reviews commencing next Quarter – 1st April 2013 – 30th June 2013

Department/Area	Outline Scope	Planned Start date
Open Spaces/ICT Strategy, Security & Operations	<p>Review will focus on new Crematorium IS application. Exact scope to be confirmed, but likely to cover</p> <ul style="list-style-type: none"> • Adequacy of the strategy in providing the operational service required. • Responsibility to ensure that tasks have been properly assigned. • Configuration to ensure it provides a sound operational and secure setting • Logical access controls to ensure a secure management frameworks. • Operational and housekeeping procedures. • Business Continuity Planning, Disaster Recovery and Resilience. 	April 2013
Open Spaces/West Ham Park Nursery	Examination of controls over charging, income collection, performance measure and VfM of current arrangements.	May 2013
Comptrollers & City Solicitor/Income & Expenditure	An evaluation of the arrangements for procurement, encompassing specialist legal support, and controls to ensure the achievement of VFM. Review of the charging rationale and processes for billing and recovery of income.	May 2013
Town Clerks/Public Relations Office	Evaluate the robustness of controls over in relation to income expenditure (to include the extent to which income is maximised and that VFM is achieved through locally managed expenditure).	April 2013
Guildhall School of Music & Drama/Professor Fees	The Principal is currently undertaking a radical overhaul of the way in which professors are paid for the hours that they work, both contact and non-contact. These new arrangements will be finalised and introduced during the Summer Term 2012. The new contract arrangements for professors will be examined, including monitoring arrangements for teaching/non-teaching hours.	April 2013
City of London Police/Fleet Management VfM	The City Police Force operates a diverse fleet of vehicles to enable a responsive policing presence within the square mile and beyond. Arrangements for the procurement, maintenance and usage of vehicles will be examined, including potential efficiency savings.	May 2013
Built Environment/Section 106 Agreements	The City obtains grant funding for improvement works subject to detailed bids for specific projects to be completed within agreed time-scales. Management of the arrangements for	April 2013

Department/Area	Outline Scope	Planned Start date
Corporate/Small Works of Repairs and Maintenance – Operational – MITIE Contract	<p>identifying, approving and recording Section 106 funded works will be examined.</p> <p>This review will examine the City's procedures for the allocation of small revenue works and the quality inspections carried out prior to payment. An evaluation will be made of the procedures for initiating works in liaison with client departments, agreeing the urgency and costs to be applied to the works, and the consideration given to risk management in this process.</p>	April 2013

Appendix 4 – Internal Audit Resource Analysis (1st April 2012 to 25th January 2013)

	Original Plan Budget (Days)	Expected to Date (Days)	Actual to Date (Days)
Gross Days	3900	3225	3171
Uncontrollable Days			
Bank Holidays	150	135	127
Annual Leave	469	387	353
Net Available Days	3281	2703	2691
Days available for direct audits and support work Available for Projects			
Main Reviews/Spot Checks	1719	1421	1001
Follow-up's	124	102	113
2011 Plan C/fwd	50	50	310
	1893	1573	1425
Risk Management			
Corporate Risk Management	128	106	110
Ad hoc on-demand support/advice (risks & controls)	175	144	50
Chamberlain Business Continuity Support	6	5	7
Anti-Fraud & Corruption			
Fraud Investigations	175	145	204
Pro-active fraud & prevention	74	61	58
Audit Planning & Reporting			
Audit Planning & Reporting	49	41	40
Audit Plan progress reporting	51	42	89
External Audit Liaison/Co-ordination	15	12	5
Efficiency & Performance Review			
Support to Efficiency Board/EPSC	40	33	45
Audit Development			
Continuous Improvement	66	55	50
Audit policy, research and development	60	50	48
Audit intranet	3	2	4
Member Support			
COL Audit & Risk Management Committee	28	23	22
GSMD Audit & Risk Management Committee	6	5	4
London Councils - Audit Committee	6	5	4
Museum of London - Audit Committee	6	5	4
Police Performance & VFM Committee	3	2	1
Barbican Centre Risk/Finance Committee	4	3	4
	895	737	749
Admin Support			
General (e.g. time recording/staff meetings/staff monitoring)	240	198	253
MK Audit Automation Software	15	12	44
Other Absences*	105	86	130
Audit Training	75	62	44
Corporate Training	18	15	24
CIPFA & IIA Training	40	33	24
	493	406	518

* sickness /medical appointments/City volunteering- including 2 City Olympic Volunteers

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Committee(s):	Date(s):	Item no.
Audit & Risk Management Committee	5 th March 2013	
Subject: Audit Recommendations Follow up		Public
Report of: Chamberlain		For Information
<p>Summary</p> <p>This report provides an update on the implementation of audit recommendations by management since the last update provided to the Audit & Risk Management Committee on the 12th December 2012.</p> <p>At February 2013 there are no outstanding red priority actions from reviews previously concluded and reported to this Committee.</p> <p>Three formal audit review follow-ups have been concluded since the December Committee with 64% of recommendations fully implemented at the time of follow up. Details of these recommendations are provided in Appendix 1.</p> <p>There were five green priority recommendations not fully implemented at time of formal follow up. None of these outstanding recommendations represent a significant risk to the activities audited.</p> <p>Cumulative performance in the implementation of audit recommendations over the last 24 months has been monitored with 73% of audit recommendations confirmed as implemented when formal audit follow-ups were undertaken. Where red and amber priority recommendations were still be implemented at the time of audit follow-up further updates have been sought from management to confirm the implementation of red and amber priority recommendations.</p> <p>Management status updates on all agreed red and amber actions is provided in Appendix 2. There has been delay in the implementation of three amber priority recommendations from the iTrent application review. The resource required to undertake this work for two of the recommendations is not currently available. IS Management will further consider the risks in conjunction with Internal Audit and agree whether it is appropriate that additional resource should be requested to address these recommendations or other work reprioritised to create</p>		

the required resources, following a full assessment of the risk.

There are two further amber priority recommendations where revised timescales for implementation are yet to be agreed at time of reporting. One of these relates to DCCS review of Affordable Housing where the inclusion of the on-going revenue cost of housing units, plus estimates for rental income are yet to be included with the 30 year housing business plan. This is largely due to additional research work necessary to inform assumptions about the future energy efficiency of the City's housing stock. A further priority recommendation arising from the City of London School Procurement and Compliance review relates to investigation of opportunities for collective procurement between schools.

In addition to the 19 amber open actions there are 130 open green priority actions as at February 2013.

Recommendation

That the Committee note the report

Main Report

Formal Audit Follow-ups

1. Details of the three audit review follow ups conducted since the 12th December 2012 update to the Committee are set out in **Appendix 1**, along with comments on where internal audit recommendations were yet to be implemented. At time of formal audit follow-up for these four reviews, 64% of all categories of recommendations were fully implemented.
2. Five green priority recommendations had not been fully implemented at time of formal audit follow up. Two of these recommendations related to the introduction of rolling stock checks at the City of London Police store, where due to limited resources this best practice improvement has not been implemented. A full stock take is however planned to be undertaken in April 2013. Three of the green priority recommendations not implemented related to delays in the updating of procedure documentation where new systems and processes are still bedding down. None of these outstanding recommendations represent a significant risk to the activities audited.

3. Cumulative performance in the implementation of audit recommendations has been monitored over the last 24 months and reported to the Audit and Risk Management Committee. As at February 2013 cumulative performance in the implementation of audit recommendations when formal audit follow-ups were undertaken over the last 24 months is as follows:-

Implementation at time of audit follow-up	Red	Amber	Green	Total
Recommendations Agreed	6	116	362	484
Recommendations Implemented	5	71	277	353
% implemented	80%	61%	77%	73%

* Recommendations predate RAG rating process.

4. Where red and amber priority recommendations were still to be implemented at the time of formal audit follow-up, further updates have been sought from management to confirm the implementation of red and amber priority recommendations. The one red priority recommendation that was not implemented at formal follow up stage, reported to the March 2012 Committee was implemented subsequently. At the end of February 2013 there are no outstanding red priority actions from reviews previously concluded and reported to this Committee.

Red and Amber Priority Recommendations Status

5. In addition to this formal audit follow-up process, internal audit obtains status updates from recommendation owners on a quarterly basis for any open red or amber priority recommendations. The outcome from these status checks are reported in Appendix 2 and summarised in the following table. The table shows there are no open red priority actions with 19 amber priority actions open from internal audit work reported previously to Committee.

Audit Actions Status based on Management reports		Progress to agreed timescales			Implementation due in future		
	Open Actions	Progressing according to original agreed timescales	Action slipped, new target dates agreed	Revised Date to be agreed	next 3 months	Next 3 to 6 months	More than 6 months
Red actions	-	-	-	-	-	-	-
Amber actions	19	2	13	4	10	1	4
Total	19	2	13	4	10	1	4

6. There are three amber priority recommendations outstanding relating to the iTrent application (Payroll & HR database system) review undertaken last year . A recommendation concerning configuration hardening for web servers has not been progressed due to lack of resources, which will reduce the risk of loss service or malicious misuse. However a project brief for this work has been written and it is currently estimated that it will take until the end of May 2013 to complete the work on the iTrent web servers.
7. Two further recommendations have not been implemented. The first concerning writing audit trails to a secure server and automated reconciliation of audit logs. The implementation of this recommendation would increase the security of system audit trails. The resource required to undertake this work is not currently available. IS Management will further consider the risks in conjunction with Internal Audit and agree whether it is appropriate that additional resource should be requested or other work reprioritised to release resources to address this.
8. The vast majority of recommendations owners are keeping internal audit updated on any delays in implementing recommendations prior to any agreed target dates being passed. All live red and amber recommendations are now being tracked through the new MK audit automation software which is assisting with a more pro-active approach to audit recommendation follow up and reporting.

9. At the previous Committee meeting the Chairman stressed that unilateral decisions by Departments to permit slippage in the implementation of audit recommendations were not acceptable. Any delays in implementing to an agreed timetable were only acceptable if and when agreed, at a minimum, with Internal Audit. This message has been and will continue to be reinforced with Departments.

Conclusion

10. There is evidence of timely completion of most agreed audit recommendations. Internal audit work focused on obtaining status update information from management of open recommendations in addition to formal audit follow-up reviews will assist in ensuring appropriate management attention is given to completing agreed audit actions.

Head of Audit & Risk Management

- **Appendix 1 – Recent formal audit follow-up reviews**
- **Appendix 2 – Red and Amber actions status update**
- **Appendix 3 – Audit Follow-up process and recommendation priority definitions**

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Audit Follow-ups December 2012 to January 2013					Recommendations Agreed				Recommendations Implemented				Appendix 1
Department	Audit Review	Main Report Finalised	Follow up Date	Assurance level	R	A	G	Tot	R	A	G	Tot	Exception Comments
CLFS	School Fees	Nov-11	Jan-13	Amber	1	2		3	1	2		3	
City Police	Clothing Store	Nov-11	Dec-12	Green			9				6	6	Two outstanding green priority recommendations were related to rolling stock checks which due to limited resources have not been implemented but will be compensated by a full stock take to be undertaken in April 2013 The remaining recommendation concerns preparation of written procedures which has not been done until the future strategy for the stores, including the possibility of outsourcing has been determined in early 2013/14.
Markets and Consumer Protection	Financial Management	Apr-11	Jan-13	Green			2	2			0	0	The two recommendation made are partially implemented since the 'Markets Finance Procedure Manual' is currently in draft form. The Finance and IT Officer stated that progress on the manual has been deferred due to recent changes within the Markets and Consumer Protection and Chamberlain's Departments. The new manual will incorporate new financial processes within both departments and it is likely that it may not be completed until June 2013.

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Audit Actions Status - based on Management reports - AS AT FEBRUARY 2013.				Open Red & Amber		Comments	Open Red & Amber Actions			Planned Implementation date		
Department	Audit Review	Main Report Finalised	Assurance level	R	A		On target	Revised Dates agreed	Revised to be agreed	<3 mths	3 - 6 mths	> 6 mths
Open Spaces	Chingford Golf Course	Aug-10	Amber	0	1	The outstanding recommendation relates to the need to market test the contractual relationship with Aytee Sports to confirm that value for money is being received. It is understood that Members will be asked in February to continue with the existing arrangements, but with a new contract until October 2013. This will provide sufficient time for the IS division to introduce a new on line booking system and payment portal linked to our website, a key requirement of the Recovery Plan. The new, revised, short term contract has already been drafted and addresses the concerns raised in the audit report.		1				1
Chamberlain's Department	Pensions - Corporate Responsibility	Jun-11	Amber	0	2	Implementation of the two amber priority recommendations is linked to the requirements of the Hutton report which have yet to be made statutory. The legislation is intended to be made by 01/4/2013 with implementation anticipated by 01/4/2014.	2					2
Town Clerk's	Declarations	Jun-11	Green	0	1	The revised employee code of conduct has improved guidance on declarations and is now being finalised. Awareness raising activities commenced in Summer and in progress. Finalisation and communication of the new Employee Code of Conduct will complete the full implementation of this Amber recommendation.		1		1		
CLSG	Fee Income	Feb-12	Green	0	1	A revised implementation date of 31/03/13 has been provided for the outstanding amber priority recommendation to reconcile the income system to the banking system, owing to its links with year-end processes and the need to obtain final agreement from the Financial Services Division on agreed procedure		1		1		
GSMD	ICT strategy, security and operations	Apr-12	Amber	0	1	The client advises that implementation of one amber priority recommendation relating to encryption arrangements is in progress. It is understood that Sophos "Govcrypt" is being trialed and rolled out for portable devices, having been implemented already for non portable devices.		1		1		
Chamberlain's Department	iTrent	Oct-12	Amber		3	Amber priority recommendations outstanding. A recommendation concerning configuration hardening for web servers has not been progressed due to lack of resources. However a project brief has been written and it is currently estimated that it will take until the end of May 2013 to complete the work on the iTrent web servers. Two further recommendations have not been implement. The first concerning writing audit trails to a secure server and automated reconciliation of audit logs. The second concerning log retention & activities. The resource required to undertake this work is not currently available. IS Management will further consider the risks in conjunction with Internal Audit and agree whether it is appropriate that additional resource should be requested or other work de-prioritised.		1	2	1		
CLS	Procurement: Compliance with central contracts	Jun-12	Green	0	1	One amber priority recommendation relating to investigation of opportunities for collective procurement between schools is outstanding. We understand that his recommendation will be considered as part of the PP2P programme but the School have indicated that in view of other commitments it is not possible to specify a timescale at this point -			1			

Audit Actions Status - based on Management reports - AS AT FEBRUARY 2013.				Open Red & Amber		Comments	Open Red & Amber Actions			Planned Implementation date		
Department	Audit Review	Main Report Finalised	Assurance level	R	A		On target	Revised Dates agreed	Revised to be agreed	<3 mths	3 - 6 mths	> 6 mths
CLS	Petty cash, CDT safe and inventory	Jun-12	Green	0	1	One amber priority recommendation is outstanding in relation to the introduction of an asset disposal process. We understand that the School will be trialling a new school asset management next month with a view to introducing the system fully in April 2013.		1		1		
DCCS	Construction Design Management Regs	Apr-12	Amber	0	1	Implementation is in progress in respect of the introduction of departmental guidance or other procedures, to ensure that the Housing and Technical Services Division supply individual flat occupiers with health and safety information concerning their home. From February 2013 the Comptroller will include appropriate information in letters which are sent out to prospective buyers. For all estates (including the Barbican) prospective buyers will be advised to contact the relevant estate office. With regard to health & safety information for existing residents, relevant information on how to obtain a health and safety file will be added to the Department's website by March 2013. In addition the new tenants' handbook, planned for publication in December 2013, will include additional information relating to health & safety.		1			1	
DCCS	Affordable Housing	Sep-12	Amber	0	1	One amber priority recommendation is outstanding in respect of inclusion of the on-going revenue cost of additional housing units, plus estimates for rental income, within the 30-year Housing Business Plan. The strategy is still being developed but it is highly likely the deadline will be extended. This is largely due to additional research work necessary to inform the future energy efficiency property investment works we will choose to carry out on our existing stock. This has been prompted by the work being undertaken on the Golden Lane estate where this research has recently begun. The results of this will inform the strategy investment decisions. Timescale not known at this stage.			1			
Markets and Consumer Protection	Markets Car Parks	Apr-12	Green	0	1	The outstanding amber priority recommendation is relates to the procurement of new Car parking IS systems. ~We are advised that the PP2P project is planning to undertake a review of the parking management arrangements this financial year. There are plans to undertake a full review of the viability of parking provision within the City and this includes the feasibility of including the car park barrier equipment in the new off street management contract, which is due to expire in November 2013. The replacement of the car park barrier equipment (if agreed) is unlikely to take place until 2014.		1				1
Culture, Heritage and Libraries	Guildhall Art Gallery	Nov-10	Green	0	2	The outstanding amber priority recommendations relate to the monitoring of annual lending fees by staff and ensuring that the contractual obligations of borrowing institutions are being fulfilled, and update of the departmental risk register to reflect an insurance risk.		2		2		
Barbican Centre	Retail Outlets	Nov-12	Amber	0	3	The outstanding recommendations relating to stock management arrangements are linked to procurement of the EPOS system, scheduled for 31/03/13		3		3		
Total				0	19		2	13	4	10	1	4

Internal Audit Recommendations Follow-up Report – Appendix 3

Internal Audit Follow-up Process

As part of the section’s standard operating procedures, all main audit reviews are subject to a formal audit follow-up exercise to evaluate the progress of management in the implementation of recommendations between six to twelve months after the main audit. These reviews will look to verify the evidence of action taken and may involve some transaction testing where compliance issues were a concern in the original audit review. The details of these reviews are set out in **Appendix 1**. Where it was considered that recommendations were not implemented at time of first audit follow-up, a further follow audit will be scheduled depending on the residual risk posed by uncompleted actions.

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

Audit recommendations are prioritised and categorised as follows.

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

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Committee:	Date:	Item no.
Audit and Risk Management Committee	5 th March 2013	
Subject: Investigation Activity Update Report	Public	
Report of: Chamberlain	For Information	
<p><u>Summary</u></p> <p>Internal Audit continues to provide a professional anti-fraud & investigation service across the City Corporation. The section investigates referrals, received from various sources, as well as working to a proactive anti-fraud plan.</p> <p>Following agreement of the plan at the June 2012 Committee, Members were provided with an update against our pro-active anti-fraud plan in December 2012.</p> <p>This report provides Committee members with details of all relevant Fraud matters affecting the Corporation of London. It also provides Members with a summary of our Investigation activity since December 2012, details the National Fraud Initiative matches released in January 2013, and provides an up-date on our recent recruitment exercise.</p> <p>Enhanced liaison arrangements have recently been developed with the City of London Police’s Economic Crime Directorate. Our recent liaison meetings have been very positive, and focused on our data sharing arrangements, and protocols for referral of sensitive City Corporation audit investigations to the City of London Police. Recent communication between officers from the City Corporation’s Internal Audit section, and officers from the City of London Police has proved productive, with timely advice and information assisting the City Corporation’s investigative activities.</p> <p>Recommendations</p> <p>Members are asked to note;</p> <ul style="list-style-type: none"> • The summary of the investigation activity since our last report in December 2012; • The release of National Fraud Initiative matches, and the progress against these; • The successful appointment of a Fraud Investigator on a six month contract; and • The enhanced liaison arrangements developed between the City Corporation, and the City of London Police. 		

Main Report

Background

1. In our last report to this Committee in December 2012, Members were provided with a report detailing the sections progress against its proactive anti-fraud plan, along with a summary of our fraud investigation activity, and noteworthy outcomes for the reporting period.
2. This report provides Members with a summary of our investigation activity since the last Committee, and details of notable investigation outcomes.

Investigation Activity Summary

3. The following table summarises our investigation activity in the current reporting year; it gives the number of cases closed and number of cases subject to investigation across all disciplines, and also details investigation activity over the past two financial years for comparison, along with a summary of live cases currently under investigation from previous years. The current live cases are mostly complex matters which result in increased investigation time spans.
4. Corporate fraud investigations are in the main reactive, initiated following referral and owing to the seriousness of matters involving employee conduct and potential cash losses, such investigations are prioritised by the Senior Fraud Investigator. Detailed summaries in respect of housing benefit fraud and housing tenancy fraud caseloads are shown as Appendix 1 and 2 respectively.

Investigations Caseload	2012/13				2011/12	2010/11
	Cases brought forward from previous year	New cases opened	Cases closed	Current live cases	Total	Total
Benefit Fraud	20	19	22	17	43	33
Housing Fraud	11	9	10	10	21	19
Corporate Fraud:						
Theft	3	6	6	3	3	5
Cheque Fraud	0	0	0	0	2	2
Employee Conduct	1	5	4	2	6	0
Total	37 ¹	39	42	32	75	59
Notes:						
¹ Of the total number of cases brought forward from the previous year, 25 have now been closed						

Notable Outcomes

5. Housing Tenancy Fraud – During a routine evidence gathering visit to the City’s Avondale Square Estate, as part of a housing benefit fraud case, the Fraud Investigator received a referral from the Estates staff, concerning an alleged housing tenancy fraud. The investigation found that the tenant had left the country some eighteen months ago, and had been sub-letting the property to friends. As a result of our investigation activity, the City Corporation successfully gained possession of this property, which has now been let to a family in need of social housing.

Corporate Investigations

6. The section receives referrals of fraud, theft and corruption via various avenues from employees and the public. A number of the cases referred for investigation cannot be substantiated, represent too low a significance to warrant investigation, or simply result in advice to the Departments concerned to mitigate against similar exposure. Despite the outcomes, these matters still require some investigation and are included in the corporate fraud statistics in the table above.

National Fraud Initiative (NFI)

7. The City Corporation participates in the National Fraud Initiative (NFI) which is a national data matching exercise undertaken by the Audit Commission on a bi-annual basis. The City Corporation submits various data sets to the Audit Commission, including payroll, pensions, housing tenancy, housing benefit and trade creditor payments. These data sets are matched against those provided by other public and private sector organisations, to identify fraud and error; they are returned to the City Corporation as matches for further investigation.
8. On the 29th January, the Audit Commission returned 4,855 matches to the City Corporation for further investigation. The Audit Commission also identified 595 instances where data matching has indicated a high possibility of fraud or error; these instances are being prioritised for review and investigation, above all other matches. As of 8th February 49 instances have been processed, and closed with no further action, whilst a further 54 instances are currently subject to review. Formal investigation activity will commence in cases where such action is deemed suitable. We will seek to update Members on the progress against our NFI activity in future reports to this Committee.

City of London Police Liaison arrangements

9. The Business Support Director, Head of Audit & Risk Management, and the Senior Investigator recently held a liaison meeting with a Detective Superintendent from the City of London Police Economic Crime Directorate. Discussions focused on our liaison activities, data sharing arrangements, and case referral protocols for referral of sensitive City Corporation audit investigations to the City of London Police. Regular liaison meetings will continue, and our communications with the City of London Police since our recent liaison meeting have been very positive and helpful to our work.

Recruitment

10. A Fraud Investigation Officer has been recruited on a six month contract from 21st January to investigate housing benefit and housing tenancy fraud referrals. The Officer has made a strong start, securing the possession of a City Corporation social housing property, being unlawfully sub-let, as detailed earlier within the report.

Conclusion

11. Internal Audit continues to prioritise corporate fraud investigations because of the risks involving potential losses to public funds or assets, and the risks to the City Corporation's reputational damage, resulting from inappropriate employee conduct. Feedback from departments involved continues to remain extremely positive, and support is readily provided where necessary. Where appropriate action is taken by individual Departments following recommendation, to improve management controls, and mitigate against any recurrence of similar irregularity.

Background Papers:

Appendices

Appendix 1: Housing Benefit Fraud Caseload Summary

Appendix 2: Housing Tenancy Fraud Caseload Summary

Contact:

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Appendix 1 – Housing Benefit Fraud Caseload Summary as at February 2013

Housing Benefit Fraud Case Referrals	April 2012 - Date	April 2011 - March 2012	April 2010 - March 2011
Referrals Received in current year	19	25	20
Cases carried over from previous years	20	18	17
Total	39	43	37
Comprising			
Cases currently under investigation	10	12	15
Cases referred to DWP solicitors	0	2	2
Cases referred to City Solicitors	1	4	0
Cases subject to benefit entitlement re-assessment	4	2	1
Cases subject to Admin Penalty Action	2	0	0
Total number of live cases¹	17	20	18
Successful prosecutions	5	3	3
Successful Cautions	1	1	0
Successful Admin Penalties	0	1	3
Cases where fraud proven but no further action taken	4	3	0
Cases closed with no further action	12	15	13
Total number of closed cases	22	23	19
Total	39	43	37
Total value of HB/ CTB overpayments relating to the investigated cases detailed above²	£67,994	£70,558	£33,889
Notes: ¹ Total claim base approximately 1100 individuals ² Total value of benefit payments per annum circa £5.7m			

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Appendix 2 – Housing Tenancy Fraud Caseload Summary as at February 2013

Housing Tenancy Fraud Case Referrals	April 2012 to Date	April 2011 to March 2012	April 2010 to March 2011
Referrals received in current year	9	12	13
Cases carried over from previous years	11	9	7
Total	20	21	20
Cases currently under investigation	9	11	9
Cases closed with no further action	4	6	4
Cases with Comptroller & City Solicitor	1	0	0
Cases where possession pending	0	0	0
Cases where possession order granted	0	0	0
Cases where successful possession gained ¹	6	4	7
Total	20	21	20
Value where successful possession gained ²	£108,000	£72,000	£126,000

¹ 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 Fraud Act 2006.

² Successful possession gained value of £18,000 per property sourced from Audit Commission value of national average temporary accommodation costs to Local Authorities for one family.

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Agenda Item 12

Committee(s):	Date(s):
Audit and Risk Management	05 Mar 2013
Subject: Annual Governance Statement - Methodology	Public
Report of: Town Clerk and Chamberlain	For Decision
Summary The City of London Corporation is required to conduct a review at least one 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 2012/13 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, and the revised CIPFA/Solace guidance note: " <i>Delivering good governance in Local Government</i> " (2012 edition). The draft AGS will be presented to this Committee in June, in track changed and non-track changed formats, 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. This report also gives Members the opportunity to consider whether any changes are required to the issues covered by the AGS. Recommendation(s) Members are asked to: <ul style="list-style-type: none">• approve the proposals in this report for the production and presentation of the Annual Governance Statement for 2012/13, and• consider whether any additional areas should be added to the Annual Governance Statement for 2012/13.	

Main Report

Background

1. The City of London Corporation is required by the Accounts and Audit (England) Regulations 2011 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.
2. The AGS is prepared in accordance with proper practice guidance – *Delivering Good Governance in Local Government* – issued jointly by the Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA).
3. The AGS has to be approved each year by an appropriate committee and signed by the most senior Member and the most senior officer. At the City Corporation, the AGS is approved by the Audit and Risk Management Committee and signed by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.
4. Following a resolution of this Committee in March 2012, the Policy and Resources Committee approved a report on the process for producing the AGS, and approved the practice whereby the AGS is approved by this Committee and signed by the Chairman of the Policy and Resources Committee.
5. The AGS is then 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

6. The Annual Governance Statement for 2011/12 was approved by your Committee in June 2012. This is attached at Appendix 1. A supporting schedule of assurances was presented to your Committee with the draft AGS. An extract from the 2011/12 schedule is attached as Appendix 2, to illustrate the format used.
7. This report outlines the proposed methodology for the production of the Annual Governance Statement for the financial year 2012/13.

Proposals

Format:

8. It is proposed that the AGS for 2012/13 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.
9. The AGS will be presented to your Committee in two versions: one showing "track changes" from the 2011/12 AGS; and the other showing the final version if all of the changes are accepted.

Content:

10. 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.
11. In producing the statement, officers will review the balance between the standing information on the internal control framework, and changes implemented during 2012/13, taking into consideration the overall length of the statement. The outcomes in respect of the Future Developments identified in the 2011/12 AGS (paragraph 55 in Appendix 1) will be incorporated into the relevant sections.
12. During 2012, a CIPFA/SOLACE Joint Working Group reviewed the *Delivering Good Governance in Local Government: Framework*, first issued in 2007, to ensure it remains fit for purpose. In December 2012, the Joint Working Group issued an addendum to the framework and a revised guidance note. In drafting the AGS, officers will take into account this revised guidance, and the updated example annual governance statement provided in the addendum.
13. The guidance note highlights a number of developments since the launch of the framework:

Transparency

14. The government is committed to increasing transparency across Whitehall and local authorities in order to make data more readily accessible to the citizen and to hold service providers to account. The Department for Communities and Local Government published *The Code of Recommended Practice for Local Authorities on Data Transparency* in September 2011, which is concerned with enshrining the principles of transparency.

Localism Act 2011

15. The Localism Act includes a number of provisions intended to give local government new freedoms and flexibility, including:
 - the 'general power of competence' which gives local authorities the legal capacity to do anything an individual can that is not specifically prohibited, and
 - a new duty to promote and maintain high standards of conduct, following the abolition of the standards board regime. Local authorities are required to draw up their own codes of conduct.

Health and Social Care Act 2012

16. This Act restructures public health services nationally and locally. At a local level, local authorities will have responsibilities for public health and are required to appoint a director of public health and create a health and wellbeing board. While objectives will be set nationally for improving population health, local authorities will have the freedom to determine the means by which they are achieved.

- The Role of the Chief Financial Officer
17. In 2010, CIPFA issued the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*. It sets out five principles that define the core activities and behaviours that belong to the role of the chief financial officer and the governance requirements needed to support them.
- The Role of the Head of Internal Audit
18. In 2010, CIPFA also issued the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations*. Its purpose is to clarify the role of the head of internal audit in public services and to raise its profile. CIPFA's statement sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them.
- Police Reform and Social Responsibility Act 2011
19. The Police Reform and Social Responsibility Act 2011 provides for directly elected police and crime commissioners to oversee local police forces, replacing police authorities, but does not apply to the City of London.
20. The impact of these issues on the City of London will be considered during the drafting of the AGS for 2012/13, and reported to your Committee in June.
21. In previous years, Members have also made helpful suggestions as to additional items that should be included in the AGS. **Members are therefore requested to consider whether any additional areas should be added to the AGS for 2012/13.**

Timetable:

22. In recognition of the importance of the AGS as a corporate document, CIPFA argues 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 10th: Performance and Strategy Summit Group of Chief Officers.
 - June 25th: Audit and Risk Management Committee

Supporting evidence:

23. 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 2011/12 (An extract illustrating the format is at Appendix 2). 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.

Appendices:

- Appendix 1 – Annual Governance Statement for 2011/12

- Appendix 2 – Supporting information presented to Committee

Background Papers:

- Reports to Audit and Risk Management Committee 7th March and 14th June 2012: Annual Governance Statement
- CIPFA/SOLACE publications:
 - Delivering good governance in Local Government: Framework (reissued 2012)
 - Delivering good governance in Local Government: Framework – Addendum (December 2012)
 - Delivering good governance in Local Government:– Guidance Note for English Authorities (2012 Edition)

Neil Davies

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ANNUAL GOVERNANCE STATEMENT 2011/12

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 high quality local services and policing for the Square Mile; and to provide valued services to London and the nation as a whole. Its unique franchise arrangements support the achievement of these aims. This Statement refers only to the City of London Corporation in its capacity as a local authority and Police authority.
2. The City of London Corporation ("the City") is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively; and that arrangements are made to secure continuous improvement in the way its functions are operated.
3. In discharging this overall responsibility, the City is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
4. The City has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE ¹Framework *Delivering Good Governance in Local Government*. A copy of the code is on the City's website at www.cityoflondon.gov.uk. This statement explains how the City has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the requirement to prepare an Annual Governance Statement in accordance with proper practices in relation to internal control.

The Purpose of the Governance Framework

5. 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 the community. It enables the City to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
6. The system of internal control is a significant part of that framework and is designed to manage all risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable rather than absolute assurance of effectiveness. The City's system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the City's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
7. The governance framework has been in place at the City for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

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

Key Elements of the Governance Framework

Code of Corporate Governance

8. The principles of good governance are embedded within a comprehensive published Code of Corporate Governance, which links together a framework of policies and procedures, including:
 - Standing Orders, which govern the conduct of the City's affairs, particularly the operation of Committees and the relationship between Members and officers;
 - Financial Regulations, which lay down rules that aim to ensure the proper management and safeguarding of the City's financial and other resources;
 - Terms of reference for each Committee;
 - A corporate framework of delegation, which defines the responsibility for decision-making and the exercise of authority;
 - A Members' Code of Conduct, which defines standards of personal behaviour; a Standards Committee, and register of interests, gifts and hospitality;
 - A Code of Conduct for staff;
 - A corporate complaints procedure, operated through the Town Clerk's Department, with a separate procedure in Community and Children's Services, to comply with the relevant regulations;
 - A corporate Project Toolkit and other detailed guidance for officers, including procedures and manuals for business critical systems;
 - An anti-fraud and corruption strategy, including anti-bribery arrangements, and whistle blowing policy;
 - A Risk Management Handbook
 - Job and person specifications for senior elected Members; and
 - A protocol for Member/officer relations.
9. During 2011/12, the changes agreed as a result of the review of governance reported to the Court of Common Council in March 2011 were applied. These included changes to the composition of Committees and their terms of reference. These changes included the re-constitution of the Audit and Risk Management sub-Committee as a 'Grand' Committee reporting independently of the Finance Committee to the Court of Common Council. The Governance Review Working Party also reviewed the Framework of Accountability and Delegation and concluded that it remained fit for purpose.
10. The new Risk Management Handbook was approved by the Audit and Risk Management Committee in September 2011, and issued to all Chief Officers in October under cover of a letter from the Town Clerk and Chief Executive. A letter was also sent to all Committee Chairmen informing them of their role in the process. Most departments have adopted the revised framework, including regular reporting to Committee.
11. Subsequent to the Governance Review and the revised project management arrangements approved by the Court of Common council in October 2011, revisions have been agreed to Property Standing Orders, procurement regulations and Financial Standing Orders, mainly in respect of project management, procurement and contract letting arrangements.

Appendix 1: Previous Year's Statement

12. Following the enactment of the provisions of the Localism Act 2011 relating to the local government standards regime, the City will be under a duty to promote and maintain high standards of conduct by Members and co-opted Members. In particular, the Court of Common Council must adopt and publicise a code dealing with the conduct that is expected of Members when they are acting in that capacity. The City must also have in place arrangements under which written allegations of the breach of the code can be investigated and decisions on those allegations taken. In response to these legislative changes, the City is developing a local member code of conduct, including appropriate provision in respect of the registration and disclosure of pecuniary and other interests. This will complement the role of the Chief Commoner, who takes a lead in relation to Members' requirements for the efficient conduct of the City's business.
13. The Court of Common Council is defined as the police authority for the City of London Police area in accordance with the provisions of the City of London Police Act 1839 and the Police Act 1996. The role of police authority is to ensure the City of London Police runs an effective and efficient service by holding the Commissioner to account; to ensure value for money in the way the police is run; and set policing priorities taking into account the views of the community. These, and other key duties, are specifically delegated to the Police Committee.
14. The legislation that introduces Police and Crime Commissioners and Police and Crime Panels during 2012 does not apply to the City of London; therefore the Court of Common Council will continue to be defined as the police authority for the City of London Police area.

Business Strategy and Planning Process



15. The City has a clear hierarchy of plans, setting out its ambitions and priorities:
 - The sustainable community strategy for the City of London (The City Together Strategy: The Heart of a World Class City 2008-2014) is a shared focus for the future, helping to co-ordinate partners' activities towards meeting the needs and aspirations of the City's diverse communities. This was informed by extensive consultation with a wide range of stakeholders and specific interest groups.
 - A Local Strategic Partnership (The City Together) oversees the development of the Community Strategy, which is centred on the Square Mile and the City's local authority and Policing functions. Governance arrangements are reviewed each year

Appendix 1: Previous Year's Statement

to make sure that they are able to deliver the current priorities. This includes the structure of the LSP Board and its sub-groups.

- The Corporate Plan shows how the City Corporation will fulfil its role as a provider of services both inside and outside of the City boundaries. The Corporate Plan includes a statement of the City's Vision, Strategic Aims, Key Policy Priorities and Core Values.
 - The City of London Policing Plan details the policing priorities and shows how these will be delivered over the coming year. It also contains all the measures and targets against which the Police Committee hold the City of London Police to account
 - Other corporate plans and strategies are mentioned elsewhere in this document.
16. Plans and strategies are informed by a range of consultation arrangements, such as central and local residents' meetings, representative user groups and surveys of stakeholders. The Corporate Plan for 2011-15 was informed by detailed consultation with elected Members.
 17. The City has a unique franchise, giving businesses (our key constituency) a direct say in the running of the City, and a range of engagement activities, including through the Lord Mayor, Chairman of Policy and Resources Committee and the Economic Development Office. An annual consultation meeting is held for business ratepayers.
 18. In response to the government's health reforms, the City has established a shadow Health and Wellbeing Board, initially formed of key partners from the Adult Wellbeing Partnership and the Children and Young People's Strategic Partnership, with agreed terms of reference and a transitional action plan. Work is progressing on the integration of the Board within the City's governance arrangements. The City successfully applied for Early Implementer Status and is a member of the Early Implementer Network and the London Health and Wellbeing Board Network.

Links to the City of London Corporation's Information Management Strategy

19. The Information Management Strategy (approved October 2009) sets out the headline approach to information management in the City. It summarises the current position, gives a vision of where we want to be and proposes a set of actions to start us on the path to that vision. The Strategy defines our approach to the other key elements for information management, in particular data security and data sharing.
20. Overall responsibility for Information Management Governance is vested in the Information Systems (IS) sub-Committee. The Information Management Governance Board (IMGB) is chaired by the Director of the Built Environment and reports to the IS Strategy Board, which in turn reports to the Performance and Strategy Summit Group of Chief Officers and the IS sub-Committee. The Chief Information Officer was appointed as the Senior Information Risk Owner (SIRO) and Information Asset Owners (IAO) within departments were identified in spring 2010. The IS Division re-affirms IAO appointments annually.

Financial Management Arrangements

21. The Chamberlain of London is the officer with statutory responsibility for the proper administration of the City's financial affairs. In 2010 CIPFA issued a "*Statement on the Role of the Chief Financial Officer in Local Government*" which codifies the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The City's financial management

Appendix 1: Previous Year's Statement

arrangements conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.

22. The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, a system of delegation and accountability, and independent scrutiny. In particular the system includes:
- a rolling in depth survey of the City's forecast position over a five year period;
 - comprehensive budget setting processes;
 - monthly, quarterly and annual financial reports which indicate performance against budgets and forecasts;
 - access by all departmental and central finance staff to systems providing a suite of enquiries and reports to facilitate effective financial management on an ongoing basis;
 - ongoing contact and communication between central and departmental finance officers;
 - clearly defined capital expenditure guidelines;
 - formal project management disciplines;
 - an in-house internal audit service;
 - insuring against specific risks;
 - scrutiny by Members, OFSTED, CQC, HMIC, other inspectorates, External Audit and other stakeholders, and
 - requests for Members and Chief Officers to disclose related party transactions including instances where their close family have completed transactions with the City of London Corporation.
23. Action is being taken to address the shortfall identified by the medium term financial forecast, a situation exacerbated by the Local Government Finance Settlement which resulted in significant reductions in Government Grant. Reductions of 12.5% are being implemented to most budgets on a phased basis from 2011/12 and further targeted/selective budget reductions and efficiency programmes are being pursued including those arising from new corporate wide procurement arrangements. It is anticipated that these actions will protect the City's financial position over the next two years. However, further action may be required depending, amongst other things, on the detailed grant figures for the next two years (2013/14 and 2014/15) of the Government's four year Comprehensive Spending Review period. An Efficiency Board monitors the savings achieved and a Transformation Board is overseeing the change process. The Efficiency and Performance sub-Committee receives regular reports from these two Boards.
24. The Policy and Resources Committee determine the level of the City's own resources to be made available to finance capital projects on the basis of a recommendation from the Resource Allocation sub-Committee. Ordinarily, such projects are financed from capital rather than revenue resources, and major projects from provisions set aside in financial forecasts.
25. The City has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:

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- Financial Strategy. This provides a common base for guiding the City's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
 - Budget policy. The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers to continuously seek improved efficiency and find better ways of working;
 - Annual resource allocation process. This is the framework within which the City makes judgements on adjustments to resource levels and ensures that these are properly implemented;
 - Capital Strategy. This ensures that the City's capital resources are deployed to realise its corporate aims and priorities;
 - Corporate Asset Management Plan. This aims to ensure that the opportunity cost of financial resources tied up in land and buildings is recognised, and that expenditure on the portfolio is directed efficiently and effectively to provide value for money;
 - Capital budget evaluation, management and monitoring. The City has a comprehensive system of controls covering the entire life cycle of capital and major revenue projects; and
 - Treasury Management and Investment Strategies. Setting out the arrangements for the management of the City's investments, cash flows, banking and money market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
26. Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to members.
27. Following a review of strategic financial management arrangements, changes have been implemented to further strengthen financial management with the emphasis on the provision of high quality advice across the organisation whilst continuing to maintain sound stewardship of the City Corporation's finances.
28. The performance of the City's financial and property investments are monitored regularly, both in-house and independently, through WM Performance Services and our Independent Investment Adviser (for financial investments) and IPD (property).
29. During 2011/12, the Efficiency and Performance sub-Committee of the Finance Committee assumed the elected Member lead for value for money issues, and for the scrutiny of departmental revenue estimates. The sub-Committee continued to challenge the achievement of value for money at a departmental level and helped to further embed a value for money culture within the City's business and planning processes. In March 2012, the sub-Committee agreed proposals for a new approach to identifying further efficiency savings through cross-cutting reviews, rather than departmental reviews.
30. The Police Performance Management and Value for Money sub-Committee's responsibilities include overseeing the force's resource management in order to maximise the efficiency and effective use of resources to deliver its strategic priorities; and monitoring government, police authorities and other external agencies' policies and actions relating to police performance. Following a review of policing governance, the sub-Committee has been renamed as the Police Performance and Resource Management sub-Committee.

Appendix 1: Previous Year's Statement

31. Revised project management and procurement arrangements were approved by the Policy and Resources Committee, and the Court of Common Council in October 2011. These provide a more consistent approach to project management and better co-ordination of the portfolio of projects across the organisation. A Projects sub-Committee has been established and meets monthly to ensure that projects align with corporate objectives and strategy, and provide value for money. A Corporate Programme Office has been established in the Town Clerk's Department and a revised project procedure has been introduced to encourage consistency of delivery across the organisation, while allowing flexibility to respond to circumstances with appropriate speed.

Risk Management

32. During 2011/12, a full review was undertaken of the City's Risk Management framework, resulting in a refreshed strategy and policy, published in a Risk Management Handbook, approved by the Audit and Risk Management Committee in September 2011. The framework aligns with the key principles of ISO 31000: Risk Management Principles and Guidelines and BS 31100: Risk Management Code of Practice and defines clearly the roles and responsibilities of officers, senior management and Members. The Handbook emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear protocol for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level. The re-focussed framework assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives.
33. The Strategic Risk Management Group, consisting of senior managers representing all departments, including the City of London Police, meets twice annually. The group is chaired by the Deputy Town Clerk, the officer risk management champion, and is a considerable driver in promoting the application of consistent, systematic risk management practices across the organisation. A Core Team of members of the Strategic Risk Management Group meets at regular intervals throughout the year and provides the central coordination point for the consideration of strategic risk and the evaluation of emerging issues.
34. Actions being taken to mitigate operational risks are monitored by Chief Officers and by the relevant service Committee. Corporate oversight of strategic risk is provided by the Chief Officers Group and Audit and Risk Management Committee, in addition to the receiving quarterly risk update reports, this Committee has adopted a cycle of regular in depth review of individual risks stated on the Strategic Risk Register.
35. During 2011/12, three new risks were added to the Strategic Risk Register; Pond Embankment Failure at Hampstead Heath, Public Order and Protest, and service disruption as a result of industrial action. This last risk was added in the autumn in response to the threat of industrial action over public sector pensions, but was later removed to be managed on an operational level. Similarly, the residual risk of major IS failure was considered to be low and so this was also removed from the Strategic Risk Register.

Health & Safety

36. The Health & Safety at Work Act (1974) requires the City as an employer to ensure that it implements systems for the protection of its staff and visitors. The Corporate Health & Safety Policy, which is currently under review, is aligned to HSG65, the

Appendix 1: Previous Year's Statement

Health and Safety Executive's guidance document on the essential philosophy of good health and safety. It also fulfills the requirements of the Corporate Manslaughter Act (2007). Its goal is to ensure that safety becomes part of normal business by applying a practical, sensible and common sense approach.

37. Top X (the City's Health & Safety risk management system) was successfully aligned into the business planning process in 2010. Operating alongside the risk management process, it assists in ensuring that specific safety risks are integrated by Chief Officers within their business planning. All departments regularly submit their Top X which is analysed and considered twice a year by the Corporate Health & Safety Committee, chaired by the Deputy Town Clerk. This allows any emerging issue to be managed, and it is envisaged that Top X will also provide the Chief Officers Group with a corporate strategic oversight of any safety risks.

Business Continuity

38. The Civil Contingencies Act (2004) requires the City, as a Category 1 responder, to maintain plans to ensure that it can continue to exercise its functions in the event of an emergency, requiring responders to train their staff responsible for business continuity, exercise and test their plans, and review these plans on a regular basis.
39. The City has an overarching Business Continuity Strategy and Framework and each department has their own business continuity arrangements. The disaster recovery solution for the City was reviewed in 2010 and a new contract has been agreed. Both corporate and departmental arrangements are regularly reviewed to ensure they align with the relevant risk registers and business objectives. Officers from the different departments share best practice and validate their arrangements through the Emergency Planning and Business Continuity Steering Group, which sits on a quarterly basis.
40. Management of the City's business continuity management system (BCMS) lies with the Security and Contingency Planning Group, and all departments play a role in it. The group has provided training to departments on core business continuity competencies required and has conducted an internal review of the BCMS as a whole. An action plan based on this review is currently under implementation. Following an independent internal review by the Cabinet Office's Emergency Planning College, the City was awarded the Certificate of Alignment to the British Standard for Business Continuity (BS25999-2:2007) on 20th April 2011.

Role of Internal Audit

41. Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit programme, with key risk areas being reviewed annually. This is reinforced by consultation with Chief Officers and departmental heads on perceived risk and by a rigorous follow-up audit and spot checks regime.
42. The internal audit process is supported, monitored and managed by the Audit and Risk Management Committee in accordance with CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
43. The Internal Audit Section operates under the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (CIPFA Code). The annual internal review of the effectiveness of the Section in relation to the CIPFA Code has found that the Section is fully compliant with the Code. In 2010 CIPFA issued a "Statement on the Role of the Head of Internal Audit in Public Service Organisations" which codifies the key responsibilities of this role and sets out how the

Appendix 1: Previous Year's Statement

requirements of legislation and professional standards should be met. The City's Head of Internal Audit arrangements conform to the governance requirements of the Statement.

44. The Audit and Risk Management Committee has overseen the introduction by internal audit of a more targeted approach to the follow-up and implementation of high priority audit recommendations during 2011/12 to ensure the internal control environment is maintained.
45. The fraud investigation function continues to be effective, to exceed national targets for housing benefit fraud sanctions and to conduct a wide range of anti-fraud activities

Performance Management

46. The corporate business planning framework sets out the planning cycle with clear linkages between the different levels of policy, strategy, target setting, planning and action (the "Golden Thread").
 - All departments are required to produce annual departmental business plans for approval by the relevant service committee(s). These are all clearly linked to the overall Corporate Plan and to The City Together Strategy. The plans also show key objectives aligned with resources – financial and staffing – and other corporate considerations (e.g. risk management; Health & Safety management; learning and development).
 - All departments are required to report quarterly to their service committees with progress against their business plan objectives and with financial monitoring information.
 - Regular performance monitoring meetings are held by the Deputy Town Clerk with selected Chief Officers.
 - Performance and Development Appraisals are carried out for all staff, using a standard set of core behaviours. The appraisals are used to set individual objectives and targets and to identify learning and development needs that are linked to business needs. From 2009/10, pay progression has been linked to performance assessments under the appraisal process.
 - 360° feedback forms part of appraisals for chief officers and selected senior officers, as well as being used for management training.
47. Performance is communicated to Council Tax and Business Rates payers through the City-wide residents meetings, an annual business ratepayers' consultation meeting and regular electronic and written publications, including an annual summary of performance and accounts. A six-monthly Senior Managers Forum has been introduced to complement the annual strategic briefings which are held for all staff.
48. In 2011, the City retained its Investors in People accreditation. Improvements noted in the final assessment report included business planning – *"excellent at all levels, and has succeeded in becoming more 'joined up', accessible and meaningful"* and governance and leadership – *"more inclusive, 'modern', and responsive to ever changing needs"*.

Audit and Risk Management Committee

49. The new Audit and Risk Management Committee is an enhanced source of scrutiny and assurance over the City's governance arrangements. It considers and approves internal and external audit plans, receives reports from the Head of Audit and Risk Management, External Audit and other relevant external inspectorates, including

Appendix 1: Previous Year's Statement

HMIC, as to the extent that the City can rely on its system of internal control. The Committee reviews the financial statements of the City prior to recommending approval by the Finance Committee and considers the formal reports, letters and recommendations of the City's external auditors. The Committee also monitors and oversees the City's Risk Management Strategy. During 2011/12, a third external Member was appointed to the Committee. The Committee also started a systematic programme of detailed reviews of each of the risks on the City's Strategic Risk Register.

Review of Effectiveness

50. The City has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the internal auditors and managers within the authority who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates.
51. Processes that have applied in maintaining and reviewing the effectiveness of the governance framework include scrutiny primarily by the Policy and Resources, Finance, Police, Audit and Risk Management, Investment, and Standards Committees; and the Resource Allocation, Police Performance Management and Value for Money, and Efficiency and Performance sub-Committees.

Head of Internal Audit's Opinion

52. The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 ("the CIPFA Code") requires the Head of Internal Audit to provide a written report to those charged with governance timed to support the Annual Governance Statement. The Head of Internal Audit is satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow him to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes. In his opinion, the City has adequate and effective systems of internal control in place to manage the achievement of its objectives. In giving this opinion he has noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.
53. Notwithstanding his overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures which management has accepted and are documented in each individual audit report. He notes the timeliness in the implementation of priority audit recommendations has improved during the year, and strategic risk management arrangements have been enhanced.
54. His annual report draws out one area of particular emphasis requiring management attention in the area of ICT operational and security controls.

Future Developments

55. The governance framework is constantly evolving due to service and regulatory developments and assessments. Improvement plans have been compiled in response to the reports and assessments summarised above. Controls to manage principal risks are constantly monitored, in particular for services with statutory responsibilities for the safety of vulnerable people. In order to maintain, develop and strengthen the existing governance framework future plans include:

Appendix 1: Previous Year's Statement

- Reviewing arrangements for the City's Local Strategic Partnership in response to Government policy
- Agreeing the governance arrangements for the City's Health and Wellbeing Board
- Refocusing the work of the Efficiency and Performance sub-Committee by introducing a programme of cross-cutting and themed reviews
- Conducting a review of the operation of the new Audit and Risk Management Committee
- Agreeing revised arrangements for a Member code of conduct and local arrangements following changes to the national standards regime
- Conducting a post-implementation review of the changes introduced by the governance review
- Reviewing and refreshing the corporate scheme of delegations, in particular to reflect recent departmental reorganisations
- Implementing the revised risk management framework across the organisation, embedding the systematic and timely review and consideration of risk at the appropriate level
- Implementing the Strategic Finance Review, to improve the quality of strategic financial advice and support the delivery of efficient and effective services
- Agreeing a savings and efficiency programme to address the potential deficit identified in the City's Medium Term Financial Strategy

Chris Duffield
Town Clerk and Chief Executive

Date:

Mark Boleat
Chairman, Policy and Resources
Committee

Date:

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Appendix 2: Format of Supporting Schedule of assurances

ANNUAL GOVERNANCE STATEMENT 2011/12

SUPPORTING SCHEDULE

Key Element	Item	Reporting to Members
Code of Corporate Governance	Committee terms of reference (para 8)	Terms of reference are reviewed by each Committee annually. A composite report of all Committee terms of reference is submitted annually to the Court of Common Council.
	Corporate project toolkit (para 8)	Revised project management arrangements were agreed by the Policy and Resources Committee on 20 th April 2011.
	Anti-fraud and corruption Strategy (para 8)	The revised anti-fraud and corruption Strategy was agreed by the Audit and Risk Management Committee on 30 th September 2011.
	Risk Management (para 8)	The Risk Management Handbook was agreed by the Audit and Risk Management Committee on 30 th September 2011. It was issued to Chief Officers under cover of a letter signed by the Town Clerk on 20 th October 2011. It was issued to Committee Chairmen under cover of a letter signed by the Chairman of the Audit and Risk Management Committee on 20 th October 2011.
	Revisions to Standing Orders (para 11)	Revisions to Property Standing Orders, procurement regulations and Financial Standing Orders were agreed by the Court of Common Council on 6 th October 2011.
	Standards regime (para 12)	The impact of changes to the national standards regime as a result of the Localism Act 2011 were reported to the Standards Committee on 28 th February 2012.
Business Strategy and Planning Process	Sustainable Community Strategy (para 13)	The City Together Strategy (the sustainable community strategy for the City) was agreed by the Court of Common Council and the City's local strategic partnership (The City Together) in July 2008.

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City of London Corporation
(City Fund)

Report to the Audit and Risk
Management Committee on the
year ended 31 March 2012
Certification work

Final Report

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1. Executive summary

We have pleasure in setting out in this document our key findings from our claims and returns certification work of the City of London Corporation ("the Authority") for the year ended 31 March 2012. This report is not intended to be exhaustive but highlights the most significant matters that have come to our attention.

Certification deadlines	We have certified 5 claims and returns required under our contract with the Audit Commission (see Section 4 for details), for the year ended 31 March 2012. All of the claims and returns we reported on were certified by the required deadline.					
Results of our claims and returns certification work	As a result of errors identified through the performance of our procedures, adjustments were required to 2 of the 5 claims/returns prior to certification. We have summarised the number of adjustments identified and our conclusion on whether we were able to certify without a qualification letter in the table below. It should be noted that adjustments to cells do not necessarily result in a net impact on the claim or return as they may net off with other adjustments or be memoranda items.					
	Claims/returns	Value of claim (£)	Number of cells adjusted	Financial impact Increase/ (Decrease) (£)	Qualified in 2011/12	Qualified in 2010/11
Pooling of housing capital receipts ("CFB06")	164,000	0	NO	NO	NO	
National non domestic rates return ("LA01")	725,206,395	0	NO	NO	NO	
HRA subsidy return ("HOU01")	(482,305)	7	NO	NO	NO	
Teachers' pension return ("PEN05")	152,926	0	NO	NO	NO	
Housing and council tax benefit scheme ("BEN01")	6,011,119	1	NO	NO	NO	

Total fees charged in respect of the work performed on the 5 claims and returns (2011: 6) certified by Deloitte were £48,450 (2011: £50,840).
Section 4 of this report sets out the fees charged on each of the 5 claims and returns we certified.

Fees

2. Introduction

Purpose of this report

This letter is addressed to the Audit and Risk Management Committee of the Authority and is intended to communicate key issues arising from our 2011/12 certification work. This Letter will be published on the Authority's website.

Our responsibilities

Under Section 28 of the Audit Commission Act 1998, the Commission is responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or a Public Authority to a Local Authority. The Commission, rather than its appointed auditors, has the responsibility for making certification arrangements. The appointed auditor carries out work on individual claims as an agent of the Commission under certification arrangements made by the Commission which comprise certification instructions which the auditor must follow.

The respective responsibilities of the audited grant paying body, authorities, the Audit Commission and appointed auditors in relation to claims and returns are set out in the 'General Certification Instructions' produced by the Audit Commission.

Auditors presented with any claim or return that is not covered by a certification instruction should refer the matter to the Audit Commission for advice. If the Audit Commission has formally declined to make certification arrangements for a scheme, an auditor cannot act in any capacity. However, if the Audit Commission has not formally declined to make arrangements, the auditor can decide to act as a reporting accountant.

Any claims that we are asked to certify outside of the Audit Commission framework contract will be subject to a separate engagement letter between Deloitte, the Authority and any other party who will be relying on the results of our grant audit work. This engagement letter sets out the responsibilities of all parties involved in the engagement, the scope of our work and our terms of business.

The scope of our work

Auditors appointed by the Audit Commission are required to:

- review the information contained in a claim or return and to express a conclusion whether the claim or return is: i) in accordance with the underlying records; or ii) is fairly stated and in accordance with the relevant terms and conditions;
- examine the claim or return and related accounts and records of the Local Authority in accordance with the specific grant certification instructions;
- direct our work to those matters that, in the appointed auditor's view, significantly affect the claim or return;
- plan and complete our work in a timely fashion so that deadlines are met; and
- complete the appointed auditor's certificate, qualified as necessary, in accordance with the general guidance in the grant certification instructions.

These responsibilities do not place on the appointed auditor a responsibility to either:

- identify every error in a claim or return; or
- maximise the authority's entitlement to income under it.

We would like to take this opportunity to express our appreciation for the assistance and cooperation provided during the course of the certification procedures. Our aim is to deliver a high standard of service which makes a positive and practical contribution which supports the Authority's own agenda. We recognise the value of your cooperation and support.

3. Results of our claims and returns certification work

Claims and returns certified without adjustment or a qualification letter

We were able to certify the following 3 claims/returns without adjustment or a qualification letter:

- Pooling of housing capital receipts return ("CFB06").
- National non domestic rates return ("LA01")
- Teachers' pension return ("PEN05")

Claims and returns certified with adjustment and without a qualification letter

There is no concept of materiality in the certification of the claims/returns. We were able to certify the following 2 claims/returns with adjustments and without a qualification letter:

HOU01 - HRA subsidy return	
Adjustment details	Our procedures for the certification of the HOU01 return identified errors in relation to 7 cell calculations. Of these, errors in 3 cells were due to the cells being left blank instead of inserting "0". The other 4 cells were all impacted by an error made in the calculation of the Authority's capital financing requirement for the year. This was due to adjustments to the capital financing requirement during the year that had not been included in the calculation by the Authority. These errors could have impacted the calculation of the Authority's consolidated rate of interest. However, the adjustment was not in fact of sufficient magnitude to change the rate. Therefore, the amendments did not impact the overall subsidy entitlement on the claim/return.
Deloitte response	We discussed the errors with the Authority and the Authority chose to adjust the claim/return for the errors noted above. In our return submitted to the Department of Communities and Local Government we reflected the fact that the claim/return had been amended.
BEN01 - Housing and council tax benefit scheme	
Adjustment details	Our procedures for the certification of the BEN01 return identified a £1 rounding error in relation to the calculations in cell 142.
Deloitte response	We discussed the errors with the Authority and the Authority chose to adjust the claim/return to for the errors noted above. In our return submitted to the Department of Work and Pensions we reflected the fact that the subsidy claim had been amended.

4. Certification information

Our work on the Authority's claims and returns for the year ended 31 March 2012 is now complete and the table below summarises the results of this work and our billings by return.

Under the Audit Commission framework agreement we bill our work on a time incurred basis. No Significant differences on fee when compared to 2011 were noted. All variances were under £1,000.

Certification instruction	Within Audit Commission framework	Claim/ return	2012 value of claim (£)	2012 results of audit work	2012 audit fee (£)	2011 audit fee (£)
BEN01	Yes	Housing and council tax benefits scheme	6,011,119	Amended	27,850	28,265
CFB06*	Yes	Pooling of housing capital receipts	164,000	Satisfactory	3,700	-
HOU01	Yes	HRA subsidy	(482,305)	Amended	3,900	3,550
LA01	Yes	National non-domestic rate return	725,206,395	Satisfactory	9,550	8,730
PEN05	Yes	Teachers' pension return	152,926	Satisfactory	3,450	3,140
EYC02	Yes	Sure start, early years and childcare grant claim	N/A	N/A	-	3,105
HOU02	Yes	Housing Finance base data return	N/A	N/A	-	4,050
TOTAL					48,450	50,840

*The Pooling of housing capital receipts for 2011/12 were just over the Audit Commission threshold of £125,000 and therefore required audit certification.

5. Responsibility statement

The Statement of Responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns, issued by the Audit Commission, 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

Chartered Accountants

St Albans

31 January 2013

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Committees:	Dates:
Audit and Risk Management Committee Projects Sub-Committee	05/03/2013 19/04/2013
Subject: Strategic Risk 6: Project Risk	Public
Report of: Town Clerk	For Decision
<p>Summary</p> <p>The City of London Corporation invests substantial capital and revenue resources in developing and delivering projects. Projects range from capital schemes to the corporate and investment property portfolio to transformation projects that change the way the organisation operates. Managing the risks involved in each project is vitally important not only because many of them expose the City Corporation to reputational, operational or financial problems if they are not delivered effectively, but because effective risk management results in better use of resources.</p> <p>Dealing with uncertainty is a difficult part of project management and project managers continuously juggle different elements of the project so that the project ultimately delivers the agreed success criteria within budget, on time and to the approved specification. There are three main factors that enable effective project risk management here at the City Corporation. First, robust corporate requirements to manage project risk in a consistent way with governance arrangements and procedures to ensure compliance. Second, a culture that allows for regular, open discussion between Members and officers about projects, healthy debate about risk and different ways of approaching projects. Third, adequate resources and training so that officers are able to manage project risk in the appropriate way and learn from their own and others' experiences.</p> <p>Strategic Risk 6 covers the risk associated with commissioning and delivery of large scale, high profile or prestigious projects. The gross risk is rated Amber with the likelihood rated as 'Possible' and the impact as 'Major'. This report explains the assessment given and the actions being taken in respect of the three factors listed above to mitigate this risk. The action taken to date largely relates to capital, supplementary and routine revenue projects covered by the City Corporation's Project Procedure. However, there are plans to extend some features of the project management arrangements to transformation projects.</p> <p>There have been two key changes to Strategic Risk 6 since the Audit and Risk Management Committee last considered it. The first is that reference to events has been removed from the 'Risk' section. Risk management for high profile events is covered by the Remembrancer's departmental risk register. The second is that the risk owner has changed from 'Relevant Chief Officer' to the Town Clerk. This reflects the Town Clerk's responsibility for implementing the processes, procedures and guidance relating to project management. However, the Chief Officer for each project is responsible for ensuring risk management is carried out for the project.</p> <p>Recommendation</p> <p>It is recommended that the contents of the report be noted and progress on the the key issues and actions set out in Appendix 4 be reported to the Projects Sub-Committee in six months' time</p>	

Main Report

Background

1. The City of London Corporation's capital and revenue resources are severely constrained and decisions about how to allocate resources are taken with great care. Understanding the risks to a project is an important part of deciding which projects should receive funding and how much should be allocated. Risk management as an integral part of managing a project leads to better use of resources as budgets can be reduced as risks are eliminated so funds can be released back to reserves or to other priority projects.
2. Following a review of the City of London Corporation's project management arrangements, the Court of Common Council approved a new Project Procedure in October 2011. The Project Procedure applies to capital and supplementary revenue projects over £50k and larger revenue projects over £250k. The Gateway process that was introduced is provided at Appendix 2 and an explanation of each of the purpose of each Gateway is provided at Appendix 3.
3. Around the same time, other changes were made to improve the monitoring and support of projects developed and delivered by the City Corporation. These included new software to capture information about projects (Project Vision), the appointment of a small Corporate Programme Office and the development of an online Project Toolkit with advice and guidance for officers involved in delivering projects. When procuring Project Vision there was a debate about whether to capture only the top, say 20, large scale projects. However, Members and officers agreed that smaller scale projects still had the potential to expose the City Corporation to great risk, albeit not necessarily of a financial nature. As a result, the decision was taken to capture all projects covered by the Project Procedure in Project Vision.
4. While many of the initiatives introduced in 2011 are relevant to all projects, the focus of the Corporate Programme Office to date has been on the compliance of projects covered by the Project Procedure. Project management arrangements for other types of projects are determined by the department responsible.

Current Position

5. Risk management is at the heart of the City Corporation's project management arrangements. This report assesses the measures in place and the work that is in progress in relation to the three main factors that enable effective project risk management and the challenges that still remain.

Corporate requirements, governance arrangements and procedures

6. Key issues and action points in this section:

	<u>Key Issue</u>	<u>Actions</u>	<u>Paragraph</u>
a.	Variable compliance with requirement to provide project risk register to Programme Office at same time as draft Gateway report	i. Corporate Programme Office to ensure project risk register provided with each Gateway report ii. Corporate Programme Office to raise awareness of this requirement iii. Chamberlain’s Risk and Assurance Function to review risk project risk registers periodically	13
b.	Variable compliance with requirement to update Project Vision with key data monthly	iv. Corporate Programme Office produces statistics on use of Project Vision on a monthly basis and shares with Internal Audit v. Corporate Programme Office to circulate statistics to relevant Chief Officers vi. Corporate Programme Office to report periodically to Corporate Projects Board and Projects Sub-Committee on compliance levels	14

7. The Project Procedure and project governance arrangements at Member level are well established. A review was undertaken of the current project management arrangements in September 2012, one year after they were introduced. The review found that the arrangements are generally working well and that no changes were required. The key features of the project management arrangements relating to risk are set out below.
8. The Project Procedure covers all capital and supplementary revenue projects over £50k and revenue projects (funded from local risk) over £250k. This means that the majority of the City Corporation’s spend on projects is governed by a rigorous approval process and change procedures. As a guide, there are currently some 300 projects currently being developed, delivered or awaiting outcome reports which are worth a total estimated cost of some £450m across the City’s three funds.
9. The Project Procedure contains the Gateway approval process which has two approval tracks – Standard and Streamlined. The decision about the track a project should follow is taken by the Projects Sub-Committee based on the total estimated cost range and the overall level of risk associated with the project. A project can change approval track during its evolution as more information is obtained about the cost and risk of the project.
10. One of the key circumstances in which projects encounter problems is when roles and responsibilities for the project are not clearly defined. Responsibility for projects governed by the Project Procedure is established from the outset and the first Gateway report requires confirmation of the Senior Responsible Officer for the project. The establishment of a Project Board must be

considered at that stage and reasons given if one is not considered necessary. A summary of the governance arrangements must also be included in each Gateway report.

11. Success criteria are defined and approved early in the process. This is important so Members and officers are clear what the project is going to achieve and how success will be measured at the end. The success criteria can be important for establishing the degree of risk that will be tolerated within the project and in which areas (e.g. budget, programme, specification).
12. A risk register should be prepared for each project governed by the Project Procedure, either in the project management system Project Vision or separately. For more complex schemes, risk workshops will be held and the City Surveyor's department has significant experience of facilitating such events. Guidance produced by the Risk and Assurance function on project risk management is available in the Project Toolkit on the intranet.
13. Reporting at each Gateway is carried out via templates which each have a section concerning key risks to the project which will be taken from the project's risk register. Officers are expected to provide the latest version of the risk register for review at the same time as the draft Gateway report is circulated. Compliance with this requirement is not universal and the Corporate Programme Office and Risk and Assurance function need to work together to ensure risk registers are provided as a matter of routine and are subject to periodic review.
14. Project Managers are expected to update Project Vision with key details about the project on a monthly basis, which includes the key risks to the project. Compliance with this aspect of the project management arrangements is variable and the Corporate Programme Office is working with Internal Audit and departments to improve the situation. There are areas of good practise, for example Team Leaders in the Built Environment Department are using the risk information provided in Project Vision at team meetings to ensure project managers are keeping on top of the key risks to their projects.
15. The risk associated with the affordability of the capital programme was reported as part of Strategic Risk 3 in December 2012. However, the Gateway approval process ensures capital spend is scrutinised and controlled carefully.
16. The Gateways represent major decision points during a project's evolution and a number of months, sometimes years, pass between one Gateway report and another. Although certain key data is captured corporately about each live project, it is the responsibility of Chief Officers to determine the processes that are necessary within their departments to ensure projects are managed effectively and efficiently between Gateways.

Culture and communication

17. Key issues and action points in this section:

	<u>Key Issue</u>	<u>Actions</u>	<u>Paragraph</u>
c.	Variable use of confidence ranges to describe uncertainty in projects in Gateway reports	vii. Heads of Finance, Corporate Programme Office and Policy Officers to ensure consistency of approach when reviewing draft Gateway report	21
d.	Retention of approved budgets beyond the end of the project	viii. Corporate Programme Office and Heads of Finance to continue driving prompt production of final account and Outcome Report ix. Town Clerk, Chamberlain and Chief Officers to develop dynamic model of financial management that ensures links are made between project, risk and financial management	22
e.	Inconsistency of information relating to project progress provided to Town Clerk and Chamberlain	x. Corporate Programme Office and Capital Team to work in partnership and challenge cases where inconsistent information provided	23

18. The review of project management undertaken prior to the introduction of the current arrangements in October 2011 found that there was a reluctance amongst officers to communicate about problems with projects. Members and officers have worked hard over the past year to make a shift towards a more open and transparent culture when developing and delivering projects.
19. The Gateway approval process consists of seven Gateways, five of which take place before the project can go ahead and start work. The Gateways give Members the opportunity to influence projects at the optimum time, at the start of the project and during the options appraisal phases. Not all projects go through all seven Gateways and it is possible to flex the process where it is appropriate to do so (e.g. to take advantage of external funding or to achieve appropriate speed to market).
20. The Projects Sub-Committee is keen to understand the risks associated with each option for a project and encourages officers to put forward imaginative solutions, particularly in relation to the procurement strategy as this is a key time to decide how much risk the City Corporation is willing to retain, how much to transfer to a contractor and at what cost. There is a focus on the level of resources sought in the early stages of a project so the right balance is achieved between keeping fees down and obtaining the appropriate volume of information about the risks to the project through surveys and exploratory work. At times this can lead to healthy debate between Committees and/or departments as the appetite for risk varies across the organisation.

21. As a project develops, the inherent level of uncertainty relating to cost, time and specification will diminish as officers gather more information about how it can be delivered. The Project Procedure allows officers to give 'confidence ranges' at each Gateway so that Members are made aware of the uncertainty associated with the information provided. This is becoming increasingly common practice as project managers learn how to make greater use of this facility.
22. There is a culture where officers tend to retain approved budgets beyond the end of the project, rather than handing funds back part way as risks are eliminated. A closer link between project management, risk management and financial management will help change this culture and the Chamberlain, Town Clerk and Chief Officers are working on a dynamic model of financial management to drive this approach through the organisation.
23. Projects Sub-Committee receives regular reports on all projects at a high level on a periodic basis via programme reports which provide a status of 'red', 'amber' or 'green' with all projects rated 'red' and 'amber' reported more frequently. The programme reports are an opportunity for officers to update the Sub-Committee on any potential or actual problems with current projects. The assessment of whether a project is deemed to be 'red', 'amber' or 'green' is made by the project manager based on the progress of the project against the agreed budget, programme and specification. There are a number of projects that have been reported as green while the Chamberlain has been informed separately that there is slippage in the budget which would indicate that the programme will also be in danger of slipping. The Town Clerk and Chamberlain will work closer to ensure consistency of information.
24. There is an Issue Report template available for officers to complete when they encounter a problem with their project at any stage of the Gateway process and a decision is required on how to proceed. A 'lessons learned' box is included in the template so it is possible to learn from specific issues that occur in a timely way, rather than waiting to the end of a project.

Resources, training and learning

25. Key issues and action points in this section:

	<u>Key Issue</u>	<u>Actions</u>	<u>Paragraph</u>
f.	Constrained resources for projects (financial and staff)	xi. Chief Officers to ensure project teams are adequately resourced to deliver projects with sufficient time devoted to appropriate project controls, including risk management	26
g.	Risk management training	xii. Corporate Programme Office, Risk and Assurance function and HR to ensure that appropriate risk management training is provided to officers involved in project management	27
h.	Learning lessons and project management community	xiii. Corporate Programme Office to develop programme of workshops led by project managers to share lessons from completed projects xiv. Corporate Programme Office to develop an online forum, where possible using Sharepoint and if that is not feasible in the short term, an external solution be progressed	28 and 29

26. Capital resources for projects are constrained, as are officer resources for delivering those projects. However, there are still some 300 projects currently in development, delivery or awaiting an outcome report. This can mean that the time devoted to important components of project management, such as risk management, is limited. Project risk management is in its infancy at the City Corporation but the foundations have been laid to make sure it develops effectively.
27. Effective management of project risk is an essential skill for project managers. The IS Programme Office organised a series of workshops on project risk management in January and February 2013 which were open for officers in any department to attend. It will be important to continue to provide training and support in this discipline for all officers involved in project development and delivery.
28. Improving dialogue between officers across the organisation and sharing expertise within the City Corporation is a key area to improve. The Corporate Programme Office will be working to develop a community of project managers over the coming year, including the implementation of an online forum.
29. Gateway 7 of the approval process is the Outcome Report and an assessment is made of the success of the project, including a review of the risk management arrangements. Learning lessons and recognising achievements are key components of the report. Sharing lessons learned is an area for improvement over the coming year.

30. The Association for Project Management's (APM) vision for the future is a world where all projects succeed and its aim is to ensure the project management profession is equipped to make that happen. The City Corporation has various links to the APM and will learn from the work that is being undertaken by that professional body.

Challenges

31. Paragraphs 6 to 30 above set out the measures that have been implemented corporately to ensure risk management is integral to the development and delivery of City Corporation projects. Chief Officers are responsible for managing the risk associated with each of the projects within their portfolio and the Corporate Programme Office, together with the Risk and Assurance function, now needs to work with the relevant Chief Officers to make sure that project risk is managed in the appropriate way.
32. The Corporate Programme Office is aiming to put together a list of the projects that expose the City Corporation to most risk. At present that list can only be compiled based on the knowledge that officers within that team have about each project. Although there will always be an element of judgment involved in determining which projects are the riskiest, it is important that the decision about which to include needs to be made based on the information contained in risk registers in Project Vision about the key risks to the project.
33. Transformation projects are not governed by the Project Procedure. However, the Transformation Board is looking to adopt several key features of the project management arrangements. This will include a similar Gateway process with template reports; utilising Project Vision to capture key information about each project and making use of the guidance available in the Project Toolkit.

Strategic Risk 6 Ownership

34. The risk owner for Strategic Risk 6 has moved from 'relevant Chief Officer' to the Town Clerk. Through the Corporate Programme Office, the Town Clerk is responsible for ensuring appropriate processes, procedures and guidance are available to the organisation in respect of project risk management. However, the Chief Officer for each project is responsible for ensuring risk management is carried out for the project.

Conclusion

35. Project risk management results in effective use of resources and the City Corporation has made good progress in embedding risk management in the delivery of projects. Risk is inherent in managing projects and eliminating risk from projects can be very costly. The City Corporation's Project Procedure allows for decisions to be taken at the appropriate time, in respect of projects governed by those arrangements, about the amount of risk that the organisation is willing to take and at what cost. The culture is gradually changing and there is already greater openness and transparency between Members and officers and between officers in different departments. Sharing more experience across the organisation is imperative so, when problems happen during projects, we learn from them and do our utmost to avoid them a second time. A summary of the key issues facing project risk management

together with mitigating actions is provided at Appendix 4. Taking account of all of the measures implemented or underway in respect of project risk, the net risk remains the same as the gross risk at Amber with the likelihood reducing from a gross rating of 'Possible' to 'Unlikely' and the impact reducing from a gross rating of 'Major' to 'Moderate'.

Appendices

- Appendix 1 – Strategic Risk 6
- Appendix 2 – Gateways Explanation
- Appendix 3 – Project Approval Process (the Gateway process)
- Appendix 4 – Summary of Issues and Action Points

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Risk Supporting Statement: SR6

Risk Owner: Town Clerk

Risk	Commissioning and delivery of large scale, high profile or prestigious projects proves to be inadequate, resulting in reputational, organisational and financial problems.		Gross Risk	A
	Links to: Strategic Aims SA1, SA2 & SA3 and Key Policy Priorities KPP1, KPP2, KPP3, KPP4 & KPP5		Likelihood	Impact
			3	4
Detail	New project management arrangements came in to effect in October 2011 to drive a more consistent approach for capital, supplementary revenue and major revenue projects. The project management arrangements have improved the consistency of information that is being provided about each project and has led to more open communication about the progress being made in the delivery of projects. Once fully embedded the organisation (led by the Projects Sub-Committee) will be better placed to obtain assurance that project risk is being managed appropriately. These arrangements do not cover all projects, generally exceptions will relate to revenue expenditure and change programmes, risks emerging from these projects are expected to be captured within departmental risk registers.			
<u>Specific Threats/Issues</u>		<u>Mitigating Actions</u>		
To be populated with the details of high risk projects as the PM Toolkit becomes embedded and the required level of analysis is available.		Projects Sub-Committee reviews all projects at a high level on a periodic basis via programme reports which provide a status of 'red', 'amber' or 'green' with all projects rated 'red' and 'amber' reported more frequently. The Sub-Committee provides scrutiny of individual proposals and project management to ensure value for money is achieved.		
Further risks to be identified from Departmental Risk Registers as the requirements of the Risk Management Handbook are embedded.		Designation of Project Sponsors and individual establishing individual project boards to provide scrutiny and oversight.		
<u>Summary</u>		Net Risk	A	
At present, this risk relates to the arrangements in place to manage projects and project risk. As the Project Management Toolkit and Risk Management Handbook are embedded, this will evolve to capture specific high risk projects, or significant risks within projects.		Likelihood	Impact	
		2	3	
NB: While the Town Clerk is responsible for implementing the corporate processes, procedures and guidance relating to project management, the Chief Officer for each project is responsible for ensuring risk management is carried out for the project. Further Action: Development of requirements for Post Project Appraisal, learning lessons from experience.		Control Evaluation		
		G		

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Appendix 2 – Gateways Explanation

1. Authority to submit Project Proposal

A very short project proposal report is submitted to the Corporate Projects Board of senior officers who consider whether to give approval to submit the proposal to Members.

2. Project Proposal

A short business case to be prepared seeking authority to proceed to Outline Options Appraisal stage and permission to expend any resource, internal or external. The proposal should establish clear, measurable objectives and benefits. At this stage, the relevant approval track (Standard or Streamlined) will be determined.

3. Outline Options Appraisal

The report should set out a very broad range of viable options for proceeding with the project and seeking guidance from Members on which options to progress. An indication of the intended procurement strategy should be set out at this stage.

If approved, the project enters the shadow capital programme at this stage.

4. Detailed Options Appraisal

Report to be prepared setting out detailed appraisal of options, or variations of an option, taking account of advice by Members on previous report. The level at which the scheme design will be approved is to be determined at this stage (options would include Spending Committee, Projects Sub-Committee, Chief Officer, Project Board, Town Clerk's Programme Office). Approval of the procurement methodology will be sought at this stage (subject to approval of Gateway 4a if City funding is being sought, Gateway 4b if the project is estimated to cost over £2m and Gateway 4c the detailed design at the appropriate level) will be sought at this stage, if required.

4a. Inclusion in Capital Programme (if new City funding is required for the project)

The Resource Allocation Sub-Committee will recommend to the Policy and Resources Committee whether to add a project to the capital programme, hold it in reserve, commission further work or drop it. If a project is added to the programme the Resource Allocation Sub-Committee will advise the Policy and Resources Committee as to how the expenditure should be phased. Reporting at this stage will be prepared by the Town Clerk's Programme Office.

4b. Court of Common Council Approval (projects over £2m)

Approval of the Court of Common Council will be sought at this stage. Court reports will be prepared by the Town Clerk's Office.

4c. Detailed Design

Approval of the detailed design for the option selected at Detailed Options Appraisal, at the level agreed at that stage.

5. Authority to Start Work

Authority to be sought at this stage to begin delivering the project. The results of any tender exercise must be included in this report. The level of progress reporting is determined at this stage and can range from specific project reports to coverage by exception in routine updates.

6. Progress Reports

Short updates on progress made on project with particular focus on risk, cost and time – frequency to be determined at 'authority to start work' stage.

7. Outcome Report

Critical assessment of the project and the achievement of its objectives.

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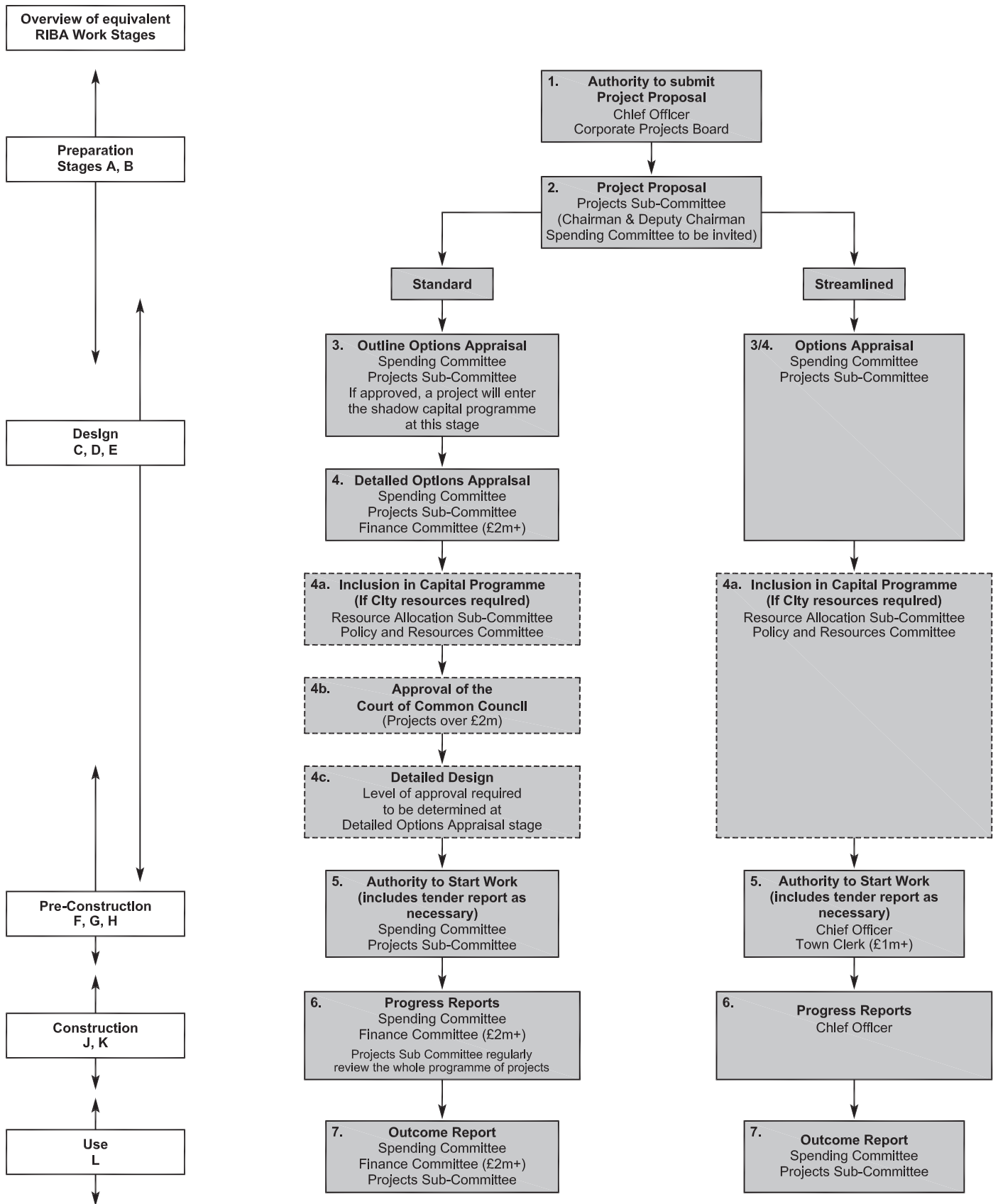
Project Procedure

The procedure applies to projects that result in tangible, physical deliverables in the following categories:

Capital and Supplementary Revenue projects (including those within agreed strategies) >£50k

Routine Revenue projects >£250k

Capital and Supplementary Revenue projects delivered with ringfenced funds >£250k



Risk Cost	Low	Medium	High
Under £250k	Stream-lined	Stream-lined	Standard
£250k to £2m	Stream-lined	Standard	Standard
Over £2m	Standard	Standard	Standard

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Appendix 4 – Summary of Issues and Action Points

	<u>Key Issue</u>	<u>Actions</u>	<u>Paragraph</u>
a.	Variable compliance with requirement to provide project risk register to Programme Office at same time as draft Gateway report	<ul style="list-style-type: none"> i. Corporate Programme Office to ensure project risk register provided with each Gateway report ii. Corporate Programme Office to raise awareness of this requirement iii. Chamberlain’s Risk and Assurance Function to review risk project risk registers periodically 	13
b.	Variable compliance with requirement to update Project Vision with key data monthly	<ul style="list-style-type: none"> iv. Corporate Programme Office produces statistics on use of Project Vision on a monthly basis and shares with Internal Audit v. Corporate Programme Office to circulate statistics to relevant Chief Officers vi. Corporate Programme Office to report periodically to Corporate Projects Board and Projects Sub-Committee on compliance levels 	14
c.	Variable use of confidence ranges to describe uncertainty in projects in Gateway reports	<ul style="list-style-type: none"> vii. Heads of Finance, Corporate Programme Office and Policy Officers to ensure consistency of approach when reviewing draft Gateway report 	21
d.	Retention of approved budgets beyond the end of the project	<ul style="list-style-type: none"> viii. Corporate Programme Office and Heads of Finance to continue driving prompt production of final account and Outcome Report ix. Town Clerk, Chamberlain and Chief Officers to develop dynamic model of financial management that ensures links are made between project, risk and financial management 	22
e.	Inconsistency of information relating to project progress provided to Town Clerk and Chamberlain	<ul style="list-style-type: none"> x. Corporate Programme Office and Capital Team to work in partnership and challenge cases where inconsistent information provided 	23
f.	Constrained	<ul style="list-style-type: none"> xi. Chief Officers to ensure project teams 	26

	<u>Key Issue</u>	<u>Actions</u>	<u>Paragraph</u>
	resources for projects (financial and staff)	are adequately resourced to deliver projects with sufficient time devoted to appropriate project controls, including risk management	
g.	Risk management training	xii. Corporate Programme Office, Risk and Assurance function and HR to ensure that appropriate risk management training is provided to officers involved in project management	27
h.	Learning lessons and project management community	<p>xiii. Corporate Programme Office to develop programme of workshops led by project managers to share lessons from completed projects</p> <p>xiv. Corporate Programme Office to develop an online forum, where possible using Sharepoint and if that is not feasible in the short term, an external solution be progressed</p>	28 and 29

Audit and Risk Management Work Programme 2013/14

(Additions since the last meeting shown in italics)

Date	Items
Tues 05 Mar 2013	<ul style="list-style-type: none"> • Deloitte's Annual Grant Certifications Letter • Internal audit update report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Annual Governance Statement – Methodology • Risk Management Update • Strategic Risk – SR6 – Project Risk • Strategic Risk 2 – Supporting the Business City • Managing Risks for Exhibitions with valuable displays
Tues 25 June 2013	<ul style="list-style-type: none"> • Internal audit update report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Head of Internal Audit Annual Report and Opinion • Annual Governance Statement • Risk Management Update • Strategic Risk 1 – Failure to Respond to a Terrorist Attack • Strategic Risk 9 – Health and Safety Risk • <i>Summary of Inspections by HM Inspector of Constabularies, of the City Police during 2012/13, and the management actions taken</i>
23 Jul 2013	<ul style="list-style-type: none"> • Audited 2012/13 City Fund and Pension Fund Financial Statements together with Deloitte's report thereon • Audited 2012/13 Bridge House Estates and Sundry Trusts Financial Statements together with Deloitte's report thereon • **Audited 2012/13 City's Cash and City's Cash Trust Funds Financial Statements together with Deloitte's report thereon - TBC**

17 Sept 2013	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update • Strategic Risk 11 – Pond Embankment Failure • Strategic Risk 13 – Public Order and Protest
15 Oct 2013	<ul style="list-style-type: none"> • Independent Review of Risk Management Strategy and Handbook • Strategic Risk Review 8 – Reputational Risk • Strategic Risk Review 10 – Adverse Political Developments • Internal Audit Planning 2014/15 • <i>Planning Governance Review</i>
11 Dec 2013	<ul style="list-style-type: none"> • Deloitte's Annual Audit Letter on the City Fund and Pension Fund Financial Statements • Deloitte's annual audit plan for City Fund Financial Statements including agreement of the audit fee • Deloitte's annual audit plan for the Pension Fund Financial Statements including agreement of the audit fee • Deloitte's annual audit plan for the Non Local Authority Funds including agreement of the audit fee • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update

Agenda Item 19

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