



Audit and Risk Management Committee

Date: TUESDAY, 25 JUNE 2013

Time: 1.45pm

Venue: COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

Members:

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

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Lunch will be served in Guildhall Club at 1PM

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **DECLARATIONS BY MEMBERS OF ANY PERSONAL OR PREJUDICIAL INTERESTS IN RESPECT OF ITEMS ON THIS AGENDA**
3. **ORDER OF THE COURT OF COMMON COUNCIL - 25 APRIL 2013**

For Information
(Pages 1 - 2)
4. **ELECTION OF CHAIRMAN**

For Decision
5. **ELECTION OF DEPUTY CHAIRMAN**

For Decision
6. **MINUTES**

To agree the public minutes and non-public summary of the meeting held on 5 March 2013

For Decision
(Pages 3 - 10)
7. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Report of the Town Clerk

For Information
(Pages 11 - 14)
8. **STRATEGIC RISK 11 - POND EMBANKMENT FAILURE**

Joint report of the City Surveyor and Director of Open Spaces.

For Information
(Pages 15 - 30)
9. **STRATEGIC RISK 9 - HEALTH AND SAFETY RISK**

Report of the Director of HR

For Information
(Pages 31 - 34)
10. **STRATEGIC RISK 16 - DATA PROTECTION**

Report of the Town Clerk

For Information
(Pages 35 - 44)

11. **FOSTERING INSPECTION**
Report of the Director of Community and Children's Services

For Information
(Pages 45 - 74)
12. **SUMMARY OF INSPECTIONS BY HM INSPECTOR OF CONSTABULARIES**
Report of the Commissioner of Police

For Information
(Pages 75 - 88)
13. **RISK MANAGEMENT UPDATE REPORT, INCLUDING THE STRATEGIC RISK REGISTER**
Report of the Chamberlain

For Information
(Pages 89 - 118)
14. **PUBLIC SECTOR INTERNAL AUDIT STANDARDS**
Report of the Chamberlain

For Information
(Pages 119 - 166)
15. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT**
Report of the Chamberlain

For Information
(Pages 167 - 176)
16. **INTERNAL AUDIT UPDATE REPORT**
Report of the Chamberlain

For Information
(Pages 177 - 200)
17. **HEAD OF INTERNAL AUDIT ANNUAL REPORT**
Report of the Chamberlain

For Information
(Pages 201 - 214)
18. **ANTI FRAUD AND CORRUPTION UPDATE REPORT**
Report of the Chamberlain

For Decision
(Pages 215 - 232)

19. **LOCAL AUDIT AND ACCOUNTABILITY BILL**

Report of the Remembrancer

For Information
(Pages 233 - 236)

20. **ANNUAL GOVERNANCE STATEMENT**

Joint report of the Town Clerk and Chamberlain

For Decision
(Pages 237 - 270)

21. **AUDIT OF CITY FUND**

Report of the Chamberlain

For Information
(Pages 271 - 280)

22. **COMMITTEE WORK PROGRAMME**

Report of the Town Clerk

For Information
(Pages 281 - 282)

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

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

25. **EXCLUSION OF THE PUBLIC**

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

Part 2 - Non-Public Agenda

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

To agree the Non-Public minutes of the meeting held on 5 March 2013

For Decision
(Pages 283 - 284)

27. **NON AUDIT FEES**

Report of the Chamberlain

For Decision
(Pages 285 - 290)

28. **UPDATE ON FRAUD INVESTIGATIONS**

Report of the Chamberlain

For Information
(Pages 291 - 298)

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

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

Confidential Agenda

31. **CASH HANDLING AND BANKING AUDIT - INTERIM REPORT**

Report of the Chamberlain

For Decision
(Pages 299 - 304)

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Agenda Item 3

GIFFORD, Mayor

RESOLVED: That the Court of Common Council holden in the Guildhall of the City of London on Thursday 25th April 2013, doth hereby appoint the following Committee until the first meeting of the Court in April, 2014.

AUDIT & RISK MANAGEMENT COMMITTEE

1. **Constitution**

A Non-Ward Committee consisting of,

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

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

2. **Quorum**

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

3. **Membership 2013/14**

- 3 (3) The Revd. Dr. Martin Dudley, *for three years*
- 3 (3) Ian David Luder, B.Sc.(Econ.), Alderman, *for three years*
- 3 (3) Robin Anthony Eve, O.B.E., Deputy
- 3 (3) Jeremy Paul Mayhew, M.A., M.B.A.
- 3 (3) Simon Walsh, M.A., Alderman
- 3 (2) Nigel Kenneth Challis
- 3 (2) Oliver Arthur Wynlayne Lodge, T.D, B.Sc.
- 3 (1) Nicholas John Anstee, Alderman
- 3 (1) Jeremy Lewis Simons M.Sc.

together with the Members referred to in paragraph 1.

4. **Terms of Reference**

Audit

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

Risk Management

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

Barradell

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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 5 March 2013

Minutes of the meeting of the Audit and Risk Management Committee held at the Guildhall EC2 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	Deputy Douglas Barrow (Ex-Officio Member)
Hilary Daniels (External Member)	Ray Catt (Ex-Officio Member)
Revd Dr Martin Dudley	Roger Chadwick (Ex-Officio Member)
Oliver Lodge	

In attendance:

Sir Michael Snyder
Mark Boleat

Officers:

Susan Attard	- Deputy Town Clerk
Peter Lisley	- Assistant Town Clerk
Rebecca Kearney	- Town Clerk's Department
Neil Davies	- Town Clerk's Department
Daniel Hooper	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Peter Bennett	- City Solicitor
Chris Bilsland	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Suzanne Jones	- Chamberlain's Department
Paul Nagle	- Chamberlain's Department
Sabir Ali	- Chamberlain's Department
Chris Keesing	Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Heather Bygrave	- External Auditor, Deloitte
Paul Sizeland	- Director of Economic Development
Sonia Solicari	- Department of Culture, Heritage and Libraries

1. **APOLOGIES**

Apologies were received from Robin Eve.

Before commencing the business on the Agenda, the Chairman explained that the running order would be amended slightly, in order to accommodate the visiting Chairmen; Sir Michael Snyder (Projects Sub Committee) and Mark Boleat (Policy and Resources).

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

The Chairman; Jeremy Mayhew, Deputy Chairman; Alderman Luder and Alderman Anstee declared interests, by virtue of their association with possible tenderers, in respect of agenda item 21. Members noted that this item would include an update from the Chamberlain on the tendering process for the new External Auditor for Non-City Fund. The conflicted Members were advised that they need not leave the room, as the update would be on process only, but Alderman Luder chose to do so.

3. **MINUTES OF THE PREVIOUS MEETING**

The public minutes and summary of the Audit and Risk Management Committee held on 5 February 2013 were approved as a correct record, subject to the following drafting error amending Minute 2, lines 2 and 3 as follows: *'... potential conflicts of interest by virtue of their association with possible tenderers'*

4. **STRATEGIC RISK 2 - SUPPORTING THE BUSINESS CITY**

Members noted that Strategic Risk 2 (Supporting the Business City) had been reviewed and updated to take account of the recent initiatives and developments concerning Europe and the controversy surrounding the bonus cap. The Director of Economic Development explained that, although there are external factors beyond the City Corporation's control, the risk is mitigated by a comprehensive, evolving programme of work undertaken by the City Corporation, or facilitated by it through organisations such as TheCityUK.

The Chairman of Policy and Resources (P&R) was in attendance and updated Members on his various activities, which include a regular dialogue with Government departments and EU Member states. The Chairman of P&R also highlighted the timeliness and value of the new Public Relations and Economic Development Sub Committee. Members were reminded that there had been useful discussions on the European approach at the last informal meeting of the Court of Common Council.

There was a general agreement that, given the risk is being managed very actively, the gross risk score (likelihood 5) might be overly pessimistic. Officers agreed to review this before the next update report.

RECEIVED

5. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Hampstead Heath Dams

At the last meeting, the City Surveyor reported on the outcome of the recent tendering exercise; when 3 out of 4 contractors had withdrawn. Members noted that the preferred list had produced premier contractors, who might not have been suited to this type of contract. Since then, the City Surveyor had been working with the Chamberlain on future sourcing and use of the framework. Members were reassured that there had been no undue risk as a result of the previous contract tender failure and recommended that the action be closed.

Post Implementation Review of the Governance Arrangements/Committee Effectiveness Review

Members confirmed the suggestion, from the previous meeting, in that the Quorum should consist of 5 (made up of at least 3 Common Councilmen and at least 1 External Member). The Town Clerk advised that this recommendation would be presented to the Court of Common Council in April 2013 and the action could be then closed.

Public Sector Internal Audit Standards

Members noted that the standards had been issued, but that CIPFA's Local Government Application note was still awaited. Members would receive an update at the June meeting.

International Centre for Financial Regulation (ICFS)

The action relative to closer police liaison would be discharged under item 11 on today's agenda. The Chairman suggested that this action be held in abeyance, pending the outcome of the Police report into the ICFS.

Planning Governance

Please see agenda item 19

Chief Officer Expenses

Please see agenda item 6

Wider Issues affecting Exhibitions with valuable displays

Discharged under Agenda item 8

Tender for the new External Auditor for Non-City Fund

Please see agenda item 21

It was agreed to close down the following actions as they would be discharged on this agenda:

- Internal Audit Planning 2013/14
- Deloitte Annual Audit Plan for City Fund

RECEIVED

6. **CHIEF OFFICER EXPENSE CLAIMS**

Members noted that the Comptroller and City Solicitor had drafted a new procedure. This had been shared with all Chief Officers and was implemented with effect from 25 February 2013. The Deputy Town Clerk advised that the only Chief Officer not currently covered by the procedure was the Commissioner of the City of London Police. A meeting had been arranged to finalise the position and Members would be updated accordingly.

RECEIVED

7. **RISK MANAGEMENT UPDATE**

This report presented Members with an update on the current strategic risk register and the proposal to strengthen the City's risk management framework. Members noted how some recent incidents, relative to Strategic Risk 9 (Health and Safety), had evidenced how that the risk was being managed. The Risk Manger advised that an in-depth review of SR9 (Health & Safety) had been scheduled for the June Audit and Risk

Management Committee. This report would also cover the responsibilities of contractors and implications arising from the Corporate Manslaughter Act.

Members then focused on the new Strategic Risk (SR16 – Data Protection) and the implication of possible fines, similar to those recently imposed on other local authorities. The Chamberlain advised that the loss of paper records was a far greater risk than the loss of data sticks, and ipads/laptops, which encrypted and password protected. The Chairman suggested, and Members agreed, that this risk should be considered further at the next Strategic Officer Group. Members noted that the June Audit and Risk Management Committee would receive an in-depth review on SR16.

In response to a question about the timing of reviews, the Chairman advised that the Committee would receive an in-depth review on each strategic risk once a year, with the exception of (SR11) – Pond Embankment failure at Hampstead Heath, which would be reviewed every 9 months.

Members commented on the objectives within the Risk Management Improvement Plan to review the language, within risk guidance, to avoid using terms with negative connotations. Officers will take Member comments on board, in the work on the risk management improvement plan, which will come back to the Committee in due course. The Chairman was pleased with the content of the report, which evidenced good improvements in risk ownership and management.

RECEIVED

8. **MANAGING RISKS FOR EXHIBITIONS WITH VALUABLE DISPLAYS**

At the Audit and Risk Management Committee of 12 December 2102, Members received a report on the Bride and Bachelors Exhibition at the Barbican Art Gallery and requested a more general report to review arrangements at the Guildhall Art Gallery, and anywhere else within the City Corporation with valuable exhibits. The Head Curator (Exhibitions) was in attendance to take Members' questions. Members noted that the City Corporation's insurers (Axa) were very happy with the arrangements at both the Gallery and Mansion House.

During discussion and debate, the following comments/observations were made:

1. The risk management of theft at, or attack on, the Clock Museum had been regularised.
2. How are basic risks being managed? I.e. the recent flooding from a blocked lavatory in the library was mentioned.
3. Galleries generally aim to be welcoming and inviting and, therefore, the use of airport style body scanners would be inappropriate.
4. The speed of Police response to an incident at the Guildhall Gallery was the most relevant risk consideration, rather than the actual location of the nearest Police Station.

In concluding, it was noted that the biggest risks are the physical security aspects surrounding the City's larger, older buildings with open access. Whilst noting that the risks were being managed well, the Chairman offered support to Community, Heritage and Libraries in enforcing its risk management arrangements. Given that human error is the main area of vulnerability, the Deputy Town Clerk offered to feed back to the City Surveyor, with a recommendation to review training and re-training of security staff and

consistency in their deployment. The Committee agreed to keep this item on the Outstanding Actions list but, for now, it would not be escalated to a strategic risk.

RECEIVED

9. INTERNAL AUDIT UPDATE REPORT

This report provided an update on internal audit activity since the last Audit and Risk Management Committee on 12 December 2012. Members were pleased to note that the position of IS Auditor had been filled and a vacancy for a Trainee/Apprentice Auditor would be recruited to shortly.

Members were asked to note an erroneous sub-heading within the summary of the report; i.e. the first sub-heading said “DCCS Childcare Provision”, when it should have stated “DCCS – Individual care budgets”. The Chairman of the Community and Children’s Services Committee was in attendance and felt that the section on individual budgets had highlighted the value of Internal Audit’s input. Members also thanked the Head of Audit and Risk Management for the helpful format of the Key Performance Indicators.

Members made the following suggestions for inclusion in future reports:

1. In respect of deferred audit reviews, it would be helpful to understand how far they had been deferred. This will be reflected in the next audit update report
2. In respect of client feedback, it would be helpful to have a more detailed discussion on client feedback and understanding as to what is and should be measured. The Business Support Director agreed to include a ‘deep dive’ review of customer satisfaction as part of a future Internal Audit update report.
3. In response to questions about work carried forward, Members noted that this represented work started but not finished. The Head of Audit and Risk Management assured Members that the Audit Plan had been re-cast to ensure a more balanced position at the start of the year. Members noted that sickness levels within the team were in line with the rate in Chamberlain’s and there were no issues with long-term or recurring sickness.
4. Members suggested that the reference to staff cover for volunteering during the 2012 Olympics might have been better recorded as ‘uncontrollable’, rather than a general draw on audit team resources.

RECEIVED

10. INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT

This report provided Members with an update on the implementation of audit recommendations since the last update provided to the Audit and Risk Management Committee on 12 December 2012. An External Member commented on the high number of open ‘Ambers’ on the report. The Head of Audit and Risk Management explained that this represented only Amber recommendations that were open and, therefore, did not include Amber recommendations that had been implemented according to the originally agreed timescales. The Head of Audit and Risk Management agreed that analysis should be undertaken to identify the percentage of Amber recommendations not hitting their original target dates. The outcome from this analysis will be reported in future. The Chairman emphasised that officers should not slip agreed deadlines and offered extra support from the Committee, when appropriate.

RECEIVED

11. **ANTI-FRAUD AND INVESTIGATIONS UPDATE REPORT**

This report provided Members with details of all relevant fraud matters affecting the Corporation of London. Members thanked officers for the greater engagement with the Police, as reflected in the report and were assured of publicity on suitable cases.

RECEIVED

12. **ANNUAL GOVERNANCE STATEMENT - METHODOLOGY**

This report proposed that the production of the Annual Governance Statement (AGS) for 2012/13 should follow the process established in recent years. The report also gave Members an opportunity to consider whether any changes might be required to the issues covered by the AGS. Members noted that they would receive the draft AGS in June, in both track changed and non-track changed formats, accompanied by a schedule of supporting evidence.

In response to a question about compliance generally with Committees' terms of reference, the Chairman suggested that the Audit and Risk Management Effectiveness Review, presented to the last meeting, could be rolled out to other Committees. Members agreed with this approach, given that some of the issues which have come before the Audit and Risk Management Committee, might have resulted from not delivering on terms of reference.

RESOLVED, that:

- 1. The proposals for the production and presentation of the Annual Governance Statement for 2012/13, as set out in the report, be approved.**
- 2. Committees be encouraged to self-assess, if appropriate, using a template similar to that used for Audit and Risk Management Committee's Effectiveness Review.**

13. **DELOITTE'S ANNUAL GRANT CERTIFICATIONS LETTER**

The External Auditor presented this report and Members noted that, for grant claims, the materiality level is effectively set at £1, which means that adjustments have to be made for even the smallest of errors. The Chamberlain advised that this was a very good report, when compared to other local authorities and noted the progress that had been made from a number of years ago.

RECEIVED

14. **STRATEGIC RISK 6 - PROJECT RISK**

Members noted that there had been two key changes to Strategic Risk 6 since the Audit and Risk Management Committee had last considered it:

1. Reference to events had been removed, as this was covered by the Remembrancers' departmental risk register, and
2. The risk owner had changed from 'Relevant Chief Officer' to the Town Clerk. The Assistant Town Clerk and the Corporate Programme Manager were in attendance and advised that this change reflected the Town Clerk's responsibility for implementing processes, procedures and guidance relating to project management. However, Members noted that the relevant Chief Officer is responsible for the operation and risk management of individual projects.

The Chairman of the Projects Sub Committee felt that there had been some progress and a significant culture change in sharing risks with Members. However, compliance was patchy in some areas. The Assistant Town Clerk and Corporate Programme Manager concurred with this view and asked the Audit and Risk Management Committee to lend its support to the following:

1. Releasing remaining funds quickly after the completion of a project, with the timely production of outcome reports. Members noted that the outcome reports also allow sharing of valuable learning and experience.
2. Provision of regular information about project risks to the corporate centre (via '*Project Vision*'), so we know which projects expose the City to most risk and should be subject to periodic review.
3. Encouraging Chief Officers to ensure that project teams are adequately resourced to devote sufficient time to appropriate project controls, including risk management.

The Chairman agreed with the above requests and highlighted the way in which the Projects Sub Committee had raised awareness of these issues and had empowered Chief Officers. Members also noted that, when appropriate, they would receive a report on the savings achieved by the implementation of the Project Procedure.

In response to a question about risk management workshops and training, the Programme Manager advised that, whilst not mandatory, attendance was encouraged. Members noted that the Corporate Programme Office would seek to make this a corporate requirement for project managers; given that it is a skill fundamental to the organisation.

In concluding, the Chairman and Members thanked the Chairman of the Projects Sub Committee and the officers for a thoughtful report and confirmed the Committee's continued support.

RECEIVED

15. COMMITTEE WORK PROGRAMME

Further to the discussion earlier on the Agenda, an in-depth review of Strategic Risk 6 (Data Protection) would be considered at the June meeting.

There was a general agreement that the agenda packs for the Committee were rather lengthy. The Chairman suggested that cover reports be self-contained and asked the Chamberlain, Internal Audit and Town Clerk to consider more efficient ways of presenting information to Members.

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

There were no questions.

17. ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT

There were no public items of urgent business

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 paragraphs 1, 2 and 3 of Part I of Schedule 12 A of the Local Government Act.

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

The non-public minutes of the Audit and Risk Management Committee of 5 February 2013 were approved

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

There were no questions

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

There were two items of urgent business which were considered whilst the public were excluded

An Update on the Tender for new External Auditor for Non-City Fund

The Chamberlain updated Members on progress so far and the process following the Tender Evaluations on 14 March, when a supplier would be recommended. After the 14 March, the Chamberlain would draft a report to the Court of Common Council in April, setting out the recommendation of the Independent Audit Appointment Panel. The report would be shared with all Members of the Audit and Risk Management Committee and those Members, who are not conflicted, would be invited to comment and make observations. In the event of comments being significant, a re-tender would be necessary. Finally, Members noted and agreed that, as non- members of the Corporation cannot speak in Court, Rev Dr Dudley would present the report of the Independent Audit Appointment Panel to the April Court.

Drivers Jonas fees

Members were advised that the above company had been engaged by the City Corporation on a potential litigation case, prior to their acquisition by Deloitte in 2009. Subsequently, this matter had been settled out of Court. The associated fees come under the approval arrangements given with regard to Drivers Jonas fees for work started before its merger with Deloitte. The Chamberlain advised that the fee would be disclosed and an appropriate explanation would be given, showing the distinction between the roles of both companies.

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
Risk Update (general)	Review the language within risk guidance to avoid using terms with negative connotations.	Suzanne Jones/ Sabir Ali	To be included in the work on the risk management improvement plan, this will come back to the Committee in December.
Strategic Risk 2 – Supporting the Business City	Officers agreed to review gross risk score (likelihood 5:Almost Certain) before the next update report.	Paul Sizeland/ Sabir Ali	The Officer Strategic Risk Management Group recommended on 25 March 2013 to reduce this rating to 4 (Likely). To be confirmed within the Risk Update report for June
Strategic Risk 16 – Data Protection Breach	Will be considered further at the next Strategic Officer Group.	Susan Attard/ Sabir Ali	Discharged on 25 June Agenda
Strategic Risk 5 – Flooding in the City	Officer Strategic Risk Group to 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 recommended on 25 March 2013 to retain this rating at 3 (Moderate). To be confirmed within the Risk Update report for June
Public Sector Internal Audit Standards (PSIAS)	More clarity required on the definition of a 'Board' and the role of Audit Committees.	Chris Bilsland/ Paul Nagle	CIPFA's Local Government Application note published in April 2013. Report to Committee on PSIAS at the June meeting.
Internal Audit Update Report	<ol style="list-style-type: none"> 1. In respect of deferred audit reviews, it would be helpful to understand how far they had been deferred. 2. In respect of client feedback, it would be helpful to have a more detailed discussion on client feedback and understanding as to what is and should be measured. 3. Analysis should be undertaken to identify the percentage of Amber recommendations not hitting their original target dates 	Paul Nagle/ Suzanne Jones	<ol style="list-style-type: none"> 1. The September Audit update report will identify to when audit reviews have been deferred, as a result of audit plan changes in the first quarter of 2013/14. 2. The Business Support Director agreed to include a 'deep dive' review of customer satisfaction, as part of a future Agenda. A separate report is planned for the September 2013 meeting. Initial commentary is provided in Head of Internal Audit Annual Report and Opinion – paragraphs 26-28

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Agenda Item 7

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
			3. Discharged on this agenda within the Audit Recommendations Update report
Approval Regime for Officers' Expenses	Noted Town Clerk's responsibility for regularising the arrangements. Update provided to the March Committee.	Susan Attard	Following discussions with City of London Police, it has been agreed that the Chamberlain will authorise the Commissioner's expenses. The process as previously outlined is now fully operational for all Chief Officers.
Tender for new External Auditor for Non City Fund	Report to Court of Common Council in April, with a recommendation from the Independent Audit Panel of the chosen supplier.	Caroline Al-Beyerty	Report emailed to Members of the Audit and Risk Management Committee. The New External Auditors have been invited to meet members before the October ARM meeting.
Wider Issues affecting Exhibitions with Valuable Displays	The Deputy Town Clerk offered to feed back to the City Surveyor, with a recommendation to review training and re-training of security staff and consistency of deployment of staff.	Susan Attard/Peter Bennett	<p>Following the recommendation by the Chairman, a training review for Art Gallery security staff has been carried out. In addition to the general security training undertaken by in-house staff, it has been decided they will attend a specialist short course provided by the Tate Modern.</p> <p>The content of this course will cover the threat to art work and monuments: highlighting issues around vandalism; cut and tube thefts; copyright law; UV</p>

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

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			<p>light damage. The course will emphasise the importance of vigilant security officers: the benefits of patrols, thorough bag scanning, and will also explain the physical security measures: infra-red detection, alarm systems, CCTV camera sight lines and how criminals seek to infiltrate them. It is anticipated the one day course will take place in July for 6-8 of our security officers, at a cost of £500.00.</p> <p>The Barbican Centre Art gallery are of the view that the action is specific to the Guildhall Art Gallery, where security staff and procedures are very different. Internal security at the Barbican Art gallery does not form part of the general site security contracted provision. It is carried out by Gallery staff, who have said that they would be interested in the external training provided by the Tate and will be attending a session in August.</p>
International Centre for Financial Regulation	Chamberlain advised Members to await the outcome of the police report, before taking a view about risk assurance implications	Chris Bilisland	Further to the outcome of the police report, Members will be updated on risk assurance implications. At the time of despatching this agenda, the case had not been to Court
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/P Nagle 2. Julie Mayer/Dan Hooper 3. Neil Davies 	<ol style="list-style-type: none"> 1. Inductions for new Members held in April and the programme will be repeated in June/July. The new ARM member received an induction in respect of Audit matters on the 13/6/13.

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

			2. Revised ToRs were approved by the April Court
Post implementation Review of the Governance Arrangements	<ol style="list-style-type: none"> 1. Quorum to be amended to at least 3 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 Audit and Risk Management Committee set up an Independent Audit Panel to make recommendations to the Court of Common Council for the appointment of External Auditors. 	Julie Mayer/ Dan Hooper	See (2) above.
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. It was agreed at ARM on 5 March that, in addition to being able to use 'external expertise', stakeholders should be included in the consultation.	Susan Attard (Review to be led by the Town Clerk)	<ol style="list-style-type: none"> 1. Scheduled for October ARM Committee. 2. Minutes/resolution from ARM 5 February 2013 added to Planning Committee Agenda for 15 April.
Drivers Jonas and Deloitte	Fee will be disclosed and an appropriate explanation would be given, showing the distinction between the roles of Drivers Jonas and Deloitte.	Caroline Al-Beyerty	Discharged on Agenda for 25 June 2013
General	There was a general agreement that the agenda packs for the Committee were rather lengthy. The Chairman suggested that cover reports be self-contained and asked the Chamberlain, Internal Audit and Town Clerk to consider more efficient ways of presenting information to Members.	All to note/action	On-going

Agenda Item 8

Committee(s):	Date(s):
Audit & Risk Management Hampstead Heath, Queen's Park and Highgate Wood	25 June 2013 22 July 2013
Subject: Hampstead Heath Hydrology – Strategic Risk 11	Public
Report of: City Surveyor and Director of Open Spaces	For Information
Summary	
<p>This report summarises the current position and outlines revisions to the project timetable.</p> <p>Mitigation of the risk continues; with the on-site emergency action plan, monitoring of the dams, telemetry (including weather and water level monitoring) and the support of an emergency response contractor. The project is continuing to progress with “all deliberate speed”.</p> <p>The City Surveyor's Department has appointed Capita as Project Manager for the Ponds project, with specialist consultants (Atkins) to undertake a review of the current risk of flooding, based on storm predictions and, based upon that assessment, they will then prepare options to mitigate this risk for consideration by the City of London Corporation.</p> <p>A revised programme of activities and actions have been agreed and supported by the independent panel engineer, which will allow an extended period for formal consultation with the public and stakeholders. Once complete, the intention is to submit a formal planning application by the end of May 2014 and, subject to consents, for site works to commence early April 2015.</p> <p>Dr Andy Hughes, the Reservoir Supervising Engineer, (Panel Engineer) has been consulted on the changes. He understands the rationale and has agreed to the change.</p>	
Recommendation(s)	
<ul style="list-style-type: none">• Note the adopted revised programme.• Note the likely need for additional professional fees to cover the extended consultation period, which will require separate reports to the Service Committee, Resource Allocation and the Project Sub Committees for additional funding and approval.	

Main Report

Background

1. It has been recognised that the chains of ponds on Hampstead Heath are a significant liability under the 1975 Reservoir Act and other legislation. Approval was given, by the Court of Common Council on 14 July 2011, for the project to upgrade the pond embankments on the Hampstead and Highgate chains.
2. The aims of the project are to reduce the current risk of pond overtopping, embankment erosion, failure and potential loss of life downstream, ensure compliance with the existing requirements of the Reservoirs Act 1975, together with the additional expected requirements under the Flood and Water Management Act 2010, while meeting the obligations of the Hampstead Heath Act 1871 and improving water quality.

Current Position

3. Following the report to your Committees in February 2012, it was agreed that the Audit & Risk Management Committee would receive updates on Strategic Risk 11, and the progression of the Hampstead Heath Ponds Project, every 9 months. Your Committees subsequently received a further report in December 2012. In view of the number of developments on the project so far this year, it was felt appropriate to bring an update to the Committees.
4. As reported to your Committee previously, all possible mitigating actions, apart from the completion of the Hampstead Heath ponds project, have been undertaken. These include the development of an on-site emergency action plan, monitoring of the dams, an emergency response contractor and a telemetry system, which monitors weather and water levels. The ponds project has continued at “all deliberate speed”.

Surveys

5. Specialist surveys: -, The CoL has engaged the specialist companies to undertake, Aquatic, Terrestrial, Water Quality and Archaeological studies. Atkins has specified the work and will manage.
 - Bird surveys – 2 visits completed 2 further to be undertaken over the next 3 weeks, a report will be drafted once the site visits are complete.
 - Great crested newt survey – initial pond assessment completed, focussed site visits undertaken on selected ponds over the next 3 weeks.
 - Aquatic survey – Early season survey work completed Thursday 23rd May. Late season survey and fish survey programmed to take place in July. However as these require pond closures the dates are subject to change.
 - Archaeology – Museum of London Archaeology Service (MOLA) to complete report by the end of May.
 - Water quality – Atkins to confirm timetable.

Design

6. Capita has been appointed as Project Manager for the Ponds Project, with specialist consultants (Atkins) appointed to undertake a review of the current risk of flooding, based on storm predictions. Based upon that assessment, they will then prepare options to mitigate this risk for consideration by the City of London. In addition, a Strategic Landscape Architect has been appointed to assist the project and provide further advice to stakeholders.
7. Atkins has issued a revised unconstrained (long list) options matrix, incorporating comments from the Stakeholders' Group. In addition, they have issued a detailed landscape analysis covering landscape constraints and opportunities. On Saturday May 18th, formal presentations were made to the stakeholders Group, which included various conceptual sketches, hydrographs, cross sections and 3D visuals of the engineering options, which was well received by stakeholders.
8. Atkins are about to circulate a constrained (short list) options report. The next step will be to produce a short list of options for formal consultation with the public and stakeholders, with the intent of selecting a preferred option, which will form the basis of a planning application to be submitted by the end of May 2014 and, subject to consents, site works to commence in April 2015.

Procurement

9. Consultant appointments have been made, along with placement of orders for the various survey works.
10. There has been a delay incurred in the tendering for the main contractor. This was previously reported to both your Committees in February 2013, when it was noted that, during the first tender process for the contractor, three out of four tenderers withdrew within a short space of each other.
11. Having consulted with the Procurement Service, officers have now started a new procurement process and are utilising the London Tenders Portal and a shortened version of the competitive dialogue process. It is now anticipated that the procurement dialogue process will take place in July through to September, with participants submitting a tender proposal in October and the appointment will follow in November 2013.

Project Timetable

12. Members have been keen to ensure that the project progresses with "all deliberate speed", as advised by Counsel. There has, therefore, been interest in the timetable for the project. While a broad timetable has been presented to Committees on a number of occasions, as the project has progressed, it has been necessary to review some elements.

13. In response to stakeholders concerns on available time to review and digest proposals, and the need to formally consult on the short list of options, the timetable has been amended to allow additional time for consultation. In addition to this, the proposal to undertake the wider public consultation over the summer, on the preferred option, had received negative feedback. In view of the importance of consultation in preparing for planning permission, it is proposed that the formal public consultation commence in September 2013. Such an approach is likely to mitigate potential challenges to the project during the planning process, reducing the risk of delay this would present.
14. A revised programme (see below) of activities and actions has been developed and has been agreed and supported by the independent panel engineer. This will allow an extended period for formal consultation with the public and stakeholders. Once complete, the intention is to submit a formal planning application by the end of May 2014 and, subject to its consent, for site works to commence early April 2015.
15. The timetable remains challenging and has no 'programme contingency'; it is possible it will need further revision as we move forward and some of the "unknowns" are identified. Atkins has produced a detailed project programme which aligns with these key dates.
16. As discussed later in this report, the risk of a Judicial Review application remains and, if this were to happen, it could impact upon the timetable for the project. Similarly, the planning process or conditions onsite may also impact upon the project timetable.

	Previous Programme	Updated Programme issued May 2013
Problem Definition		May 2013 – end of June 2013
Atkins undertaking modelling to develop constrained options list to identify a short list of preferred design options.	May 2013	May 2013 – end of July 2013
Dialogue continuing with Heath Management Committee and other appropriate Committees / Stakeholders.		May 2013 – end of June 2013
Shortlist of Preferred Design Options presented to CoL for consideration and for formal consultation with the Heath Management Committee and other appropriate Committees / Stakeholders.	July 2013	July 2013 – September 2013
Procure and appoint 'preferred' contractor to assist in technical design preparation for 'preferred' option		July 2013 – November 2013
Wider Public Consultation	August 2013 – September 2013	September 2013 – November 2013

Preferred Option agreement by CoL and Heath Management Committee and other appropriate Committee's	January 2014	November 2013
Preparation of planning application		February 2014 – April 2014
Submission of Detailed Planning Application to Camden Council	End of February 2014	May 2014
Estimated Determination of Detailed Planning Application	August 2014	November 2014
Commencement of Works on Site (Phasing to be agreed)	October 2014	April 2015
Completion of Works	March 2016	October 2016

Reservoir Supervising Engineer

17. Dr Andy Hughes, the Reservoir Supervising Engineer (Panel Engineer) has been consulted on the changes to the programme (Appendix 1 and 2). Dr Hughes understands that the project will not succeed unless stakeholders feel that they have been listened to, are involved in the project and have agreed to the changes.

Implementation of the Emergency Action Plan

18. Officers continue to engage with officers at Camden and the Metropolitan Police. The Superintendent of Hampstead Heath facilitated a workshop between all three organisations in January 2013. In addition to this, a table top event involving Hampstead Heath, City Surveyor's and the Emergency response contractor took place in March 2013.
19. Further practical exercises will take place, as part of officers' continual activity, to ensure readiness in the event of an incident. Officers have further discussed the decision making around the Emergency Action plan and, in the event of an incident, it is confirmed that the City Surveyor is responsible for taking the various decisions under the emergency action plan – not the Supervising Engineer or the Emergency Response Contractor. This includes any decisions relating to the opening of the valves on the dams.
20. As discussed above, the City is responsible for mitigation measures on the Heath, whereas Camden is responsible for "warning and informing" as Lead Flood Authority. Camden, together with the Metropolitan Police, are the Local Responders who implement Camden's off-site emergency plan.

Potential for Judicial review and other Legal challenges

21. The possibility of a Judicial Review application remains. Based on previous statements, it is likely that this would focus on the relationship between the Reservoirs Act 1975 and the Hampstead Heath Act 1871, and the assessment of risk / appropriate safety standards under national industry guidelines on which the project is based. It is not clear when such a challenge might materialise; this may be a judgement based on the final designs and whether they are considered acceptable in terms of their impact on the Heath landscape. Any planning decision could also be the subject of further challenge.

Stakeholder engagement

22. The Ponds Project Stakeholder Group continues to meet monthly. While there continues to be constructive dialogue, officers are aware that there are two distinct schools of thought locally – those most concerned with the perceived negative impact of the project on the Heath and those concerned with the potential for flooding downstream. Until recently, those expressing environmental concerns have been most prominent and have been highlighted in the local media. Officers are now aware of a growing concern about flood risk downstream (not solely related to the Hampstead Heath ponds) and it appears that there has been an increase in activity in support of flood mitigation measures.
23. Camden residents understand that the project is designed to prevent a catastrophic dam breach and an associated sudden influx of water. It is, however, important to note that while the impact of any flooding associated with the dams and ponds is of particular significance in parts of Camden, residents remain affected by a number of flooding issues, including surface water flooding associated with insufficient sewer capacity.
24. The Design Team have made it clear to stakeholders that the Ponds Project will not exacerbate the issues of surface water flooding downstream and that the attenuation of water, in the upper parts of the catchment, may even assist with smaller rainfall events.

Resources

25. Estimated project costs remain unchanged at £15.12m which is made up of
 - Pre evaluation costs - £0.27m
 - Works and external fees - £14.07m
 - Staff costs - £0.78m

26. Against an agreed budget expenditure of £2,345,000 (excluding COL staff costs), current spend sits at £468,000 with further orders placed for £233,000. Given the changes to the programme, it is likely that forecasted fee expenditure with Capita, Atkins and the Strategic Landscape Architect will increase. These potential additional costs are being evaluated, but are likely to be in the order of £250,000. Should these additional fees crystallise, then further reports will be submitted to the Service Committee, Resource Allocation and Project Sub Committees, seeking additional funding and the relevant approvals.

Corporate & Strategic Implications

27. The works support the strategic aim 'To provide valued services to London and the nation'. The scheme will improve community facilities, conserve/enhance landscape and biodiversity and contribute to a reduction in water pollution, whilst meeting the City Corporation's legal obligations. The risk of any dam breach and serious downstream flooding of communities (and consequent harm to the City's reputation) is mitigated.

Implications

28. The risk of embankment failure at Hampstead Heath is assessed as a high risk on the City of London Corporations Strategic Risk Register. In addition to the current measures to mitigate risks, there are other risks that also need to be considered, including the resources needed for on-going consultation and the potential threat of legal challenge that could still potentially delay the project.

Conclusion

29. The design process is continuing, following the Design Flood Assessment approval by the Hampstead Heath, Queen's Park and Highgate Wood Committee in May 2013. The revised project timetable provides stakeholders with time to consider technical documents, which will assist the development and agreement of the design. In the meantime, the appointment of the main contractor will be undertaken and the Emergency Action Plan continues to be reviewed and tested.

Appendices

- Appendix 1 and 2 – Dr Andy Hughes correspondence
- Appendix 3 Strategic Risk 11

Background Papers:

Details of the legislative background and mitigation measures can be found in previous reports submitted to the Audit & Risk Committee on 22 February 2012 and 12 December 2012.

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City Surveyor's Department

Peter Bennett MA(Cantab), FRICS

The City Surveyor



Telephone 020 7332 1552

Email

Our ref HH-AH-RJC01

Date 3 May 2013

Dr Andy Hughes
Reservoir Supervising Engineer
Atkins Limited
Woodcote Grove,
Ashley Road,
Epsom,
Surrey.
KT18 5BW

Dear Dr Hughes

HAMPSTEAD HEATH PONDS PROJECT – CHANGE TO PROJECT TIMETABLE

Although significant progress has been made over the past few months in progressing the Ponds Project on Hampstead Heath, concerns have been recently expressed by members of the stakeholder group and the Chairman & Deputy Chairman of the Hampstead Heath, Highgate Wood & Queen's Park Committee. The concerns relate to the amount of time stakeholders are being afforded to consider the technically complex documents presented to them. Currently they feel that sufficient time has not been allocated to the process, this is particularly problematic for those representing wider interests as they need time to garner the views of their constituent members.

The City of London Corporation considers that additional consultation is not inconsistent with the requirement to proceed "with all deliberate speed". Considering the local community and the experiences of other dam projects, meaningful consultation is essential. Failure to undertake sufficient consultation at this stage could result in greater challenges at planning stage leading to a possible longer extension of the current project timescales.

Further to the recent meeting of senior City officers with Mike Woolgar and your discussions with Simon Lee, we are writing to you to provide an update on the progress of the scheme and to also advise you that we feel in the interests of the scheme a proposed change to the project timetable is necessary.

As you are aware Atkins has undertaken detailed work as part of a fundamental review to assess the largest flood that the dams could face – known as the Probable Maximum Flood or PMF - and to check if the dams will withstand it. This fundamental review of storm events and resulting flows through the ponds has been carried out using industry standard methods, based on established guidance from the Department for environment, Food and Rural Affairs (Defra) and the Institution of Civil Engineers (ICE).

Preliminary results of review

Atkins' work shows flood peaks are generally 30% to 50% lower than those estimated by 2009 Haycock assessment and there will be less water to deal with. However even at these smaller floods the dams will overtop and breaches are possible, with risk to life and property. This means that works will need to be undertaken to make the dams safe. To reduce the risk to life and property downstream some work will need to be done to ensure the dams can pass the PMF safely.

The change in the quantum of water, while positive news, has resulted in a lot of queries from the stakeholder group as they did not fully understand the technical documents presented to them by Atkins and have needed more explanations so they could explain the differences to their respective organisations. Your support in answering stakeholders queries has been most valuable and the recent meeting at your Epsom offices was certainly much appreciated and has helped members of this group better understand the basis of your report. Your offer of further meetings for representatives of the stakeholder group will we are sure be of value.

In addition to this, the proposal to undertake the wider public consultation over the summer holidays period on the preferred option has received negative feedback. In view of the importance of consultation in preparing for planning permission, it is therefore now proposed that the formal public consultation commence in the autumn. Such an approach is likely to mitigate potential challenges to the project during the planning process, reducing the risk of delay this would present.

Atkins is currently undertaking various modelling to identify a short list of options for the City of London Corporation to consider which should form the basis upon which the City of London Corporation will formally consult the Heath Management Committee, Consultative Committee and the wider public as to the 'preferred' option to be taken as the basis of the proposed planning application in May 2014.

City of London Corporation members have now endorsed an extended project timetable, which seeks to address the stakeholders concerns, whilst being extremely mindful of the strategic risk it and yourself carries. The revised timetable provides stakeholders with more time to be engaged in the iterations moving from a Long List of Options to the two or three preferred options. This additional time demonstrates that the design team is undertaking due process, reducing the risk of planning inquiries which would extend the project timescales considerably.

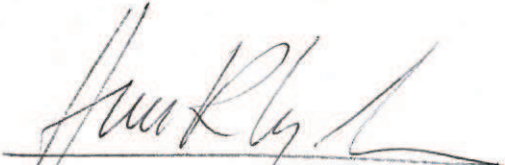
Currently it is anticipated that a three month extension in consultation could potentially extend the whole programme by approximately six months due to seasonal construction and wildlife issues. We would however restate that The City London Corporation is still committed and intent on moving forward to agree a scheme as soon as practically possible to mitigate the risks it is facing, and are endeavoured to proceed with deliberate speed towards the mitigation of this strategic risk to local residents.

We enclose details of the proposed programme with key dates.

	Previous Programme	Updated Programme
Problem Definition		May 2013 – end of June 2013
Atkins undertaking modelling to develop constrained options list to identify a short list of preferred design options.	May 2013	May 2013 – end of July 2013
Dialogue continuing with Health Management Committee and other appropriate Committees / Stakeholders.		May 2013 – end of June 2013
Shortlist of Preferred Design Options presented to CoL for consideration and for formal consultation with the Health Management Committee and other appropriate Committees / Stakeholders.	July 2013	July 2013 – September 2013
Procure and appoint 'preferred' contractor to assist in technical design preparation for 'preferred' option		July 2013 – November 2013
Wider Public Consultation	August 2013 – September 2013	September 2013 – November 2013
Preferred Option agreement by CoL and Health Management Committee and other appropriate Committees / Stakeholders	January 2014	January 2014
Preparation of planning application		February 2014 – April 2014
Submission of Detailed Planning Application to Camden Council	End of February 2014	May 2014
Estimated Determination of Detailed Planning Application	August 2014	November 2014
Place final build order with selected 'preferred' contractor		December 2014
Detailed Design and Preparation for Construction Phase	February – September 2014	January 2015 – March 2015
Commencement of Works on Site (Phasing to be agreed)	October 2014	April 2015
Completion of Works	March 2016	October 2016

We would be grateful if you would formally confirm that you are prepared to support these changes that we feel will enable the scheme to progress effectively and in a timely manner. If indeed you have any particular concerns then please let us know so that we may advise Members accordingly.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Huw Lewis', written over a horizontal line.

Huw Lewis
BSc, BArch, MSc, RIBA, MAPM
Interim Director of Construction Projects Group

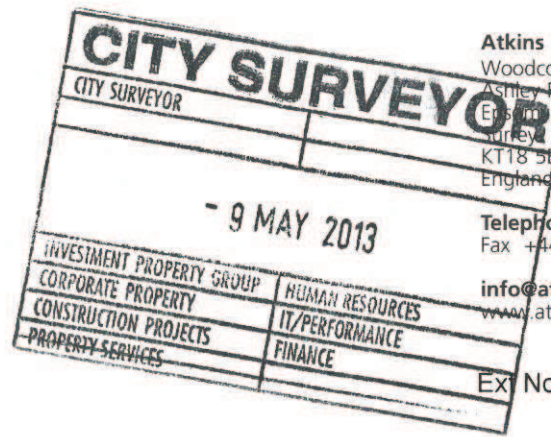
Cc Mike Woolgar Atkins

ATKINS

Your Ref:
Our Ref: 5119758 /CO//21/001

7th May 2013

Huw Lewis
Interim Project Director
City Surveyor's Department
City of London Corporation
PO Box 270
Guildhall
London
EC2P 2EJ



Dear Mr Lewis

**Reservoirs Act 1975
Hampstead Heath Ponds Project
Change to Project Timetable**

Thank you for your letter of the 3rd May.

I understand the concerns about meaningful consultation – the project will not succeed unless the stakeholders feel satisfied that they have been listened to and have been involved in the project.

Whilst I can agree to the proposed change to the project timetable, I am aware of the risks posed by the dams because the work was done under my direction! However, I am carrying a risk and of course the City is carrying a significant risk.

I note the programme showing work continuing in April 2015 rather than October 2014 and can agree to that.

With best regards.

Yours sincerely
For and on behalf of Atkins Limited

Dr Andy Hughes
Director of Dams and Water Resources
Direct Line +44 (0)1372 756287
Mobile +44 (0)7834 506339

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Risk	Major Flooding caused as a result of pond embankment failure at Hampstead Heath Links to: Strategic Aim SA3 and Key Policy Priority KPP4	Gross Risk		R
		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, 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 (the top of the dam) 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).
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<u>Specific Issues</u>	<u>Mitigating Controls</u>
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 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)
Sensitivities of the local community regarding the natural aspect of the Heath	<p>The City has undertaken extensive consultation with local stakeholders about why this public safety 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 a dedicated officer managing consultation. (Director of Open Spaces) Hampstead Heath, Highgate Wood and Queens Park Committee actively engage with the local community. The group has met regularly to develop their understanding of the project and responded to documents provided by the design team, working with the Strategic Landscape Architect, appointed to champion the landscape. (Director of Open Spaces)</p> <p>City Surveyors are about to appoint designers to start mitigation works. First priority upon appointment will be to conduct a verification of the risks associated with the ponds. (City Surveyor)</p> <p>When the preferred design options are developed, wider public consultation may produce new issues not yet anticipated by the Project Board (Director of Open Spaces)</p> <p>There remains a potential risk for Judicial Review. This is most likely to arise in relation to the City's need to adhere to current guidance that sets standards for dams that is opposed by certain groups/individuals.</p>

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

The City Surveyor's Department has appointed a specialist consultants (Atkins) to undertake a review of the current risk of flooding, based on storm predictions and, based upon that assessment, they will then prepare three options to mitigate this risk for consideration by the CoL. A revised programme of activities and actions have been agreed by Members and supported by the independent panel engineer. This will allow formal consultation with the public and stakeholders, with intent of submitting a formal planning application by the end of May 2014 and, subject to consents, site works to commence early 2015.

Project approved by CoL and progressing to Gateway 5. **(City Surveyor)**

Responsibilities and implications for adjacent landowners

Discussion with adjacent landowners has commenced regarding their liabilities and seeking to clarify responsibilities. A report will be presented, once negotiations have progressed. **(City Surveyor).**

Summary and Further Action

The project to upgrade the pond embankments is progressing but, until such time that this project is completed (2015/16), there remains a risk of flooding downstream through a catastrophic dam breach and an associated sudden influx of water. 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, with the Director of Open Spaces.

Net Risk		R
Likelihood	Impact	
3	5	
Control Evaluation		
A		

Agenda Item 9

Committee(s):	Date(s):	Item no.
Audit & Risk Management Committee		
Subject: Health & Safety Policy & Framework – Risk Review		Public
Report of: Director of HR		For Information
<u>Summary</u>		
<u>Strategic Risk 9 – Health & Safety</u>		
<p>This report seeks to update the committee on progress towards reducing the likelihood and/or consequences of a major accident, as a result of health and safety failures occurring within the City of London Corporation.</p>		
<p>Safety management processes have been reviewed and a revised Policy developed and approved. These systems were the subject of a detailed report that previously came to this committee on the 20th September 2012.</p>		
<p>Good progress is being made with the recommendations</p>		
Recommendations		
<ul style="list-style-type: none">• The Committee is asked to note the report		

Main Report

Background

1. This report has been prepared the request of the Audit and Risk Management Committee. It provides an account of SR9 – Health & Safety and the mitigating arrangements in place. This report was supported by the Chief Officers' Group.
2. Strategic Risk 9 – Health & Safety is described as follows: "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.

3. The City has a safety management structure, which would allow the Corporation to demonstrate compliance when implemented at all levels. Key amongst these is the need for all within the organisation to understand their role and participate in the daily operation of the system, training for all employees commensurate with their level of responsibility, and communication management of the hazards involved in their work.

Current Position

4. Mitigating controls are reviewed twice yearly as part of the work of the Corporate Health & Safety Committee. This will move to quarterly from November 2013.
5. The Chief Officers' Group approved the revised Policy on the 27th March 2013. This, in itself, should provide clarity to departments. Crucially, it will facilitate audits to be carried out centrally to strengthen the corporate assurance mechanisms.
 - A formal management process by which corporate health and safety strategies, policies, procedures and corporate safety objectives are set, distributed, communicated and measured has been developed and is currently being implemented.
 - Responsibilities for processes that are linked with health and safety management, such as risk assessment, information, guidance and corporate procedures also need to be better communicated and made more accessible. These have been clarified and will be communicated through all channels including the intranet. Amongst these are the introduction of training for managers at departmental level, which is currently being progressed alongside the health and safety induction process.
 - The health & safety training contract is currently out to tender. Formal needs analysis processes are being developed for the identification of appropriate staff to be trained.
 - Reactive systems for gathering accident, near misses and incident data have been reviewed. The new incident reporting facility went live on the 1st April 2013 to facilitate the gathering of this information and replace the paper based system previously in place.
 - A corporate led audit plan has been devised and departmental audits for Health & Safety compliance will commence in autumn of 2013.

Management of Contractors

6. This is a new entry under the specific threats reflecting various near miss incidents that have been recorded and subsequently notified to us by several departments through the departmental safety manager's forum. This topic is already under consideration within our TopX Safety Risk Register. City Surveyors have the lead in the mitigation of this risk and are working with our main contractor to assure this.
7. **Positively this has demonstrated that we are becoming more proactive, risk aware and that the communication of risk is becoming more effective. The**

recent appointment to the Health & Safety Manager (Property) post, which has been vacant for the last year, will actively aid in substantially mitigating this risk.

Progress

8. Significant progress has been made in removing the “silos” between departments on safety matters. The Corporate Safety team now works very closely with departmental safety coordinators.
9. The Departmental Safety Managers Forum is now fully established and allows for much closer working and communication on matters of health and safety. This has allowed for the development of a number of mini projects to further improve compliance on some matters such as Violence and Lone Working, working at heights training, and more recently some work on managing outsourced services for safety compliance in Community and Children Services.
10. On a Corporate level, the establishment of the new Incident Reporting line, as detailed in paragraph 6, is making it easier to report near misses, which is a more effective means of incident/accident prevention.
11. The team has successfully engaged with wider staff through various means, from insight lunches to holding specific topic awareness days. These were extremely well attended by staff.

Conclusion

12. Overall, health & safety is being managed proactively. Mitigating controls are monitored jointly and corporately by the officers’ health & safety committee and independently by departments through their own committees.
13. Progress has been made on working with service committees to encourage them to seek their own assurance about the management of health & safety. Such assurance should be provided by way of a regular report from the respective Chief Officer. This is already taking place in Open Spaces and we expect more departments to follow.
14. The City is moving towards a more focused and centralised health and safety management system. Ultimately, much like Risk Management itself, we must ensure safety is incorporated into our business processes. The improved systems will revitalise the City of London Corporations approach to health and safety management.

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Agenda Item 10

Committees:	Dates:
Audit and Risk Management Committee	25/06/2013
Subject: Strategic Risk 16: Data Protection Breach	Public
Report of: Town Clerk	For Information
Summary <p>The City Corporation routinely manages considerable amounts of personal information. Any failure to manage properly the personal information which we hold, including personal information held by others on our behalf (normally a contractor), is foremost a failure of responsibility to those individuals who are the subject of that personal information, including staff, Members and those to whom we provide our wide range of services.</p> <p>To highlight the importance of this responsibility, the Information Commissioner has, since 2010, been provided with the power to fine a 'data controller' up to £500,000 for a breach of the Data Protection Act 1998. This is the principal legislation governing the management of personal information. The Commissioner has frequently used this power, particularly in relation to public sector bodies, and is keen to acquire greater auditing powers.</p> <p>A breach of the Act exposes the City Corporation to reputational, operational and financial consequences.</p> <p>The gross risk for Strategic Risk 16 is Red, with the likelihood rated as 'Almost Certain' (see Appendix 1). This is because other people's personal information is processed continually by staff, Members, and by third parties on our behalf. The opportunity for error is, therefore, enormous. Processing can range from a small action, such as using a personalised email address, to a large action, such as the relocation to new offices of a paper-based filing system, containing sensitive personal information about children. Processing also occurs throughout the organisation, although the risk is probably greatest in Community and Children's Services.</p> <p>Mitigating actions include: training and awareness-raising for officers and members; governance arrangements, and IT security measures. Following the promotion of this risk to the Strategic Risk Register, further action will be taken, for example increasing the frequency of reminders to staff.</p> <p>This report explains the structure of responsibility within which the risk is managed, as well as associated actions which have brought the net risk to Amber.</p> Recommendation <p>Members are asked to note this report.</p>	

Main Report

Background

1. The principal legislation governing the management (or 'processing'¹) of personal information is the Data Protection Act 1998 (DPA). The Act came into effect on 1st March 2000, superseding a previous Act which had only applied to electronic records.
2. The DPA covers all personal information, wherever held in the UK, in whatever medium held. It applies to the whole of the City Corporation, although the following are legally separately responsible for their own compliance with the Act: the City of London Police; the Sir John Cass Foundation Primary School; Members with regard to their Ward work; and the Electoral Registration Officer.
3. The DPA imposes legal obligations on the City Corporation when we hold personal information for our own use; this includes personal information held on our behalf by others ('data processors'). A breach of any of the areas of risk, as defined by the Data Protection (DP) Principles listed in Appendix 2, would be a breach of the Act.
4. In April 2010, the Information Commissioner's powers to fine data controllers (any person or body holding, for their own purposes, other people's personal information) up to £500,000 for breaches of the Act came into force; this was in addition to other enforcement action already available to the Commissioner. Appendix 3 summarises the enforcement powers and action. Fines are issued under formal Monetary Penalty Notices, and cannot be insured against.
5. In the City Corporation, DP compliance is monitored and guided centrally by an Information Officer and Assistant Information Officer, working with an Access to Information Network. This resourcing of DP compliance is shared with the resourcing of compliance with the Freedom of Information Act 2000 (FOIA), which applies to our City Fund functions; and the Environmental Information Regulations 2004 (EIRs), which can apply more widely.

The nature of the risk

6. Given that personal data is continuously processed within the City Corporation in large quantities, in a wide range of ways, and in any medium, a list of particular risks can never be exhaustive.
7. Analysis of the Commissioner's Monetary Penalty Notices shows that the main risks are not sophisticated. They are generally:
 - basic negligence in managing email (and fax) addresses;
 - failing to encrypt;
 - failings in hard copy posting, filing, and disposing of personal information; and

¹ Processing' covers anything which is done with personal information

- allowing theft or loss of personal information outside an authority's premises, in hard copy or on laptops, USB sticks, etc.
8. At the City Corporation, emailing, posting, filing and destruction of personal information are continual processes, and the use of e-devices outside our premises is routine. The risk is increased when the 'processing' is outsourced, as illustrated by the highest fine noted in Appendix 3, which resulted from the activities of a contractor, and was exacerbated by the failure to have a personal data processing agreement in place.
 9. Certain service areas are more risk prone than others, due to their need to hold and manage large amounts of personal information. Based on the Commissioner's Monetary Penalty Notices, the highest risk relates to information processed by social services. Other areas at risk include the IS function, which processes vast amounts of personal information electronically; HR; Payroll and Pensions; City schools, and the GSMD.
 10. Although the records management and archive repositories probably contain the great majority of the personal information held by the City in hard copy format, these repositories are professionally managed with a high level of security in the storage and movement of records. The risk of a breach in this area, therefore, is low.
 11. The key mitigations available are training, awareness raising, monitoring, and IT security measures, including encryption of all e-devices.
 12. A related risk to that of a DP breach is to be over-cautious in sharing personal information where release of the information could prove vital to life. Such cases usually become high profile through the media. It is not considered, at this stage, that this would constitute a significant risk for the City Corporation.
 13. All breaches, or potential breaches², reported to the Information Officer or Assistant Information Officer are logged. Since May 2010, 79 breaches and potential breaches have been logged. Of these, 59 were considered not proven, and of these, 56 related to lost or stolen mobiles and Blackberries (and one iPad). Of the remaining breaches, 18 were cases of proven breach, and 2 of presumed breach.
 14. Most of the 18 proven breaches related to accidental disclosure of non-sensitive personal information (within the meaning of the DPA) to unintended recipients. The most common failure (9 cases) was the failure to blind copy ('bcc') the names of third parties in external emails to multiple recipients, e.g. during consultation exercises.
 15. The 2 presumed breaches related to unencrypted laptops which were not issued by the City Corporation but, nevertheless, contained City Corporation information, including some personal information.

Mitigating controls: Governance Arrangements

16. Appropriate governance arrangements are the founding mitigating factor in managing this risk. The senior officer responsible for monitoring DP compliance is the Assistant Town Clerk, Peter Nelson, supported, from 2003,

² Potential breaches' are where breaches are not proven even though the circumstances may suggest it.

by an Information Officer, who was given responsibility for DP (as Data Protection Officer), FOI compliance, and EIRs compliance.

17. In 2011, because the year-on-year increases in FOI requests were causing concern about the resourcing of DP compliance awareness and monitoring, an Assistant Information Officer post was established. In that year, there was a further 41% increase in FOI requests. While, in 2012, the number of requests remained almost exactly the same, this year, a further increase continues to place pressure on resources.
18. In 2003, the Access to Information Network (AIN) was set up, consisting of around 35 officers from across the organisation. In addition to their day-to-day duties, they work with the corporate officers to ensure DPA, FOIA and EIRs compliance in the areas they represent. The responsibilities of the AIN reps include: training and advising colleagues on compliance under the legislation; assisting in tracking and responding to requests for information; notifying the Information Officer of personal data processing in their areas; and being the first point of contact between the Information Officer and departments.
19. The corporate DP Statement was approved in 2001 and is published on the City's website. It affirms commitment to compliance with the DP Principles, nominated officer responsibility, and staff contractual obligations. Our Legal Notices, also published on the website, include a Privacy and Data Protection Statement.
20. The relevant employee policies are: the DP Policy; the Code of Conduct; and the Communication and Information Systems Use Policy. These include guidance on issues such as the use of mobile devices and the approved City encryption software. A Pupil and Parent Data Protection Policy covers DP compliance at the three City Schools and GSMD, all of which have AIN reps.
21. Contracts with third parties on which the Comptroller and City Solicitor's Department advises have, since 2004, routinely included DP processing clauses. AIN reps are made aware as part of their training that any such contracts set up independently of assistance from Comptroller and City Solicitor's Department should include such clauses.
22. The Information Management Strategy, approved in 2009, covers all information in whatever medium held, and makes reference to the DPA and to information security. It is currently being updated. The Information Officer is a member of the corporate Information Governance Management Board, which aims to ensure that City Corporation information systems, policies and procedures are compliant with ISO 27001 (the international Information Security Management System standard) and information legislation.
23. Within Community and Children's Services there is a nominated 'Caldicott Guardian'. The role involves ensuring adherence to the 'Caldicott Principles', laid down in 1997 by the NHS Executive, and extended to councils with social services responsibilities in 2002. In their effect, they duplicate the requirements of the DP Principles.

Mitigating controls: Training, Awareness and Monitoring - Staff

24. The appointment of the Information Officer was the starting point for the provision of central monitoring and guidance. The following is an outline of the main arrangements for training, promoting awareness, and monitoring.
25. The 'Access to Information' pages on the Intranet are, essentially, a manual on DP (and FOI and the EIRs), providing comprehensive guidance and linking to the Information Commissioner's and Government's published guidance.
26. A rolling programme of DP presentations for all staff identified as working with personal information was initiated in September 2011. Given that it was clear that the greatest risk lay within Community and Children's Services, that Department was the first to receive training. Departments are encouraged to make attendance compulsory for staff with high involvement with personal data. One-to-one training is provided for new AIN reps.
27. Completion of a customised DP e-Learning course is a requirement of the staff Code of Conduct for anyone who processes personal information, which effectively means that most officers are required to complete it as part of their terms and conditions of employment. Completion of the course is also a compulsory part of attendance at DP presentations.
28. The IS Division has set up data security e-learning courses, which include reference to DP and, again, staff are required to complete the courses (in this instance in accordance with specified levels of responsibility).
29. The Monetary Penalty Notices are always circulated to key staff. These highlight the most common causes of breaches (usually very obvious errors), the financial and reputational consequences to authorities, and the additional preventative measures the Commissioner requires to be put in place to prevent further breaches. This has led to changes in practice in the City Corporation, for example: the adoption of a secure email system, and a trial of secure document pouches for use when personal information is to be taken outside the office, both by Community and Children's Services; and the roll out of a secure print, scan and photocopy system across the organisation.
30. AIN reps are reminded annually that any breaches in their areas must be reported to them and the Information Officer immediately. Since 2011, all staff in the City Corporation have been sent an annual one page awareness-raising guide, also warning of the possibility of disciplinary action should breaches occur. The guide is also circulated via eLeader and the Intranet. From now on, both of these reminders will be sent six-monthly.
31. DP compliance is on the Induction Checklist for new joiners, who are provided with the staff DP leaflet which provides basic guidance. However, now that DP breaches have been registered as a strategic risk, the profile of DP in the induction process will be reviewed.

Mitigating controls: Training, Awareness and Monitoring - Members

32. All Members in 2003, and all newly elected Members since, have been sent comprehensive DP compliance guidance drawn up by the Comptroller and City Solicitor, covering both their work for the City Corporation and their Ward work. Members undertaking Ward work are data controllers in their own right and legally responsible for their own DP compliance. They would, therefore,

be personally liable for any fine should they breach the DPA when acting in that capacity.

33. All Members have been offered a one-to-one DP session with the Information Officer or Assistant Information Officer, at the same time as having their Notification (a requirement of the DPA) as data controllers within their Ward work arranged for them. Almost all Members have had a one-to-one DP session and almost all have their Notification arranged for them. Three DP training sessions have been arranged for Members this year.
34. The Members' Website includes a DP (and FOI) briefing page. This links to the 'Access to Information' pages, and the DP compliance document, drawn up by the Comptroller and City Solicitor's Department, and provides the Information Officer's contact details should further guidance be needed.

Mitigating controls: IT security measures

35. Comprehensive procedures exist for the encryption of USB sticks and password protection of mobile devices, such as ipads. If, therefore, devices are lost or stolen, any information should remain inaccessible. In addition, staff and Members are required to report such losses as soon as possible to the IS Division, which in turn immediately reports them to the service provider, who immediately terminates service provision. Should there be any delays in reporting by staff or Members to IS Division of loss or theft, this is looked into by the Information Officer or Assistant Information Officer.

Breach Management at the City Corporation

36. Once a breach, or potential breach, is reported, the Information Officer and Assistant Information Officer assist the Department in managing the breach, or potential breach. With regard to lower level breaches (those not approaching the threshold for reporting to the Information Commissioner), this may include: assisting with formal apologies; contacting unintended recipients of information; reinforcing training requirements, and ensuring that staff understand the procedures to be followed to prevent a recurrence.
37. When a breach is considered significant, a detailed investigation report is completed for the Assistant Town Clerk, with a recommendation as to whether the breach meets the Commissioner's requirements for reporting to his office. The first version of the Commissioner's breach reporting guidance was published in March 2008, and since then, the City Corporation has reported two breaches – one known and one potential.
38. The known breach (December 2008) incurred no formal regulatory action, but the City Corporation was put on notice that "...the matter may be revisited if there is another incident in the future". The breach involved sending a large quantity of personal information in hard copy to a recipient to whom it should not have been disclosed. The information was not sensitive personal information, and was accidentally sent only to one recipient.
39. The potential breach (January 2013) involved sensitive personal information held in hard copy. An investigation concluded that it is unlikely that the information reached the public domain, and the Commissioner accepted this conclusion. However, inadequate security procedures came to light and have been addressed.

40. To date, the City Corporation has not incurred any fines or other enforcement action.

Challenges and further action

41. The main challenge in managing risk SR16 is the scale of the risk. The majority of officers and Members process personal information on a daily basis. It is impossible to monitor comprehensively this scale and detail of processing.
42. The Information Commissioner's enforcement action has, nevertheless, targeted the obvious incompetence and oversights which can occur from time to time with this scale and detail of processing, in spite of training, awareness raising and monitoring. Mitigation is, therefore, a constant challenge.
43. By the end of the year, the aim is to initiate a process whereby AIN reps will carry out regular basic audits, reporting the outcomes to the Information Officer and Assistant Information Officer. The senior AIN rep in Community and Children's Services has already begun this process.
44. The Information Governance Management Board is also looking into instituting a formal Protective Data Marking policy, similar to that used by the City Police, which would be an active system of identifying levels of confidentiality (and, therefore, risk) in relation to classes of information when storing and communicating it.

Strategic Risk Ownership

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

Conclusion

46. The governance structure and the range of training, awareness-raising and monitoring actions warrant assessing the net risk as Amber. Management and staff are becoming more aware of this risk, especially since the rolling programme of DP presentations was initiated.
47. However, it is unlikely that the net risk could move from Amber to Green, given that personal data processing is such a considerable, widespread and routine activity within most of our functions, and the continuing possibility of human error.

Appendices

- Appendix 1 – Risk Supporting Statement: SR16
- Appendix 2 - DP Principles
- Appendix 3 - Enforcement by the Information Commissioner

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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 Members and staff across the organisation.
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<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>
Lack of Member and 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 biannually 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>	Net Risk	A
	Likelihood	Impact
	3	3
	Control Evaluation	
All Members and 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.		A

Appendix 2 – DP Principles

The DPA states:

Principle 1

Personal data shall be processed fairly and lawfully and, in particular, shall not be processed unless—

- (a) at least one of the conditions in Schedule 2 [of the DPA] is met, and
- (b) in the case of sensitive personal data, at least one of the conditions in Schedule 3 [of the DPA] is also met.

Principle 2

Personal data shall be obtained only for one or more specified and lawful purposes, and shall not be further processed in any manner incompatible with that purpose or those purposes.

Principle 3

Personal data shall be adequate, relevant and not excessive in relation to the purpose or purposes for which they are processed.

Principle 4

Personal data shall be accurate and, where necessary, kept up to date.

Principle 5

Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or those purposes.

Principle 6

Personal data shall be processed in accordance with the rights of data subjects under this Act.

Principle 7

Appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.

Principle 8

Personal data shall not be transferred to a country or territory outside the European Economic Area unless that country or territory ensures an adequate level of protection for the rights and freedoms of data subjects in relation to the processing of personal data.

Appendix 3 – Enforcement by the Information Commissioner

1. In April 2010 the Commissioner's powers to fine data controllers up to £500,000 for breaches of the DPA came into force. This was in addition to other enforcement action already available, including imposing Undertakings and, in extreme cases, recourse to the courts. Both civil and criminal offences exist under the DPA, and some of the criminal offences have personal liability.
2. The Commissioner also received powers to summarily audit Government departments for DP compliance. The Commissioner continues to call for the extension of these powers, to cover local authorities a he considers there to be an underlying problem with DP compliance in local government. In March 2013, the House of Commons Justice Select Committee supported this call. In evidence to the Committee, the Commissioner stated that compulsory audits could help stop "really stupid basic errors" in local authorities.
3. At the time of writing 21 local authorities have received fines, ranging from £60,000 to £250,000. These breaches fall into the following categories:
 - emailing to the wrong recipients (5)
 - faxing to the wrong recipients (1)
 - loss or theft of unencrypted laptops (3)
 - posting information to the wrong recipients (5)
 - loss or theft of hard copy information (3)
 - non-confidential disposal of hard copy information and failure to encrypt the digitised information or post it securely (1), which incurred the highest fine (this related to staff pension information)
 - disclosing information via hard copy to the wrong recipients because of incorrect hard copy filing (1)
 - disclosing information via hard copy to the wrong recipients because the information was held on a database which was not 'privacy friendly' in its reports/printouts (1)
 - disclosing information via hard copy to third parties due to lack of understanding of legal restraints on data sharing (1)

Of the fines, 15 relate to the types of information which would be processed by the Department of Community and Children's Services.

4. There has also been increasing pressure from the Commissioner on data controllers to report any DP breaches, and to not do so is to risk undermining relations with the regulator.
5. Under The Privacy and Electronic Communications (EC Directive) (Amendment) Regulations 2011, reporting of breaches is already compulsory for public electronic communications service providers. The European Commission is currently looking at this for all sectors.
6. Even where fines are not subsequently imposed, a thorough investigation is still likely, and the data controller is highly likely to be required to sign an Undertaking (a legally binding document) to introduce specified and comprehensive measures required to prevent further breaches.
7. Formal action taken by the Commissioner against a named body in relation to failures in DP compliance is publicised on the Commissioner's website, including through press releases.
8. Demands have been made by some MPs for the introduction of custodial sentencing for breaches of the DPA.

Committee(s):	Date(s):	Item no.
Community and Children's Services	June 2013	
Subject: Ofsted Inspection of Fostering Services 2013		Public
Report of: Director of Community and Children's services		For Information
<u>Summary</u>		
<p>This report informs members of the outcome of the recent Ofsted Inspection of City of London Fostering Services held 21st-27th March 2013. The final report can be found at Appendix 1.</p> <p>The Inspection was carried out under the regulations set out in the Care Standards Act 2000, and the judgements made against a set of grade descriptors, based on the National Minimum Standards for Fostering, which can be found via the link below.</p> <p>Inspectors are required to weigh up the evidence in a particular area (eg Overall Effectiveness, Outcomes for Young people etc.) and to consider it against the descriptors for outstanding, good, adequate and inadequate (the grade descriptors) before making a judgement. The link below also sets out the detail regarding what the evidence would be for each judgement.</p> <p>In order to be given a judgement of Outstanding against a specific area, evidence against all the other descriptors needs to be met.</p> <p>http://media.education.gov.uk/assets/files/pdf/n/national%20minimum%20standards%20-%20fostering.pdf</p> <p>As well as a single judgement for Overall Effectiveness, 4 additional judgements are given for Outcomes for Children, Quality of Provision, Safeguarding and, Leadership and Management.</p> <p>The Inspection was carried out by 1 Ofsted Inspector over a 4 day period. The Inspector spoke with and/or met the following people;</p> <ul style="list-style-type: none"> • 3 Looked After Children and their Foster Carers in their placement • The Chief Executive of 1 Independent Fostering Agency • Assistant Director People • Service Manager Children Social Care • Team Manager Children Social Care • 3 Social Workers • Human Resources Business Partner • Lead Nurse for Looked After Children • Independent Reviewing Officer 		

The Inspector also reviewed the Corporate Parenting Strategy & Statement of Purpose (Appendix 2), Performance Information and several case files.

The Inspection was particularly challenging, as the City of London does not have a Fostering Service, as described in the National Minimum Standards. As a result, Ofsted had to apply a degree of flexibility against their standard Fostering Inspection evaluation framework, in order to provide credible evidenced-based judgements.

The following judgements were made:

Overall Effectiveness :	Good
Outcomes for Children:	Outstanding
Quality of Service:	Good
Leadership and Management:	Good
Safeguarding:	Good

There were 3 recommendations made by the Inspector; 2 focusing upon safeguarding recruitment arrangements for Social Workers and 1 on engaging children and young people in the appraisal process for Social Workers. Progress on the implementation of these recommendations will be presented to the Safeguarding Sub Committee.

Recommendation:

Members are asked to note the Report.

Main Report

Background

1. Due to the small number of Looked After Children (8 at the time of the Inspection), the City of London does not operate a traditional fostering service with its own foster carers and accompanying support services, but instead commissions placements from Independent Fostering Agencies for its Looked After Children.
2. The City of London was subject to an Ofsted Inspection of its fostering services 21st-27th March 2013. The Inspection was carried out under the Care Standards Act 2000 to assess the effectiveness of the fostering service and to consider how well it complies with the requirements set out in the National Minimum Standards. The fact that the City of London does not have a fostering service presented challenges to the Inspector, as a number of the National Minimum Standards against which judgements are made did not apply.
3. As a result, a significant degree of flexibility was applied by the Inspector in order to support how the judgements would be made against the evaluation framework.

The Inspection makes judgements across the following 5 areas:

- Overall Effectiveness
- Outcomes for Children and Young People
- Quality of Service
- Safeguarding Children and Young People
- Leadership and Management

The judgements used are:

Outstanding: a service of exceptional quality that significantly exceeds minimum requirements

Good: a service of high quality that exceeds minimum requirements

Adequate: a service that only meets minimum requirements

Inadequate: a service that does not meet minimum requirements

4. The Inspection was carried out by 1 Ofsted Inspector over a 4 day period. At the time of the Inspection, the City of London had 8 Looked After Children under eighteen years, and 3 Care Leavers aged between eighteen and twenty years placed with foster carers across 5 separate Independent Fostering Agencies. The Inspector spoke with and/or met with the following people;

- 3 Looked After Children and their Foster Carers in their placement
- The Chief Executive of 1 Independent Fostering Agency
- Assistant Director People
- Service Manager Children Social Care
- Team Manager Children Social Care
- 3 Social Workers
- Human Resources Business Partner
- Lead Nurse for Looked After Children
- Independent Reviewing Officer

5. The Inspector also reviewed the Corporate Parenting Strategy & Statement of Purpose, Performance Information and several case files. The Corporate Parenting Strategy & Statement of Purpose sets out the following overarching objectives that drive our work to ensure our Looked After Children achieve the best possible outcomes:

5a Securing and supporting secure, stable, safe, high quality placements for our Looked After Children

- Every placement decision should be based on a proper assessment of the child's need and taking into account the child's wishes and feelings.
- All placement decisions should be made with a view to maximising the opportunity for a child to find permanence.
- There must be a consistent focus on stability. Whilst some placement changes are positive (e.g. the child moving to their permanent placement from a temporary one - many are not). Being subjected to successive moves of placement and school leads to a sense of rejection, loss of confidence and capacity to trust.
- Placements should provide an experience of normal childhood, rather than an experience determined by potentially stigmatising regulations.

5b Supporting successful education, health and social development outcomes and helping Looked After Children make an effective transition into adulthood

- Ensuring all Looked After Children under the age of 5 years are attending appropriate early years provision.
- Seeking to narrow the gap between the educational performance of the looked after population and the rest of the City of London school population at all Key Stages.

- Ensuring high level of attendance of City of London’s Looked After Children, so that it exceeds the attendance levels of the general school population national attendance levels.
- Ensuring no City of London child is subject to fixed term or permanent exclusions.
- Ensuring all Looked After Children have regular health, dental and eye checks.

5c To ensure that every child’s voice is heard in the planning and shaping of their care

- All Looked After Children will be consulted as part of the care planning review process.
- Independent Reviewing Officers are required to ensure Looked After Children are fully consulted in their reviews.
- Visits to the placement by the Social Worker are expected to exceed the minimum statutory requirements.
- Opportunities for Looked After Children and Care Leavers to engage at service planning level will be available through engagement with their Social Workers and, where possible, the Youth Engagement Sub Committee of the Children Executive Board.

Current Position

6. The Inspection of the City of London fostering services made the following judgements;

- | | |
|--|-------------|
| • Overall Effectiveness | GOOD |
| • Outcomes for Children and Young People | OUTSTANDING |
| • Quality of Service | GOOD |
| • Safeguarding Children and Young People | GOOD |
| • Leadership and Management | GOOD |

Overall Effectiveness- Good

7. The report highlights that the City of London ensures children achieve outstanding outcomes, receive good quality services and experience good arrangements to keep them safe.

It notes that management arrangements are good, with managers, staff and members of the Corporate Parenting and Young Peoples Task Group working well together and showing commitment to improving children’s lives and helping them do well.

Outcomes for Children and Young People - Outstanding

8. Outcomes for children and young people are described as ‘exceptional’ as a result of the careful commissioning of quality placements, and systematic monitoring of these arrangements.
9. Page 5 of the report details the evidence to support the judgement of Outstanding, which includes a focus upon stability of placements, education attainment and attendance levels, contact arrangements with birth family, health of Looked After Children and their behaviour. In concluding, the section on outcomes the report notes;

“Children benefit from frequent, quality contact with their social workers and from warm relationships with them. Children’s views are highly valued; their views are considered in all aspects of their placements and plans for the future”.

Quality of Service - Good

10. Under the Quality of Service section on page 6, the report again emphasises strengths in the commissioning arrangements, relationships between staff and the children and, planning arrangements.

Safeguarding Children and Young People - Good

11. The report again highlights the commissioning arrangements as a strength, noting that placements are only made with agencies that have clear evidence of good or outstanding practice.
12. The report notes that that Social Work staff’s understanding and knowledge of child protection is very good. They are aware of the regulations and procedures to support Looked After Children if they go missing or experience bullying; however, the report notes that incidences of either are very low.

Leadership and Management - Good

13. As noted in the overall effectiveness judgement, the report highlights the high expectations of management and staff, with management having a detailed knowledge of the Looked after Children. The report also notes that management have a good understanding of their strengths and areas for development.

14. In conclusion, the report finally notes that;

“An appropriate Statement of Purpose sets out what the City of London Corporation’s aims are to achieve for Looked after Children so that people know what to expect from the service”.

The Inspection Report Recommendations

15. The report identified 3 areas for further development, listed on page 4 of the report:

- Ensure telephone enquiries are made to each referee to verify the written references
- Make sure, where possible, that references include a statement from each referee as to their opinion of the person’s suitability to work with children
- Ensure staff appraisals take into account any views of children about the service with which they are provided.

16. In relation to the first 2 recommendations, these have been progressed by Human Resources.

In relation to the third recommendation, this will be addressed as part of the appraisal process for 2013/14 and will draw on feedback provided by children as part of the already established consultation processes that exist in the service.

Implementation of all three recommendations will be monitored by the Department Leadership Team and reported to the Safeguarding Sub Committee.

The Corporate & Strategic Implications

17. The work of Children Social Care service, along with our partners, supports our communities and makes the City safer.

Building on inspection findings helps the City to continue to provide modern, efficient and high quality local services

Financial Implications

No financial implications.

Conclusion

18. Despite the City of London not having a traditional fostering service, the Fostering Inspection highlighted the good work that is undertaken by the Children Social Care service, foster carers and partner agencies to ensure that City of London's Looked After Children are supported in achieving outstanding outcomes in terms of their education, health and emotional well-being.
19. The City of London Department of Community and Children Services notes that the Inspection report is a fair and accurate reflection of the work undertaken, and will progress the 3 development areas highlighted in the recommendations to support the continuing improvement work within the Department.

Background Papers:

Ofsted Inspection Report

Corporate Parenting Strategy and Statement of Purpose

Appendices

Appendix 1 Ofsted Inspection Report

Appendix 2 Corporate Parenting Strategy and Statement of Purpose

Web link

National Minimum Standards

<http://media.education.gov.uk/assets/files/pdf/n/national%20minimum%20standards%20-%20fostering.pdf>

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25/04/2013

Our Reference SC454361

Ms Pat Dixon
Corporation Of London
Po Box 270
London
EC2P 2EJ



Dear Ms Dixon

Inspection report

An Ofsted inspector inspected your local authority fostering agency provision on 27/03/2013.

Please find enclosed:

- a copy of your inspection report

The inspection report

The inspection report sets out Ofsted's judgements about the quality of the provision you offer. Please make the report available to children and young people and relevant stakeholders. We normally publish your report on the internet within 20 working days of the end of the inspection.

If you identify any factual errors please contact our helpline on 0300 123 1231 or send an email to enquiries@ofsted.gov.uk, within five working days of the date of this letter.

Recommendations

The report may contain some recommendations to improve your provision further; if so, we will check whether you have acted on these recommendations when you are next inspected.

Our Reference SC454361



Ofsted values feedback from those services that it has inspected. You will shortly be emailed a copy of a post inspection questionnaire. We would be very grateful if you could complete the questionnaire about your recent inspection. If you do not receive a copy within three working days of receipt of this letter, please email the address below:

post.inspection.surveys@ofsted.gov.uk

Yours sincerely

Beccy Stiddard
Delivery, Performance and Support Team

City of London Corporation Fostering Service

Inspection report for local authority fostering agency

Unique reference number	SC454361
Inspection date	27/03/2013
Inspector	Jackie Graves
Type of inspection	Full

Setting address	Corporation of London, PO Box 270, LONDON, EC2P 2EJ
Telephone number	02073321219
Email	Chris.Pelham@cityoflondon.gov.uk
Registered person	City of London
Registered manager	POST VACANT
Responsible individual	Pat Dixon
Date of last inspection	N/A

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Service information

Brief description of the service

The City of London Corporation is a unique service. It does not provide a traditional local authority fostering service itself, but uses external providers via Pan London when a fostering placement is required. This is because the City of London receives only a very low number of referrals.

The City of London is geographically a very small area of 289 hectares with only a very small residential population of 7,412 people (at the time of the 2011 census). Of the population, there were 684 children aged 0-17 which equates to 9% of the total population, substantially lower than the England profile of 21% among this age group. It is rare for children from the resident population to become looked after and require a foster family; the majority of those currently in foster placements are unaccompanied asylum seeking children.

The London Borough of Hackney is commissioned to provide an out-of-hours emergency duty service to City of London children. If a child requires accommodation out of hours, Hackney will provide this using their own fostering resources, with only one child being accommodated in the past two years. A joint Safeguarding Children's Board is established between the City of London Corporation and Hackney. There is a service level agreement between Hackney Local Authority and Homerton Hospital for the health of looked after children.

At the time of inspection, eight children are placed in foster care and three care leavers remain in their foster homes. All are placed outside of the City of London. No disabled looked after children receive a service through the City of London commissioning arrangements.

The inspection judgements and what they mean

Outstanding: a service of exceptional quality that significantly exceeds minimum requirements

Good: a service of high quality that exceeds minimum requirements

Adequate: a service that only meets minimum requirements

Inadequate: a service that does not meet minimum requirements

Overall effectiveness

The overall effectiveness is judged to be **good**.

This is the first inspection of the service. The inspection focuses on how the City of London discharges its responsibility for looked after children with regards to fostering

arrangements and how it meets children's needs through the commissioned placements, currently with five independent fostering agencies (IFA).

At 31 March 2012, of five looked after children, 100% were in foster placements. This compares favourably to statistics across England where the proportion of looked after children in foster placements was 75%. Currently, all looked after children experience family life in foster placements, with no use of residential care.

Through providing placements only with providers judged to be of high quality by the regulator, the City of London ensures children achieve outstanding outcomes, receive a good quality service and experience good arrangements to keep them safe. The service carefully monitors the arrangements it has with the agencies it commissions to ensure that children are safe in their foster homes, experience placement stability and strong attachments to their carers.

Management arrangements are good. Managers and staff work very creatively within these unique arrangements to make sure children's needs continue to be met in their placements and they are making sufficient progress in all areas of their lives. Close relationships between children and their social workers help children feel safe and secure. There is excellent support to meet children's ethnic, language, cultural and religious needs. The staff, management team and members of the Corporate Parenting and Young People's Task Group show commitment to improving children's lives and helping them do well.

Staff are recruited through a mostly strong recruitment process. However, references do not always include a statement from each referee as to their opinion of the person's suitability to work with children and references are not directly checked. The opportunity to take feedback from children to contribute to staff appraisals is not currently taken. However, these are relatively minor shortfalls which do not impact on children's welfare.

Areas for improvement

Recommendations

To improve the quality and standards of care further the registered person should take account of the following recommendation(s):

- ensure telephone enquiries are made to each referee to verify the written references (NMS 19.1)
- make sure where possible that references include a statement from each referee as to their opinion of the person's suitability to work with children (NMS 19.3)
- ensure staff appraisals take into account any views of children the service is providing for. (NMS 24.6)

Outcomes for children and young people

Outcomes for young people are **outstanding**.

Outcomes are exceptional through the City of London's careful commissioning of quality placements and systematic monitoring of these arrangements. All children benefit from living with foster carers. Staff make sure that children feel safe and settled in their placements. Children feel that they are 'one of the family' and have a sense of belonging. They experience positive family life through strong relationships with their carers, other looked after children in their placement and with foster carers' birth children. Siblings benefit from living together when this is in the children's best interests.

Children experience the security of significantly stable foster placements. Moves are very rare, planned and only when in the child's best interests. Pathway planning and review of arrangements supports children to remain in their placements and only move on when they are ready to do so. They are helped to make a very successful transition to adulthood, with all engaged in education or training. Children are very positive about their preparation for independence, for example, learning to shop within a budget and prepare meals.

All children are in an education placement, do not experience exclusions and make very good progress. Attendance is very good with any absence only for valid reasons, such as illness. Those attending school enjoy attending establishments judged as high quality by the regulator, ensuring they get the support they need to make progress. Children have aspirations and ambitions to improve their prospects through their education. Care leavers continue their education, for example to obtain qualifications at college or by attending university, with financial support from the City of London. Those children who are seeking asylum make rapid progress in acquiring English as an additional language. They assimilate into the local culture to help them feel settled, for example, through having mentors who share a common language or through extra support with their education.

Children enjoy a wide variety of normal life events, for example, holidays at home and abroad. They take part in hobbies and pursuits with their foster families and schools; this supports them in all aspects of their development and learning. Significantly, no children are engaged in risk-taking behaviour or offending and are living settled lives.

Children experience positive outcomes from contact arrangements. There is a balance between children maintaining their connections to the City, for example with links to friends and family, and integrating into the areas in which they live. Those children seeking asylum benefit from being located to areas where they may meet others of a similar cultural or religious background; this gives them a further sense of belonging somewhere. Effective arrangements with other agencies, for example the Red Cross and the Refugee Council ensure children can seek information about their birth families when they feel ready to do so and make sense of their past lives.

Children are healthy. They learn to live healthy lifestyles with attention to being active and improving their diet. Children take responsibility for their own health and

learn about potential risks to their health. No behaviour which may put children's health at risk occurs and there is no teenage pregnancy, which improves children's long-term health outcomes. Children are helped to understand the impact of past experiences on their health and well-being. They get the health services they need to improve their well-being, including counselling. Some exceptional practice has included providing specialist health services in children's first language so they can discuss health matters easily with a professional.

Due to the small size of the City of London service, children benefit from frequent, quality contact with their social workers and from warm relationships with them. Children's views are highly valued; their views are considered in all aspects of their placements and plans for the future. They also give their views on their care and progress to managers and corporate parents, so that leaders can be sure children's needs continue to be met in their commissioned placements.

Quality of service

The quality of the service is **good**.

The quality of service is reliant on the City of London commissioning, and then monitoring, high quality placements made through independent fostering agencies. Effective monitoring of the performance of these agencies ensures that the quality of placements is maintained and continues to meet children's needs. No placements are made in the geographical area of the City, but this does not have a detrimental effect on the children currently placed. Children receive most services in their local area or their home, reducing the need to travel distances.

Social workers know the children very well. Children trust them and confide in them. Sensitive work is done to help meet children's individual needs. One example is the appointment of an independent social worker to conduct age assessments so the child's relationship with their own social worker is not compromised by this process.

Children's social workers have good working relationships with agency social workers and foster families so all are working together in children's best interests. Foster carers are regarded as partners and invited to attend all personal education plan, review and medical meetings with the children so that all involved in children's lives may contribute. The City provides additional support to enhance placement stability. For example, by funding specific training to help carers meet particularly complex behaviours. Social workers also help carers in their support of children, for example by offering and funding summer holiday activities.

The City of London Corporation secure good quality education placements, looking at Ofsted ratings, to ensure children's opportunities to progress and achieve are maximised.

Although the possibility of using families or friends to provide homes to looked after children is always explored, none have been assessed or approved to provide a service to children. Suitable plans are in place to commission support and training for

such carers should an assessment commence.

Safeguarding children and young people

The service is **good** at keeping children and young people safe and feeling safe.

Through their commissioning arrangements, the City of London only places children in registered agencies which have been assessed to be of high quality and without safeguarding concerns. The services are closely monitored to ensure they continue to provide safe places for children to live and fully protect them. Children feel safe in their foster homes. Their social workers visit frequently - exceeding statutory levels - to make sure children are safe.

When considering a suitable placement for a child, City social workers look for carers able to meet children's individual requirements, for example, those experienced in caring for the particular needs of unaccompanied asylum seeking children. This helps children to feel safe and secure in their placement with carers who have empathy for their experiences. Managers check that children have further support networks in addition to the City of London. For example, they check that there are opportunities for looked after children to meet others placed within the same IFA where they can build friendships.

The service recognises the risk to children who go missing from their foster home, adopting a suitable policy for staff to follow should this occur. However, incidents of children going missing are extremely rare so children placed through the City's commissioning arrangements are not placing themselves at risk.

Staff and management understanding and experience of child protection is very good. All staff are either working towards or have completed Achieving Best Evidence training as well as safeguarding training, so they have a clear focus on keeping children safe. Staff make sure that children's care plans identify the impact that abuse or neglect may have on them, then monitor to make sure children's carers are able to meet any related needs. Children rarely experience bullying. However, if this does occur, social workers make sure there is effective information sharing between schools, carers and other professionals in order to challenge bullying and support the child.

The City's recruitment procedures protect children. These ensure that prospective staff are checked through the Criminal Records Bureau and that references and other checks are obtained before they have contact with children. However, references do not always include a statement from each referee as to their opinion of the person's suitability to work with children, and references are not directly checked.

Leadership and management

The leadership and management of the local authority fostering agency are **good**. strong. Management and staff's expectations are high and they want each child to

feel happy where they live and do well. Management is vigilant in their monitoring of the services they commission.

Due to the unique nature of this service, managers have very detailed knowledge of each child, their progress and development. For example, the team manager visits placements and has met all the looked after children so has good knowledge of the children her team supports and the quality and safety of placements. Also, the responsible individual quality assures each placement commissioned; for example, they look at the standard of carers' training and support to ascertain if placements are suitable to meet children's needs and are likely to be sustained, to avoid placement breakdown and disruption to the child. Managers also have good oversight of the strengths and areas for development in the City of London Corporation.

Children are well supported by fully qualified, registered social workers. Social workers are skilled in working with IFA social workers in children's best interests. Children say their social workers are, 'Great, but wish they could stay.' However, the recent appointment of staff to permanent posts has improved stability in the staff team. Also, as the service is so small, children benefit from knowing other staff and social workers in the team who they may feel comfortable speaking to if their social worker is unavailable, providing continuity. Good working relationships with other agencies, for example the City of London Police and health services help improve the care of children who live with foster families.

Staff find management supportive and approachable. Staff are given many opportunities to refresh and extend their skills and knowledge to develop professionally. They have regular, good quality supervision and annual appraisal to support their direct work with children. However, the appraisal process does not yet include seeking children's views to ensure these are considered.

Children play some part in the development of the City of London Corporation, for example, the care leaving policy was amended following consultation with care leavers. Management is sensitive to the fact that as so few children are in foster care, they may not wish to be consulted too frequently.

There are appropriate systems in place to find out if children have any complaints, worries or concerns, for example through children's six monthly contact with their independent reviewing officer, through independent visitors or by frequent social worker visits. Nevertheless, no complaints have ever been made by children in foster care.

An appropriate Statement of Purpose sets out what the City of London Corporations aims to achieve for looked after children so that people know what to expect from the service.

About this inspection

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The purpose of this inspection is to assure children and young people, parents, the public, local authorities and government of the quality and standard of the service provided. The inspection was carried out under the Care Standards Act 2000 to assess the effectiveness of the service and to consider how well it complies with the relevant regulations and meets the national minimum standards.

The report details the main strengths, any areas for improvement, including any breaches of regulation, and any failure to meet national minimum standards. The judgements included in the report are made against the inspection framework and the evaluation schedule for the inspection of local authority fostering agencies.



City of London

Corporate Parenting Strategy and Fostering Arrangements

Statement of Purpose

Introduction

This Statement of Purpose explains our vision, governance and objectives regarding how we in the City of London discharge our duties in order to maximise positive outcomes for our Looked After Children, including the commissioning of foster placements. In doing so, it demonstrates how the City of London Children's Social Care Service meets the applicable Fostering National Minimum Standards 2011, relevant to the unique set of circumstances within which the City of London Children's Social Care operates.

Background

We are proud of the high standards we have for City of London (CoL) children. We want them to grow up happy, safe, strong and equipped to lead successful lives. The Children and Young People's Plan (see Appendix 1) vision for all our children and young people is:

Nurturing the future now; we want to ensure every child and young person in the City of London is safe, happy and healthy and is able to achieve their full potential. We will achieve this through support that is of high quality, and is easy to access in the right place, at the right time.

The Children's Executive Board (CEB) is the Strategic Multi Agency partnership for Children and Young People in the City of London. It is chaired by the Director of Children and Community Services and has representation from statutory and the voluntary sector agencies.

The CEB is responsible for ensuring the objectives and priorities of the Children and Young People's Plan (CYPP) are delivered. Looked After Children priorities are included within the CYPP and are monitored via the Corporate Parenting Task Group and the CEB. The CYPP priorities are:

1. **Stronger Safeguarding-** Focuses on ensuring that there are high standards of safeguarding across all agencies and there is a seamless service for children and Families in the City of London.
2. **'Early Help' offer-** We are committed to a long term shift in our mainstream resources towards greater prevention and a cohesive offer of services to ensure that families' needs are identified at an early stage so that they receive the right service at the right time to further reduce the demand for specialist services.
3. **Children's Workforce Development** – The children and young people in the City have a suitably skilled and trained children's workforce.
4. **Healthy Living-** With a key focus on young people adopting a healthy lifestyle and knowing what resources are available in the City of London.
5. **Achievement & Learning-** That we can continue to close the gap in attainment and skills between disadvantage groups and their peers.
6. **Partnerships-** There is effective joint working sustained by a shared language and shared process.
7. **User Engagement-** we will specifically focus on consulting, involving and engaging everyone across the City of London in developing, improving and evaluating the services we offer to ensure that we are collectively 'making a difference'.

The work of the CEB is driven on a day to day basis through its 4 sub committees, the Safeguarding Sub Committee, the Early Intervention and Prevention Sub Committee, the Health Outcomes Sub Committee and the Participation and User Engagement Sub Committee.

The Corporate Parenting Role

The political structure of the City of London is based on a Committee Structure. The traditional role of the Lead Member is undertaken by the Chairman of the Department for Community and Children's Service Grand Committee.

The Corporate Parenting and Young Peoples Task Group (CPYPTG) operates as a 'sub-committee' of the Grand Committee. The CPYPTG provides oversight and scrutiny of matters relating to Looked After Children and Care Leavers. It is chaired by the Deputy Chairman of the Grand Committee and made up of 4 other members of the Grand Committee. The CPYPTG is provided with updates on policy, practice and performance developments as well as qualitative information

on the outcomes of the individual Looked After Children and Care Leavers. Members of the CPYPTG will also on occasion meet with young people.

Most children and young people live successful and happy lives within their families and have little need for external support other than that provided universally by services such as health or education. For some, targeted and specialised support is required to help address particular problems and maintain the family as a unit.

However, for a small number of young people, we know that targeted and specialist support maybe insufficient to ensure their safety and well-being. In these cases, either with the agreement of the parent/s, through care proceedings or because the Child has arrived as an Unaccompanied Asylum Seeker, the Local Authority needs to assume responsibility for these children.

Children in this situation come into care and the Local Authority takes on the role of Corporate Parent. Corporate Parenting is the term used to describe the duties of the Local Authority and its partners to children and young people in care. Its central principle is that the Local Authority and its partners should parent children in care the same way any parent parents their own children.

In essence it means:

- Accepting responsibility for all children in the Council's care
- Making their needs a priority
- Seeking the same outcomes any good parent would want for their own child.

The Children Act 1989 defines a child as being aged 0 - 18 years, but the Children (Leaving Care) Act 2000 extends a Local Authority's responsibilities to care leavers up to the age of 21, or 25 if they are in full-time education.

When a Local Authority looks after a child or young person, it has a legal responsibility to share the duties and responsibilities of the child's parent. Where a child or young person is subject to a Care Order, this responsibility is conferred upon the Local Authority by a Court. Although it is best practice not to make any decision in relation to the child or young person in isolation from considering the wishes and feelings of the parent, the Local Authority does have the power to do so. These powers include giving consent for children or young people to undergo medical interventions.

Unlike children or young people subject to Care Orders, children and young people in care under Section 20 of the Children Act 1989 are looked after under a partnership arrangement with the parent. Again parental responsibility is shared but the Local Authority is not permitted to consent on behalf of the child or young person. An arrangement under Section 20 may be discharged at any time by a parent and the child or young person must be returned home.

Irrespective of how a child or young person comes into our care, it is always more beneficial to the child or young person that the Local Authority works in partnership with the parent whenever it is possible.

In order to fulfil our role as a responsible Corporate Parent, this Strategy and Statement of Purpose confirms our commitment and determination to deliver improved outcomes for our children and young people in care. We want their childhoods to be safe, secure, healthy, productive and enjoyable, as well as providing stable foundations for the rest of their lives.

As such our aims for our Looked After Children are just the same as for every other City of London child however, we seek to achieve these aims by offering additional support for the children and young people through close working relationships with the children, young people and their carers and, with a range of partners and agencies.

This is a shared responsibility which must be jointly owned by other public services, notably schools and health, community organisations, foster carers, families and friends. However, as the corporate parent for Looked After Children, we in the City of London are committed to taking the lead in ensuring effective delivery.

The following objectives will drive our work to ensuring our Looked After Children achieve the best possible outcomes:

- Securing and supporting secure , stable, safe , high quality placements for our Looked After Children (NMS 3, 4, 5, 9 10, 11)
- Supporting successful education, health and social development outcomes and helping Looked After Children make an effective transition into adulthood (NMS2, 6, 7,8, 12)
- To ensure that every child's voice is heard in the planning and shaping of their care (NMS 1, 2)

Our Objectives

Securing and supporting secure, stable, safe high quality placements

The one thing that makes the biggest difference to the lives of Looked After Children is being in the right placement. If a child is with kind, understanding and committed carers who have the capacity to see them through the difficult times, then there is a good chance that the care experience will be a positive one. If the child does not have a placement like this and if the child experiences several changes of placement, then they are unlikely to achieve good outcomes and the care experience might well have compounded the trauma and disadvantage that the child entered the care system with.

Our commitment, in line with the legislation, is that:

- Every placement decision should be based on a proper assessment of the child's need and taking into account the child's wishes and feelings.
- All placement decisions should be made with a view to maximising the opportunity for a child to find permanence.
- There must be a consistent focus on stability. Whilst some placement changes are positive (e.g. the child moving to their permanent placement from a temporary one) many are not. Being subjected to successive moves of placement and school leads to a sense of rejection, loss of confidence and capacity to trust.
- Placements should provide an experience of normal childhood, rather than an experience determined by potentially stigmatising regulations.

In the first instance we will look to secure a placement with family or friends where possible and where this is in the child's best interests. However the majority of placements in the City of London will be for Unaccompanied Asylum Seeking Children where family and friends is not an option.

Because of the size of the City of London and the very small number of children and young people who come into care, the traditional Local Authority fostering services model does not apply. Instead, placements are purchased when needed from the Private, Voluntary and Independent Sector (PVI).

This process is undertaken by the Children's Social Care Team (see Appendix 2). The team is made up of 3 Qualified Children's Social Workers, a Team Manager and a Service Manager.

We use the Pan-London Agreement to secure quality and value for money placements. This sets out a range of providers which have been selected for quality and effectiveness and details standard fees to avoid variation and costly negotiations on a case-by-case basis.

Supporting successful education, health and social development outcomes and helping Looked After Children people make an effective transition into adulthood

As well as ensuring stable, secure, and where appropriate, permanent placements for Looked After Children, we are committed to supporting them to achieve successful education and health outcomes, including:

- Ensuring all Looked After Children under the aged of five are attending appropriate early years provision.
- Seeking to narrow the gap between the educational performance of the looked after population and the rest of the City of London school population at all Key Stages.
- Ensuring high level of attendance of City of London's Looked After Children so that it exceeds the attendance levels of the general school population national attendance levels.
- Ensuring no City of London child is subject to fixed term or permanent exclusions.
- Ensuring all Looked After Children have regular health, dental and eye checks.

Due to the size of the City of London, the role of the Virtual Head teacher is discharged through the Assistant Director People Services, supported by the Service Manager for Education and Early Years.

The City of London social work staff will ensure that Personal Education Plans are reviewed within statutory timescales for all Looked After Children.

The Personal Education Plans for the Looked After Children are subject to review at the Targeted Education Resources Forum, chaired by the Service Manager for Education and Early Years and made up of Senior Managers and Education based staff from the People's Directorate including Special Education Needs staff. Social Workers and carers will work directly with the schools to promote additional learning opportunities for our children and young people. If necessary, the Chair of the Forum, will liaise with relevant schools if satisfactory educational progress is not being made in a timely way.

Social Workers will work with carers to support the transition of Looked After Children into adulthood. The City of London has signed up to the Charter for Care Leavers in order to demonstrate its commitment to ensuring positive outcomes for our Looked After Children and Care Leavers. All Care Leavers are allocated a Qualified Social Worker.

Close working between Children's Social Care and Housing will ensure that all Care Leavers are given the highest quality service to support their housing needs. Where necessary, and subject to assessment and review, Looked After Children will remain in their placements as part of the transition plan.

Promoting continuous learning is key to supporting successful transitions for Looked After Children into adulthood. Pathway Plans are in place for all Care Leavers to support their transition.

In respect of health outcomes, the City of London commission Homerton Hospital Looked After Children services to provide the statutory health services. Due to the small numbers of Looked After Children, this arrangement is part of the Service Level Agreement that London Borough of Hackney has with Homerton Hospital. As a result of the changing health landscape and new commissioning models, the City of London is working with London Borough of Hackney, the Clinical Commissioning Group and the Homerton Hospital to review these arrangements during 2013/14.

A key function of ensuring that the quality of the placements are meeting the standards required, is to ensure there is a strong working relationship between the City of London and the provider agency. As well as signing up to the Pan London contractual agreement, an annual monitoring meeting between the provider agency and the City of London will be held. This provides the opportunity for the provider agency to provide evidence and assurance that they are maintaining their standards as per the National Minimum Standards Framework (See Appendix 3).

To ensure that every child's voice is heard in the planning and shaping of their care

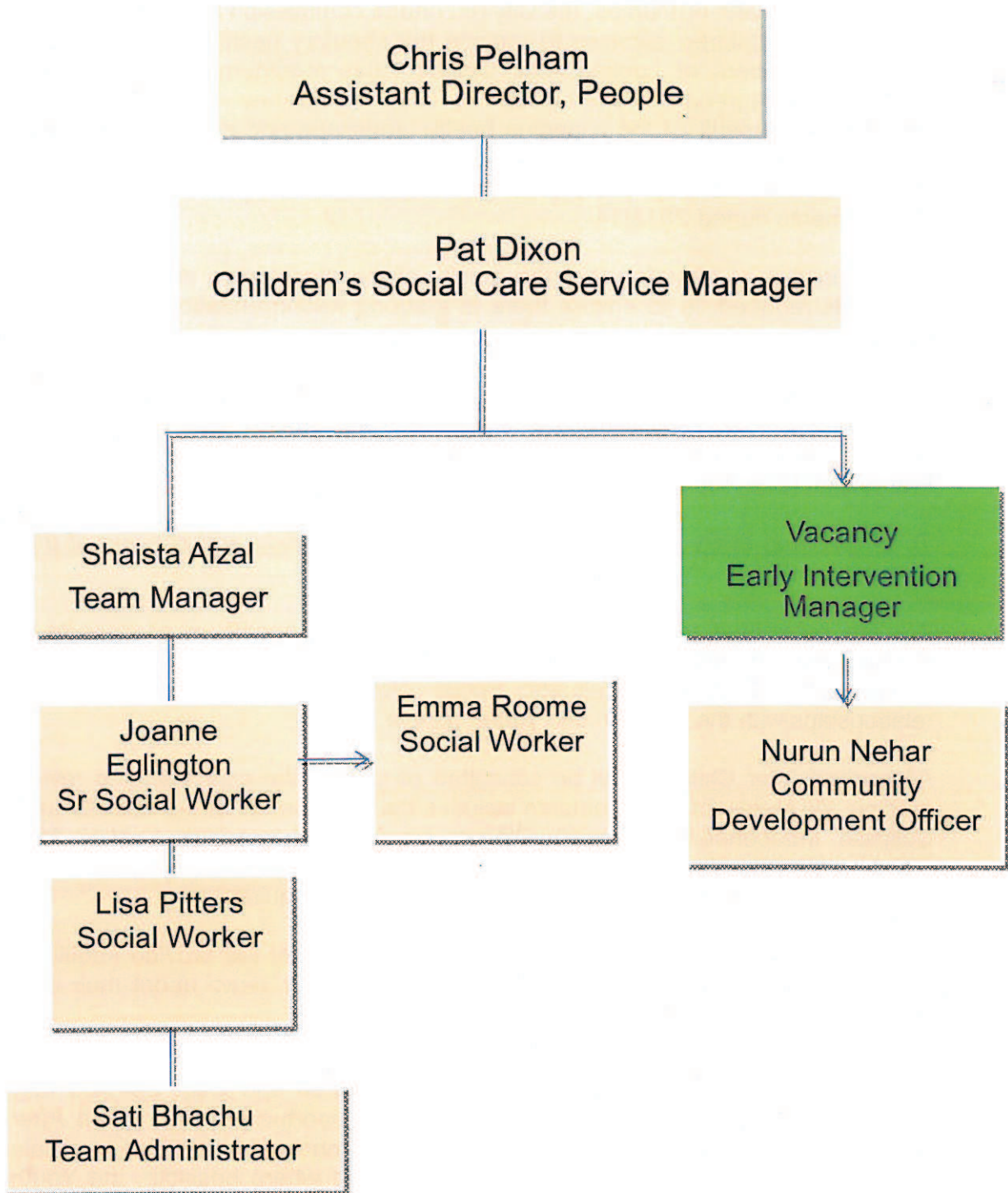
We are committed to engaging children and young people in all aspects of decision-making and service delivery relating to their lives. Because of the small Looked After Children caseloads, Social Workers are able to build close relationships with the children and young people.

All Looked After Children will be consulted as part of the care planning review process. All review of arrangements includes the involvement of our Looked After Children. Independent Reviewing Officers are required to ensure Looked After Children are fully consulted in their reviews. Visits to the placement by the social worker are expected to exceed the minimum statutory requirements.

Quality Assurance at the Departmental Leadership Level will provide additional opportunities for Looked After Children to express their views about their care and support arrangements.

We are committed to ensuring Looked After Children and Care Leavers fully participate in their care planning arrangements. Opportunities for Looked After Children and Care Leavers to engage at service planning level will be available through engagement with their social workers, and where possible, the Youth Engagement Sub Committee of the CEB.

Our Staff



The Management Team for Children's Social Care consists of;

Chris Pelham MSc DipSW (Assistant Director), qualified as a Social Worker in 1996. He also holds a Diploma in Neuro-linguistic Programming, Practice Teacher Award and a Certificate in The Introduction to Systemic Therapy. He has significant experience in operational, strategic and senior management roles in Children's Services across local and national government. He has served as Divisional Director for Safeguarding and Agency Decision Maker in one other London Local Authority and has also held roles of Head of Quality Assurance and Head of Service Improvement (including responsibility for commissioning and School Improvement) in another Local Authority.

Pat Dixon, R.G.M, R.M, DipSw (Children's Social Care Service Manager), Child Care Award. 6 years' experience as a senior manager in frontline children's services. Pat is the Local Authority Designated Office for Child Protection, and has overall responsibility for Children's Social Care. She is the panel member representing the City of London on the joint permanency panel for City and Hackney.

Shaista Afzal BA (Hons) Applied Social Studies, (Children's Social Care Team Manager), qualified as a social worker in 2003. Shaista also has a Child Care Award and is currently undertaking a MSc in Leadership & Management. Shaista has worked all her career in statutory children's services, initially as a front line practitioner and the last four years as a front line manager.

Comments and Complaints

If a comment or a complaint about the service is received, it is the responsibility of the Team Manager to try to resolve this in the first instance. If the complaint cannot be resolved at this stage then it may be necessary for the complaint to be formally registered.

The contact details for complaints is:-

Complaints Manager
Department of Community and Children's Services
City of London
P.O. Box 270
Guildhall, London
EC2P 2EJ

Tel: 020 7332 3498
E:mail:CYPSComplaints@cityoflondon.gov.uk

Committee(s): Police Performance and Resource Management Sub Committee Audit and Risk Management Committee	Date(s): 30 th May 2013 25 th June 2013	Item no.
Subject: HMIC Inspections (Annual Update)		Public
Report of: Commissioner of Police POL 22/13		For Information
<p><u>Summary</u></p> <p>Members of the Audit and Risk Management Committee have requested an annual update on HMIC inspections of the City of London Police. This report has also been considered by the Police Performance and Resource Management sub-Committee on 30th May 2013.</p> <p>During 2012/13, three separate inspections were conducted by HMIC: Anti-Social Behaviour (June 2012); Custody (June 2012), and Integrity (September 2012). Action plans were created as a result of recommendations made by HMIC.</p> <p>Anti-Social Behaviour (ASB) - HMIC reported that the Force continues to provide a good service in tackling ASB. The improvement plan had 14 actions to improve procedures and processes in dealing with ASB. At this time, one action relating to adopting a technical solution for recording lower priority ASB remains outstanding.</p> <p>Custody-The findings of the HMIC inspection highlighted the progress in custody procedures and commented positively that detainees were held in good conditions; staff are respectful, and detainees treated with dignity. The initial improvement plan contained 37 actions - to date, 9 remain outstanding and one of these- ‘to have an open air facility for exercising prisoners’ - remains logistically impossible within the current estate.</p> <p>Integrity-This inspection, which was a follow-up to a national study, highlighted significant progress the force had made in dealing with the issues of police integrity. The recommendations from the report were</p>		

utilised in drafting an improvement plan. This improvement plan contained 71 actions - 6 currently remain outstanding.

All three plans are currently monitored by the Directorate Head who has responsibility for the specific area, and progress on the plans is documented within their Directorate Plans. Strategic governance on progress is provided by ACPO oversight at monthly Performance Management Group meetings. Outstanding actions from the three plans are attached (Appendix A).

Recommendations

- It is recommended that Members note the contents of this report.

Main Report

Background

1. On 8th February 2013, Police Performance and Resource Management Sub Committee requested an update on the progress the City of London Police was making in responding to the recommendations of various HMIC inspection reports.
2. In order to track the progress made and ensure that there was a clear link between this Sub-Committee and the Audit and Risk Management Committee, Members requested a report for the next meeting on all HMIC inspection activity during 2012/13, including an update on progress in implementing HMIC recommendations. The inspections relate to Anti-Social Behaviour (ASB), Custody and Integrity.

Current Position

3. Anti-Social Behaviour

- 3.1. In spring 2010, Her Majesty's Inspectorate of Constabulary (HMIC) conducted a review to determine how well forces understood and responded to their local ASB problems. HMIC committed to repeat the exercise in 2012, to check on progress. In July 2012, HMIC released a report entitled 'A Step in the Right Direction', which reviews the progress made since the 2010 inspection.
- 3.2. The highlights of the inspection in 2012 reported that the Force continues to provide a good service in tackling ASB. The report outlined that senior

officers were well informed about ASB and ensured that appropriate action was being taken to deal with ASB. It was also recognised that the Force has regular and effective meetings with partners, to discuss ASB and share information.

- 3.3. As a consequence of the HMIC report, a written plan was introduced to monitor improvements and progress. This plan had fourteen actions to improve our procedures and processes in dealing with ASB. At this time, one action relating to adopting a technical solution to recording lower priority ASB remains outstanding. A solution has been developed and should be in place in May 2013. Strategic responsibility for ASB sits with ACPO (Operations), who maintains oversight and governance of the work carried out in this area by the Uniform Policing Directorate, through his chairmanship of the ASB Strategic Meeting.

4. Custody

- 4.1. Between 18th and 20th June 2012, HM Inspectorate of Prisons and HM Inspectorate of Constabulary conducted an unannounced inspection of the Force's custody suites at Snow Hill and Bishopsgate Police Stations. In addition to the site visit, the inspection team also conducted a Police Custody Survey with 17 prisoners at HMP Wandsworth, who had formerly been detained at City of London custody suites. The survey compared results from the City of London with those of surveys conducted with prisoners in 56 other police areas.
- 4.2. The report highlighted a good structure of staff and custody user meetings; a healthy interaction between the Force, Police Committee and the independent custody visitors; the report commented positively that detainees were held in reasonably good conditions; staff were respectful and treated detainees with dignity.
- 4.3. Among the areas identified for improvement were: management oversight of safety checks, quality assurance of custody records, staff handovers, complaints not being dealt with in accordance with policy and better organisation of section 136 mental health (place of safety) procedures.
- 4.4. As reported to your Police Committee in December 2012 and January 2013, an improvement plan based on the report's recommendations was immediately developed to address areas for improvement and contained thirty seven actions. To date, nine actions remain outstanding. The majority of these actions concern the structural arrangement of the facility and healthcare issues. One of the recommendations – "to have an open air facility for exercising prisoners" - is not logistically possible

within the current estate, whilst still maintaining the security of the detainee. However, this along with all other outstanding structural matters, is to be addressed within the plans for Custody within the new accommodation strategy.

- 4.5. Responsibility for Custody sits with ACPO (Operations), who maintains oversight and governance of the work carried out in this area by the Uniform Policing Directorate. Head of Uniform Operations is the chair of the Custody User Group and has responsibility for progressing recommendations and regularly reporting progress through Performance Management Group and Uniform Policing Directorate Business Plan.

5. Integrity

- 5.1. In 2011, HMIC published a national thematic report entitled ‘Without Fear or Favour – A review of police relationships’, which looked at the system of controls that seek to prevent and tackle relationships that create a conflict of interest and, therefore, a risk to police impartiality. In other words, police relationships that could lead to the public not being treated fairly by the police. The review included relations with the media, disclosure of information, hospitality, gratuities, procurement, contracts and business interests. HMIC examined data (where available), systems proactively to seek out wrong doing, the work of governing bodies, corporate governance and oversight, training, intelligence and enforcement.
- 5.2. The report ‘Without Fear of Favour’ gave feedback on a national basis without individual forces being identified. The review did not find evidence to support the notion of endemic corruption amongst police service relationships, with the majority of police officers and staff striving to act with integrity.
- 5.3. In September 2012, HMIC revisited the City of London to track progress against their original national recommendations. In their re-inspection, they found that:
 - Since 2011, the City of London Police has conducted an integrity “health check”, using the self-assessment checklist provided in HMIC 2011 report, and introduced an Integrity Action Plan to address the issues raised.
 - Several policies (including on the acceptance of gifts and hospitality, relationships with the media, and second jobs) have been updated and circulated throughout the force via email and the intranet.

- The force removed access to social media sites from work computers and has recently produced a policy on how police officers and staff should behave on social networking sites.
- The Finance Department manages the use of all corporate credit and procurement cards and refers regular management information and any suspicious spending to the PSD.
- City of London Police has a small Counter Corruption Unit which takes a more proactive approach to tackling corruption.

5.4 Since the inspection, Members may wish to note that the number of Corporate Credit Cards that were issued to CoLP staff has been reduced by 30%. In addition, the Commissioner has recently made a commitment to produce an overarching Integrity statement and strategy to be developed, which will bring together a number of existing policies that deal with issues of counter corruption, procurement and hospitality. This will be brought back to Police Committee later in the year for their information.

5.5 Responsibility for Integrity sits with the Assistant Commissioner, who is the Force lead for Professional Standards and maintains oversight and governance of the work carried out in this area. The Chief Inspector from Professional Standards chairs the Professional Standards Directorate Working Group, which has responsibility for progressing HMIC recommendations. The PSD Working Group reports regularly to Organisational Learning Forum, chaired by the Assistant Commissioner, and the PSD Police Sub-Committee. The Integrity Action Plan had seventy one actions, 6 currently remain outstanding. The outstanding recommendations have target dates and will be completed in the near future.

Conclusion

6.0. Clear progress has been made in implementing the recommendations arising from the three HMIC inspections conducted during this reporting period (2012/13). The outstanding actions are currently monitored by the Directorate Head who has responsibility for the specific area, and progress on the plans is documented within their Directorate Plans. Strategic governance on progress is provided by ACPO oversight at monthly Performance Management Group meetings.

Appendix:

A: Outstanding actions from HMIC inspections

Background Papers:

HMIC- A Step in the Right Direction [ABS] POL 46/12 (Police Committee: 11th July 2012)

HMIC-Integrity Re-Inspection POL 66/12 (Police Committee: 14th September 2012)

HMIC- Custody POL 79/12 (Police Committee: 7th December 2012)

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NOT PROTECTIVELY MARKED**OUTSTANDING ACTIONS FROM HMIC INSPECTIONS****CUSTODY****28 Actions Completed****9 Amber Actions**

HMIC Recommendation	Action taken	Commentary	Status/ Completion date	Action Owner
Arrangements in booking-in areas should allow for private communication between detainees and staff.	Custody manager to bring this to the attention of the General Services Director	General Services Director and City Surveyors investigating solution. Could involve considerable financial commitment. City Surveyors state insufficient room in existing facility to construct such an area. This action has been acknowledged as being an issue to be addressed as part of the proposed accommodation project	2015 as part of accommodation project	General Services Manager
There should be designated adapted cells that have a lowered call bell.	To be discussed with the General Services Director	Call bell will incur considerable cost as system buried in wall. Disabled detainees are either put on close observations or more frequent visits. This action has been acknowledged as being an issue to be addressed as part of the proposed accommodation project	2015 as part of accommodation project	Head Uniform Operations
All cells should be clean and free of graffiti	Decision to be made on investment in facilities at Snow Hill	All graffiti is removed at Bishopsagte. In relation to Snow	June 2013	Custody Manager

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		Hill once a decision has been made concerning the operational status of the facility this action will be completed.		
Suitable facilities should be provided for detainees to have exercise in the open air.	Custody manager to bring this to the attention of the General Services Director	There are no exercise facilities at either custody suites. Will not be addressed due to the significant cost for restructuring current facilities. This action has been acknowledged as being an issue to be addressed as part of the proposed accommodation project	2015 as part of accommodation project	General Services Manager
The City of London Police should engage with the local authority to ensure the provision of safe beds for juveniles who have been charged but cannot be bailed to appear in court	Custody manager to contact local authority to establish local protocol	Custody manager has contacted LBTH who have responsibility for providing Youth Offender facilities for the City of London. MOU is being sought around provision of juvenile facilities.	July 2013	Custody Manager
All clinical rooms should be fit for purpose and meet infection control guidelines.	Custody manager to monitor progress of NHS Commissioning. Improvement action plan to be discussed with General Services Director	NHS have completed review of medical rooms 17/09/12. Draft action plan for improvement has been received. The custody manager is presently addressing this improvement plan.	June 2013	Custody Manager
There should be a mental health liaison and/or diversion	Mental health liaison and diversion scheme to be developed and integrated	Our NHS commissioner is aware of the issues; he has also taken on	July 2013	Custody Manager

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<p>scheme to enable detainees with mental health problems to be identified and diverted in to appropriate mental health services as required.</p>	<p>into custody procedures.</p>	<p>the portfolio for offender health pan London and is best placed to provide subject matter guidance. This action has interdependencies with s.136 and the Hackney PCT. Next partnership board is in April.13 where issue will be discussed</p>		
<p>City of London police should review the staffing arrangements for sergeants undertaking the custody role to ensure consistency and continuity in the custody manager role and consistency of line management for police staff gaolers.</p>	<p>C/I Operations to review staffing arrangements for sergeants undertaking the custody role.</p>	<p>Role of custody manager to move to CI Operations. All Sgts to be trained to cover role and will continue to report to groups Inspector as will gaolers. Head of uniform operations will audit the process June 13</p>	<p>June 2013</p>	<p>Head Uniform Operations</p>
<p>Use of the dedicated custody web page should be developed to provide a central repository to enable staff to access information.</p>	<p>Custody manager to look at redesign of dedicated intranet repository</p>	<p>Request made to IT for provision of central repository to enable staff access to information. Custody manager discussing process with Corporate communications</p>	<p>May 2013</p>	<p>Custody Manager</p>

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ASB

13 Actions Completed

1 Amber Action

HMIC Recommendation	Action taken	Commentary	Status/ Completion Date	Action Owner
Lower priority ASB is managed on Sharepoint making it problematic in identifying crimes, which may be linked to ASB for a wider assessment of performance.	An Enquiry Log has been developed as part of UNIFI.(Crime Recording System)	Enquiry log will enable all ASB reports to be recorded in one place on a single system. A meeting has taken place and has developed working practices and a system of recording. This will be launched in May 2013	May 2013	Head of Community Policing

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NOT PROTECTIVELY MARKED**INTEGRITY****65 Actions Completed****6 Amber Actions**

Self Assessment Question	Action taken	Commentary	Status/ Completion Date	
Have assessments been made of risks, threats and vulnerabilities in relation to police leaks to the media and others?	HoPSD to ensure risk and threats are fully taken into account in next PSD strategic assessment.	This will be included within the Corporate Communications departmental risk register as an ongoing monitored risk.	May 2013	Head of PSD/Corp Comms
Is media training delivered at the appropriate level and include integrity and relationship management	Head of Corp Comms and Head of PSD are currently reviewing media training	Training being developed around managing relationships, risks and disciplinary outcomes	June 2013	Head of PSD/Corp Comms
Does the organisation have appropriate capacity and capability to effectively monitor and audit all its information systems, and practice an evidenced risk-based approach?	Ongoing project to identify and install appropriate monitoring software. it was agreed the Force would engage consultants to assist it to identify 'information asset' owners.	Contract awarded to an approved software provider and systems have been put in place to process the audit as business as usual	August 2013	Senior Information Risk Owner

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Self Assessment Question	Action taken	Commentary	Status/ Completion Date	
		The new researcher in Counter Corruption Unit will address this issue when appointed. Candidate selected awaiting vetting		
Are the links made within the policy to other integrity areas, i.e. procurement, estates, sponsorship, media, business interests?	No each area is separately subject of SOP under PSD policy/media policy and facilities management policies. SOP'S should be linked where necessary.	All policies to be hyperlinked once reviewed.	June 2013	Head of PSD
Is there evidence of proactively in relation to secondary employment (approved and refused applications)?	There is evidence of intervention where issues are brought to PSD'S attention; however there is currently no proactive or covert monitoring.	The new researcher in Counter Corruption Unit will address this issue when appointed. Candidate selected awaiting vetting.	August 2013	Head of PSD
Is there sufficient covert auditing capability within the anti-corruption unit and is this supported by adequate IT?	HoPSD to ensure all force systems can be accessed covertly by CCU.	PSD do not have access to all CoLP covert IT systems and therefore an audit or dip-sample is not possible.	August 2013	Head of PSD

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Self Assessment Question	Action taken	Commentary	Status/ Completion Date	
		<p>A paper will be submitted to ACPO to identify Force Systems currently inaccessible to CCU in terms of covert monitoring capability.</p> <p>The new researcher in Counter Corruption Unit will address this issue when appointed. Candidate selected awaiting vetting</p>		

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Agenda Item 13

Committee(s):	Date(s):
Audit and Risk Management Committee	25th June 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 strategic risk register and the independent review of the City of London's risk management arrangements which will commence during the Summer.</p> <p>In accordance with the rolling review of risk, three strategic risks are considered in detail at this meeting of the Committee. These are SR9: Health and Safety, SR11: Pond Embankment Failure and SR16: Data Protection Breach.</p> <p>Following Member feedback from the last two Committee meetings, the Strategic Risk Management Group reviewed the risk scores for both SR2 (Supporting the Business City) and SR5 (Flooding in the City). It was agreed that the Gross likelihood score for SR2 should reduce from 5 to 4, although it was recognised that this was a difficult area for the Corporation to mitigate, as much of the risk is determined by circumstances beyond the Corporation's influence. It was also recommended that the Risk score for SR5 should remain as originally assessed, as this risk deals with the overall City wide assessment, with specific high risk areas or wards to be managed through Departmental Risk registers.</p> <p>The high value exhibition at the Barbican Art Gallery will come to a close on 10th June and, as a result, the related risk SR15 (Barbican Art Gallery) will be closed from the Strategic Risk Register. No major issues arose during the exhibition, demonstrating the positive impact of good planning and risk management.</p> <p>Detailed plans are being progressed for the independent review of the effectiveness of the City of London Corporation Risk Management arrangements. The outcome of the Review will be reported back to the Audit and Risk Management Committee at the 15th October 2013 meeting.</p> <p>Since last reported to the March Committee, the schedule of Strategic Risk reviews has been amended to include the new strategic risk SR16 (Data Protection Breach) and allow an earlier review of SR11 (Pond Embankment Failure), as there have been developments in the management of SR11 which</p>	

it was considered should be brought to Members earlier attention.

Recommendations

Members are asked to:

- note the changes to the strategic risks (Para 3 and Appendix 1);
- approve the closure of SR15: Barbican Art Gallery (Para 3.8)
- note the proposed scope of work for the independent review (Para 7);
- note the changes within the cyclical review of the strategic risks (Para 10).

Main Report

Background

1. The strategic risk register was last reviewed by the Audit and Risk Management Committee on 5th March 2013, by the Strategic Risk Management Group on 25th March 2013 and by the Chief Officer Summit Group on 9th April 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. Updates to the Strategic risks, since last reported, are summarised below:
 - 3.1. SR2 (Supporting the Business City): Following the March 2013 Audit and Risk Management Committee, Members requested the Strategic Risk Management Group review the gross likelihood score of this risk. Through discussion, it was agreed that this was a difficult area for the Corporation to mitigate, as much of the risk is determined by circumstances beyond the Corporation's influence; for example, the EU position on the financial transaction tax. It was also recognised that the scoring of the gross risk was very sensitive to external factors, particularly in relation to EU regulation. It was agreed, however, that the Gross likelihood score should be reduced from 5 to 4.
 - 3.2. SR4 (Planning Policy): Risk has been updated to take into account the City gaining local exemption from the national proposal to relax controls over change of use from offices to residential, however similar threats are still possible regarding changing planning use on hotels or retail premises. The Risk score remains at Amber.

- 3.3. SR5 (Flooding in the City): Following the February 2013 Audit and Risk Management Committee, Members requested the Strategic Risk Management Group to review the net impact score of this risk. As per the Strategic Risk report provided to the February Committee, improvements in modelling tools have helped in determining flood risk areas for the City, with only a few areas at risk of being affected. It was recommended that specific high risk areas/wards should be managed through the Departmental Risk registers but, as this risk deals with the overall City assessment, the Net impact score of 3 should remain.
 - 3.4. SR6 (Project Risk): Mitigating Actions have been updated to include the work being undertaken around project risk management, including training and the use of Project Vision to capture project risks. The Risk score, however, still remains at Amber.
 - 3.5. SR9 (Health and Safety Risk): The Enhanced Corporate Health and Safety Policy was approved by the Establishment Committee on the 18th April 2013 and, as part of these revised arrangements, the Town Clerk will be chairing the Corporate Safety committee. Health and Safety training will begin in June as part of the Members induction programme. Health and Safety audits are being scheduled to begin in October, which should assist in the reduction of the Control Evaluation score from Amber to Green. The Net risk score still remains at Amber.
 - 3.6. SR11 (Pond Embankment Failure): A new tender process has commenced, following the last procurement exercise failing to appoint a suitable contractor, with the expectation that a new appointment will be made by December 2013. There is also a potential for new issues to arise on the preferred design options when seeking wider public consultation. The Net risk score, however, still remains the same at a Red status.
 - 3.7. SR14 (Longer term Financial Uncertainty): Risk has been headlined within the medium term financial strategy which was approved by the Court of Common Council in March 2013. The 2012 Autumn statement announced a further cut in funding over 2013/14 and 2014/15. Although this is reflected in a forecast deficit from 2015/16, further cuts are likely in future spending rounds. For the 2016/17 forecast City Fund deficit, service based reviews have been added as a mitigating activity. The risk still remains at Amber, with no change in its likelihood or impact ratings.
 - 3.8. SR15 (Barbican Art Gallery): This risk is recommended for closure, as the exhibition will come to an end on 10th June. All equipment used and stored within the Barbican is scheduled to be taken out by 19th June. No major issues arose during the exhibition, demonstrating the positive impact of good planning and risk management.
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.

Independent Review of Risk Management

6. In June 2011, the Audit and Risk Management Committee agreed a recommendation that a review of the effectiveness of risk management be undertaken through an independent external Review.
7. We are currently confirming the sourcing and detailed terms of reference for this review. The planned scope of work will assess the design and operation of the current Risk Management Framework. As well as undertaking a desk top review of current guidance, Strategic and Departmental Risk Registers, the Review will include interviews with selected Members, Chief Officers and Managers.
8. The outcome of the Review will be reported back to the Audit and Risk Management Committee at the October 2013 meeting. One outcome the Chamberlain is keen to see in the report is a commentary of the Corporation's appetite for risk – in other words the amount of risk, in broad terms, which the Corporation is prepared to take on in pursuit of its objectives and strategy. The risk appetite needs to be measured so that, once properly articulated, it can be a cornerstone for the risk management framework.

Cyclical Review of Strategic Risks

9. A structured approach to reviewing the City's strategic risks has been adopted, in order to promote full coverage and review.
10. Since last reported to the March Committee, the schedule of Strategic Risk reviews has been amended and now includes a new strategic risk SR16 (Data Protection Breach). SR1 (Failure to Respond to a Terrorist Attack) was originally scheduled for 25th June 2013, but has been swapped with SR11 (Pond Embankment Failure), as there have been developments in the management of SR11 which it was considered should be brought to Member's earlier attention.

11. The revised schedule of reviews for the Audit and Risk Management Committee is shown below:

Forthcoming reviews:		Date
SR9	Health and Safety Risk	25 th June 2013
SR11	Pond Embankment Failure	25 th June 2013
SR16	Data Protection Breach	25 th June 2013
SR1	Failure to Respond to a Terrorist Attack	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
SR2	Supporting the Business City	5 th March 2013
SR6	Project Risk	5 th March 2013
SR4	Planning Policy	5 th February 2013
SR5	Flooding in the City	5 th February 2013
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

Conclusion

12. The Strategic Risk Register continues to be reviewed actively and updated by risk owners, in line with the requirements stipulated by the Risk Management Handbook. Strategic Risks are being added and closed as the risk environment changes, with the cyclical review programme of Strategic Risks being actively managed. Arrangements are being made to review independently the effectiveness of the City of London Corporation Risk Management Framework during the Summer and report the findings to the 15th October 2013 Committee meeting.

Appendices

- Appendix 1 – Strategic Risk Register

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City of London Corporation

Strategic Risk Register

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City Corporation Strategic Risk Register	Owned By	Chief Officers' Group	Version	2013 - 06
	Administered By	Sabir Ali	Date	25/06/2013

Summary Risk Register

Risk No.	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
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.	4	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

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

Summary Risk Register

Risk No.	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
SR5	City Corporation fails to adequately address the impact of a major flood part of 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 work planned as part of the City's Flood Risk Strategy	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, Risk management training.	G
SR7	Major failure in information systems	<i>Risk Closed 22/02/2012 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 ↔	Members to receive Health and Safety training beginning in June. Health and Safety audits to commence in October.	A
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

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

Summary Risk Register

Risk No.	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
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. Major project to upgrade the pond embankments by 2015/16	3	5	R ↔	Appointment of construction contractor by Dec 2013. Planning permission to be sought in late June 2014.	A
SR12	<i>Industrial/employee action</i>	<i>Risk Closed 07/03/2012 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
SR14	Further reductions in the 2012 autumn statement and likely reductions in future spending rounds will reduce grant income for the City Corporation resulting in the Corporation being unable to maintain a balanced budget and maintain healthy reserves in City Fund significantly impacting on service delivery levels.	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 include a service based review to address the potential deficits from 2016/17.	G

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

Summary Risk Register

Risk No.	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
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
SR16	A breach of the Data Protection Act due to poor compliance or mishandling of personal information	5	5	Assistant Town Clerk	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

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

Risk Supporting Statement 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. Links to: Strategic Aims SA1 & SA2 and Key Policy Priority KPP3	Gross Risk	R	
		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> 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.	Net Risk	A		
	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
		4	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 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> 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.	Net Risk	A
	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.
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<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.
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<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	
G		

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 lobbying to improve transport infrastructure is critical to the City maintaining its status as the leading financial and business centre. A number of different issues may lead to this risk being realised, and as part of the on-going review of this risk, these specific threats will be identified and assessed.

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<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>
Relaxation of national rules relating to change of use from hotels or retail to residential and relating to temporary change of use without the need for specific planning permission. Listed building status - further designations could restrict the ability to redevelop key areas of the city.	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 seeking changes or local exemptions where needed. 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. Development management practices which encourage early engagement with developers and other interested parties so that proposed new buildings are of high quality and sensitive to the City context. Engagement with English Heritage regarding possible listing proposals and the general approach to the listing of post-war buildings.

Summary 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 part of 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 not directly affected.

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<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) 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. Impact is localised to specific parts of the City.
Inadequate response to flooding unlikely (2) impact moderate (4)	Contingency plan in place. City Corporation has responsibilities under the Civil Contingencies Act. Further work planned as part of the City's Flood Risk Strategy.

Summary While it is not possible for the City alone to reduce significantly the risk of flooding, it is possible to minimise the impact of such incidents 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. Risk Management training is being planned for all project managers and the use of Project Vision for capturing project risk registers is being rolled out.

<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: Risk management training, linking finance and risk management, consistent capture of project documentation, 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. Links to: Strategic Aims SA1, SA2 & SA3 and Key Policy Priorities KPP1, KPP2, KPP3, KPP4 & KPP5	Gross Risk	R
		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

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Summary	Likelihood	Impact	Net Risk	A
Hampstead Heath Hydrology and related issues	2	5		
Use of the City YMCA	3	2	Likelihood	Impact
London Living Wage	5	3	3	4
Debate around the transparency and accountability for City's Cash	5	3	Control Evaluation	
Adverse comment or publicity on the role, purpose and governance of the City Corporation	3	3		
Managing the impact of street works on visitors, residents and workers	5	3		
External website project fails to meet delivery timetable and objectives as a communication tool	1	3		
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.
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<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>
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 Enhanced Corporate Health & Safety Policy

<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 The Enhanced Policy has now been approved (18 April) by Establishment Committee. The Town Clerk has signed the new statement and will be chairing the Corporate Safety committee 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. Members will receive training in the impacts of Health & Safety and decision making starting in June with the new members inductions. Various Near Misses identified recently demonstrates that culture is changing, which is positive. This process has identified issues with contractor management which could have serious ramifications had hazards been realised however these issues were / are being identified and investigated with changes effected to systems to prevent recurrence. The audits which are due to commence in October should allow for the progression of the Control Evaluation from Amber to Green.	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.
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<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>	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.	Net Risk	A
		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	<p>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).</p>		
<u>Specific Threats/Issues</u>		<u>Mitigating Actions</u>	
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 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>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.</p> <p>City Surveyors are about to appoint designers to start mitigation works. First priority upon appointment will be to conduct a verification of the risks associated with the ponds. (City Surveyor)</p> <p>When the preferred design options are developed, wider public consultation may produce new issues not yet anticipated by the Project Board. (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>Non delivery of project to upgrade pond embankments (includes slippage from agreed timetable and budget)</p>	<p>The City Surveyor's Department has appointed a specialist consultants (Atkins) to undertake a review of the current risk of flooding based on storm predictions and based upon that assessment they will then prepare three options to mitigate this risk for consideration by the CoL , A revised programme of activities and actions have been agreed by members and supported by the independent panel engineer which will allow formal consultation with the public and stakeholders with intent of submitting a formal planning application by the end of June 2014 and subject to consents, site works to commence early 2015.</p> <p>Project approved by CoL and progressing to Gateway 5. (City Surveyor)</p>
<p>Responsibilities and implications for adjacent landowners</p>	<p>Discussion with adjacent landowners has commenced, regarding their liabilities and seeking to clarify responsibilities. A report will be presented, once negotiations have progressed. (City Surveyor)</p>

<p>Summary</p> <p>The project to upgrade the pond embankments is progressing, but until such time that this project is completed (2015/16) 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>	Net Risk	R
	Likelihood	Impact
	3	5
	Control Evaluation	
	A	

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>

<u>Summary</u> 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 the 2012 autumn statement and likely reductions in future spending rounds will reduce grant income for the City Corporation resulting in the Corporation being unable to maintain a balanced budget and maintain healthy reserves in City Fund significantly impacting on service delivery levels. 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>		
Specific Threats/Issues	Mitigating Actions		
N/A	<p>Manageable within current reserves</p> <p>Service based review to address the 2016/17 forecast deficit, including a review of spend not in line with City Fund duties that may potentially be better funded from Bridge House Estates and reconsideration of the asset sales policy.</p> <p>Maintaining prudent management of City Fund finances and using current financial planning to build up reserves.</p> <p>Direct engagement with central government on grant formula</p> <p>Scrutiny of efficiency proposals by the Efficiency Board and Efficiency and Performance Sub-Committee.</p>		
Summary	<p>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. The financial strategy 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 will include a service based review to address the potential deficits from 2016/17. At the same time the potential for elements of spend not in line with City Fund duties that might be better funded from Bridge House estates will be considered together with the asset sales policy.</p>	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>	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.	Net Risk	G
		Likelihood	Impact
		1	3
		Control Evaluation	
		G	

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 Members and staff across the organisation.		
<u>Specific Threats/Issues</u>	<u>Mitigating Actions</u>		
Lack of Member and 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 biannually 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 Members and 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

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		Likelihood				
		Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)
Impact	Catastrophic (5)	SR1		SR11		
	Major (4)	SR13	SR10	SR2 SR8		
	Moderate (3)	SR5 SR15	SR4 SR6	SR9 SR16	SR14	
	Minor (2)				SR3	
	Insignificant (1)					
Key		Red / High Risk	Amber / Medium Risk	Green / Low Risk		

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

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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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Committee(s):	Date(s):
Audit and Risk Management Committee	25 th June 2013
Subject: Public Sector Internal Audit Standards (PSIAS)	Public
Report of: Chamberlain	For Information

Summary

The new Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013. These standards are mandatory and will underpin the Internal Audit arrangements within the City of London Corporation.

The Committee should welcome the fact that CIPFA has worked with the other Relevant Internal Audit Standard Setters to develop a set of internal audit standards applicable to all areas of the UK public sector. It is also appropriate that these standards should be based on the mandatory elements of the IIA (Institute of Internal Auditors) International Professional Practices Framework.

Overall, the new standard is continuation of existing best practice and, therefore, is not contentious. It is disappointing that the new standard has not sufficiently reinforced the role of an independent Audit Committee as being best practice for Local Government organisations. Also, the role and relationship with the Chief Finance Officer in being statutorily responsible and accountable for maintaining an effective system of financial control is not given prominence in the PSIAS.

The PSIAS uses a terminology which needs to be applied to the specific context and organisational structure of the City of London Corporation. In particular, it refers to the “Board” which, for most purposes, is the Audit and Risk Management Committee. It also refers to the role of the Chief Audit Executive, which in the City of London Corporation is the Head of Audit and Risk Management.

Implementation of the PSIAS for the City of London will require very few changes to existing processes, which have been based on the previous CIPFA Code of Practice for Internal Audit in Local Authorities in the United Kingdom. The Head of Audit and Risk Management will be expected to report on conformance with the PSIAS in his next annual report for the year 2013/14.

The published PSIAS includes some examples of functional reporting to the “board” which are not typically seen as the responsibility of an Audit Committee in a Local Authority e.g.:

- approving decisions regarding the appointment and removal of the Chief Audit Executive;
- approving the remuneration of the Chief Audit Executive; and

- approving the Internal Audit budget and resource plan.

The underlying principle here is that the independence of the Chief Audit Executive is safeguarded by ensuring that his/her remuneration or performance assessment is not unduly influenced by those subject to audit.

In practice, it is suggested that this would be achieved through the Town Clerk and Chief Executive contributing feedback to the performance appraisal of the Head of Audit and Risk Management and that feedback is also sought from the Chairman of the Audit and Risk Management Committee. The Audit and Risk Management Committee would be consulted through the Chairman of the Committee in the appointment and removal of the Head of Audit and Risk Management.

Another action requiring direct involvement of the Committee will be to revise the Internal audit – Terms of Reference, changing them into an Audit Charter so that they specifically address the additional requirements of the new audit standards.

Departments and Chief Officers will be consulted on the development of the Audit Charter in the Summer 2013, prior to seeking agreement by the Audit and Risk Management Committee at the October 2013 meeting.

Recommendations

Members are asked to:

1. note introduction of the new PSIAS
2. Consider the examples of internal audit functional reporting to the “board” which are not typically seen as the responsibility of an Audit Committee in a Local Authority and the proposed arrangements that will apply.
3. note the work that will need to be undertaken in the coming year to comply fully with the new standards (see paragraph 28)

Main Report

Background

4. The purpose of this report is to inform Members of the new Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013. These standards are mandatory and will underpin the Internal Audit arrangements within the City of London Corporation. The Head of Audit and Risk Management will be expected to report on conformance with the PSIAS in his annual report for the year 2013/14.
5. The CIPFA Code of Practice for Internal Audit in Local Authorities in the United Kingdom is recognised as best practice and has been adopted by the

City of London. Previous reviews of the effectiveness of Internal Audit have assessed the level of compliance with this standard.

6. A collaboration announced by CIPFA and the Institute of Internal Auditors (IIA) in May 2011 has led to the development of a new set of Internal Audit Standards – the Public Sector Internal Audit Standards (PSIAS) - which now provides a coherent and consistent internal audit framework for the whole of the public sector. These new standards - which effectively replace the CIPFA Code of Practice for Internal Audit in Local Authorities in the United Kingdom - were formally published in December 2012 and are effective from 1 April 2013. The PSIAS Application note for Local Government was published in April 2013 and provides more specific guidance on the application of these standards within the context of Local Government organisations.
7. This report sets out the key requirements of the PSIAS and highlights areas where these differ slightly from the CIPFA Code of Practice. This year's review of the effectiveness of the system of internal audit as reported in the Head of Audit's Annual report (also on the Committee agenda, considers the City of London Corporation's readiness for the new standards.
8. The PSIAS uses a terminology which needs to be applied to the specific context and organisational structure of the City of London Corporation. In particular, it refers to the "Board" which, for most purposes, is the Audit and Risk Management Committee. It also refers to the role of the Chief Audit Executive, which in the City of London Corporation is the Head of Audit and Risk Management.

The New Standards

9. The PSIAS contain a number of key public sector requirements as follows:
 - (i) Compliance with the IIA Code of Ethics
10. The IIA Code of Ethics sets out key principles and rules of conduct covering the following: Integrity; Objectivity; Confidentiality; and, Competency. Where individual auditors have membership of another professional body, then he or she must also comply with the relevant requirements of that organisation. The PSIAS also require that internal auditors who work in the public sector have regard to the Committee on Standards of Public Life's Seven Principles of Public Life (sometimes referred to as the "Nolan Principles")
 - (ii) Purpose, Authority and Responsibility
11. The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter which should:
 - define the terms "board" and "senior management" for the purposes of internal audit activity;
 - cover arrangements for appropriate resourcing;

- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

12. Within the City of London Corporation, it is anticipated that the Audit and Risk Management Committee will fulfil the functions of the “board”, as defined in the PSIAS, with a few exceptions which are identified in this report at paragraph 15.

(iii) Independence and Objectivity

13. The standard refers to the role of the Chief Audit Executive (CAE), which in the context of the City of London Corporation is the Head of Audit and Risk Management. The standard states that this role must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The Chief Audit Executive must report functionally to the “board”.

14. In practice, this means the Audit and Risk Management Committee (as the “Board”) will be involved in:

- approving the internal audit charter
- approving the risk based internal audit plan
- making appropriate enquiries of management and the Head of Audit and Risk Management to determine whether there are inappropriate scope or resource limitations.

15. The published PSIAS also include some examples of functional reporting to the board which are not typically seen as the responsibility of an Audit Committee in a Local Authority e.g.:

- approving decisions regarding the appointment and removal of the Chief Audit Executive;
- approving the remuneration of the Chief Audit Executive; and
- approving the Internal Audit budget and resource plan.

16. The underlying principle here is that the independence of the Chief Audit Executive is safeguarded by ensuring that his/her remuneration or performance assessment is not unduly influenced by those subject to audit. In practice, it is suggested that this would be achieved through the Town Clerk and Chief Executive contributing feedback to the performance appraisal of the Head of Audit and Risk Management and that feedback is also sought from the Chairman of the Audit and Risk Management Committee. The Audit and Risk Management Committee would be consulted through the Chairman of the Committee in the appointment and removal of the Head of Audit and Risk Management.

(iv) Impairment to Independence or Objectivity

17. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which they had operational responsibility

within the preceding year, however, internal auditors may provide consulting (advisory) services for activities for which they were previously responsible.

18. Approval must be sought from the board (Audit and Risk Management Committee) for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement. This is currently relevant to the work the City of London internal audit function as it undertakes efficiency review work in support of the Efficiency Board, which is explicitly referred to in the Audit Plans presented to the Committee.

(v) Proficiency and Due Professional care

19. Engagements must be performed with proficiency and due professional care. Internal auditors must possess the knowledge skills and other competencies needed to perform their individual responsibilities. The Chief Audit Executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced. Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.

(vi) Quality Assurance and Improvement Programme

20. The Chief Audit Executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This must include both internal and external assessments. Internal assessments must include both integral day to day monitoring and supervision of activity, as well as periodic self assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. An external assessment should be conducted at least once every five years and progress against any improvement plans, agreed following external assessment and must be reported to senior management and the board (Audit and Risk Management Committee).
21. The last independent review of the City of London internal audit function was conducted in 2009. A reciprocated peer review with the London Borough of Hillingdon had been planned for this year; however, this would not be sufficiently independent to meet the new PSIAS requirements and, therefore, has not been progressed.
22. A peer review process is being established by the London Audit Group, with more that 30 London Boroughs due to participate. The City of London Corporation has already indicated a desire to take part in these arrangements and to be part of the first tranche of organisations to be subject to an external independent review.
23. Instances of non-conformance with the PSIAS should be reported to the board (Audit and Risk Management Committee) and if there are significant deviations, these should be considered for inclusion in the Annual Governance Statement.

(vii) Managing the Internal Audit Activity

24. The Internal Audit plan must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board (Audit and Risk Management Committee) must be considered in this process. Internal Audit must evaluate the effectiveness and contribute to the improvement of risk management processes. Internal auditors must develop and document a plan for each engagement, including the engagement's objective, scope, timing and resource allocations. Internal auditors must document relevant information to support the conclusions and engagement results.
25. The Chief Audit Executive must deliver an annual internal audit report that can be used by the organisation to inform its governance statement. This annual report must include an internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report should also include:
- a summary of work that supports the opinion; and
 - a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. For the City of London Corporation, this is the annual review of the effectiveness of Internal Audit, which is reported within the Head of Audit's Annual report and opinion.

PSIAS v CIPFA Code – Key Differences:

26. The PSIAS have been developed following collaboration between CIPFA and the IIA, professional bodies that have complementary strategies and values and a shared commitment to Internal Audit. It, therefore, comes as no surprise that there are no fundamental differences between the PSIAS and the CIPFA Code of Practice. The main differences between PSIAS and the Local Government Code are as follows:-
- Independence and Objectivity – the PSIAS is not so concerned with “line management arrangements”, but more with independence of function and reporting;
 - PSIAS makes no mention of the role and relationship with the Chief Finance Officer in being statutorily responsible and accountable for maintaining an effective system of financial control:-
 - Impairment to Independence and Objectivity – the PSIAS set a timeframe (one year) whereby objectivity is presumed to be impaired, if an internal auditor provides assurance services for an activity for which they previously had operational responsibility;
 - Quality Assurance and Improvement Programme – the PSIAS require an external assessment of the internal audit activity, at least once every five years;
 - Risk Management – the PSIAS contain more detail on the role of Internal Audit in risk management;
 - Overall Opinion – PSIAS require the annual audit opinion to be accompanied by a statement on compliance with the mandatory standards.

27. Overall, the new standard is a continuation of existing best practice and therefore, is not contentious. It is disappointing that the new standard has not sufficiently reinforced the role of an independent Audit Committee as being best practice for Local Government organisations.
28. Also, the role and relationship with the Chief Finance Officer in being statutorily responsible and accountable for maintaining an effective system of financial control is not given prominence in the PSIAS. In particular, there is no mention in the PSIAS of the responsibilities that fall on the Chief Financial Officer through the Local Government Finance Act to support the Audit Committee and ensure internal audit is independent and effective. There is only limited reference to these responsibilities within the PSIAS Local Government Application note.
29. The following actions will be required, over the next few months, to ensure full compliance with the new Standards
- Redevelop the Internal audit – Terms of Reference into an Audit Charter, so it specifically addresses the additional requirements of the new audit standards. In addition, it intended that the creation of this charter will be used as an opportunity to document formally and agree performance expectations of both internal audit and Departments in making the internal audit process operate effectively. Departments and Chief Officers will be consulted on the development of this charter in the Summer 2013, prior to seeking agreement by the Audit and Risk Management Committee at the October 2013 meeting.
 - Some updating of the internal audit manual is required to ensure it reflects some of the new terminology introduced by the PSIAS. This will be completed by August 2013.
 - Implement formal arrangements for the Audit and Risk Management Committee Chairman and Town Clerk and Chief Executive to have input to the performance appraisal of the Head of Audit and Risk Management for the 2013/14 year end.

Conclusion

30. The Committee should welcome the fact that CIPFA has worked with the other Relevant Internal Audit Standard Setters to develop a set of internal audit standards applicable to all areas of the UK public sector. It is also appropriate that these standards should be based on the mandatory elements of the IIA International Professional Practices Framework.
31. Implementation of the PSIAS for the City of London will require very few changes to existing processes, which have been based on the previous Code of Practice for Internal Audit in Local Authorities in the United Kingdom.

Appendices

▪ **Appendix 1: Public Sector Internal Audit Standards**

Background Papers:

- 20th September 2012 Audit and Risk Management Committee - Public Sector Internal Audit Standards
- PSIAS Local Government Application Note

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Public Sector Internal Audit Standards

Applying the IIA International Standards to
the UK Public Sector

Issued by the Relevant Internal Audit Standard Setters:



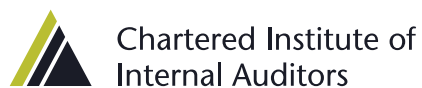
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Public Sector Internal Audit Standards

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SECTION 1

Introduction

A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

This document is therefore addressed to Accounting Officers, Accountable Officers, board and audit committee members, heads of internal audit, internal auditors, external auditors and other stakeholders such as chief financial officers and chief executives.

Framework overview

The Relevant Internal Audit Standard Setters (RIASS)¹ have adopted this common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

Additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF.

The overarching principle borne in mind when all potential public sector interpretations and/or specific requirements were considered was that only the minimum number of additions should be made to the existing IIA Standards. The criteria against which potential public sector requirements were judged for inclusion were:

- where interpretation is required in order to achieve consistent application in the UK public sector
- where the issue is not addressed or not addressed adequately by the current IIA Standards, or
- where the IIA standard would be inappropriate or impractical in the context of public sector governance (taking into account, for example, any funding mechanisms, specific legislation etc).

At the same time, the following concepts were also considered of each requirement or interpretation being proposed:

- materiality
- relevance
- necessity, and
- integrity (the additional commentary does not cause inconsistency elsewhere).

¹ The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding Foundation Trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

Wherever reference is made to the International Standards for the Professional Practice of Internal Auditing, this is replaced by the PSIAS. Chief audit executives are expected to report conformance on the PSIAS in their annual report.

Purpose of the PSIAS

The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Additional guidance is a matter for the RIASS.

Scope

The PSIAS apply to all internal audit service providers, whether in-house, shared services or outsourced.

All internal audit assurance and consulting services fall within the scope of the Definition of Internal Auditing (see section 3). The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.

The Code of Ethics promotes an ethical, professional culture (see section 4). It does not supersede or replace internal auditors' own professional bodies' Codes of Ethics or those of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.

In common with the IIA IPPF on which they are based, the PSIAS comprise Attribute and Performance Standards. The Attribute Standards address the characteristics of organisations and parties performing internal audit activities. The Performance Standards describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated. While the Attribute and Performance Standards apply to all aspects of the internal audit service, the Implementation Standards apply to specific types of engagements and are classified accordingly:

- Assurance (A) and
- Consulting (C) activities.

The Standards employ terms that have been given specific meanings that are included in the Glossary.

Key governance elements

Within the PSIAS, the terms 'board' and 'senior management' need to be interpreted in the context of the governance arrangements within each UK public sector organisation, as these arrangements vary in structure and terminology between sectors and from one organisation and the next within in the same sector.

It is also necessary for the chief audit executive to understand the role of the Accounting or Accountable Officer, Chief Financial Officer, chief executive, the audit committee and other key officers or relevant decision-making groups as well as how they relate to each other. Key relationships with these individuals and groups are defined for each internal audit service within its charter.

Applicability

The Relevant Internal Audit Standard Setters for the various parts of the UK public sector are shown below, along with the types of organisations in which the PSIAS should be applied.

SECTOR / RELEVANT INTERNAL AUDIT STANDARD SETTER	Central Government	NHS	Local Government
CIPFA			<p>UK Local authorities.</p> <p>England & Wales only The Office of the Police & Crime Commissioner, constabularies, fire authorities, National Park authorities, joint committees and joint boards in the UK.</p> <p>Scotland only Strathclyde Partnership for Transport.</p>
HM Treasury	<p>UK* Government departments and their executive agencies and non-departmental public bodies.</p>		
Department of Health		<p>England Clinical Commissioning Groups. NHS Trusts.</p>	

SECTOR / RELEVANT INTERNAL AUDIT STANDARD SETTER	Central Government	NHS	Local Government
Scottish Government	<p>Scotland</p> <p>The Scottish Government, the Crown Office and Procurator Fiscal Service, Executive Agencies and non-ministerial departments, non-departmental public bodies, the Scottish Parliament Corporate Body and bodies sponsored / supported by the Scottish Parliament Corporate Body.</p>	<p>Scotland</p> <p>NHS Boards, Special NHS Boards, NHS Board partnership bodies in the public sector (eg joint ventures, Community Health Partnerships etc), NHS Board subsidiaries.</p>	
Welsh Government	<p>Wales</p> <p>The Welsh Government, National Assembly for Wales and Welsh Government sponsored bodies including commissioners.</p>	<p>Wales</p> <p>Health Boards and Trusts.</p>	
Northern Ireland Assembly: Department of Finance and Personnel (NI)	<p>Government departments, executive agencies, non-ministerial departments, non-departmental public bodies, NI health and social care bodies and other relevant sponsored bodies.</p>		

* Unless the body falls under the jurisdiction of the devolved governments.

Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

SECTION 4

Code of Ethics

Public sector requirement

Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of internal auditing to include two essential components:

Components

- 1 Principles that are relevant to the profession and practice of internal auditing;
- 2 Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members and those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

Public sector interpretation

The 'Institute' here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

1 Integrity

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2 Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct

Internal auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3 Confidentiality

Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4 Competency

Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

Internal auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- 4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3 Shall continually improve their proficiency and effectiveness and quality of their services.

Public sector requirement

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*, information on which can be found at www.public-standards.gov.uk

Standards

Attribute Standards

1000 Purpose, Authority and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

Public sector requirement

The internal audit charter must also:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

1000.A1

The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.

1000.C1

The nature of consulting services must be defined in the internal audit charter.

1010 Recognition of the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* in the Internal Audit Charter

The mandatory nature of the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* must be recognised in the internal audit charter. The chief audit executive should discuss the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* with senior management and the board.

1100 Independence and Objectivity

The internal audit activity must be independent and internal auditors must be objective in performing their work.

Interpretation:

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional and organisational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional and organisational levels.

1110 Organisational Independence

The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.

Interpretation:

Organisational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit budget and resource plan;
- receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;
- approving decisions regarding the appointment and removal of the chief audit executive;
- approving the remuneration of the chief audit executive; and
- making appropriate enquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

Public sector requirement

The chief audit executive must report functionally to the board. The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.

Public sector interpretation

Governance requirements in the UK public sector would not generally involve the board approving the CAE's remuneration specifically. The underlying principle is that the independence of the CAE is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by ensuring that the chief executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also sought from the chair of the audit committee.

1110.A1

The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.

1111 Direct Interaction with the Board

The chief audit executive must communicate and interact directly with the board.

1120 Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

1130 Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:

Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.

1130.A1

Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2

Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.

1130.C1

Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.C2

If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

Public sector requirement

Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.

1200 Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 Proficiency

Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.

Interpretation:

Knowledge, skills and other competencies is a collective term that refers to the professional proficiency required of internal auditors to effectively carry out their professional responsibilities. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organisations.

Public sector requirement

The chief audit executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

1210.A1

The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2

Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210.A3

Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.C1

The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A1

Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

1220.A2

In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220.A3

Internal auditors must be alert to the significant risks that might affect objectives, operations or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.C1

Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing and communication of engagement results;
- Relative complexity and extent of work needed to achieve the engagement's objectives; and
- Cost of the consulting engagement in relation to potential benefits.

1230 Continuing Professional Development

Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.

1300 Quality Assurance and Improvement Programme

The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the *Definition of Internal Auditing* and the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

1310 Requirements of the Quality Assurance and Improvement Programme

The quality assurance and improvement programme must include both internal and external assessments.

1311 Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Periodic assessments are conducted to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.

Public sector requirement

The chief audit executive must agree the scope of external assessments with an appropriate sponsor, eg the Accounting/Accountable Officer or chair of the audit committee as well as with the external assessor or assessment team.

1320 Reporting on the Quality Assurance and Improvement Programme

The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board.

Interpretation:

The form, content and frequency of communicating the results of the quality assurance and improvement programme is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

Public sector requirement

The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

1321 Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"

The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement programme support this statement.

Interpretation:

The internal audit activity conforms with the Standards when it achieves the outcomes described in the *Definition of Internal Auditing*, *Code of Ethics* and *Standards*.

The results of the quality assurance and improvement programme include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322 Disclosure of Non-conformance

When non-conformance with the *Definition of Internal Auditing*, the *Code of Ethics* or the *Standards* impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board.

Public sector requirement

Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.

Performance Standards

2000 Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.

Interpretation:

The internal audit activity is effectively managed when:

- The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter;
- The internal audit activity conforms with the *Definition of Internal Auditing* and the *Standards*; and
- The individuals who are part of the internal audit activity demonstrate conformance with the *Code of Ethics* and the *Standards*.

The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

Public sector requirement

The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

2010.A1

The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2

The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

2010.C1

The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2020 Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

Public sector requirement

The risk-based plan must explain how internal audit's resource requirements have been assessed.

Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.

2040 Policies and Procedures

The chief audit executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

2050 Coordination

The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

Public sector requirement

The chief audit executive must include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

2060 Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.

Interpretation:

The frequency and content of reporting are determined in discussion with senior management and the board and depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board.

2070 External Service Provider and Organisational Responsibility for Internal Auditing

When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.

Interpretation:

This responsibility is demonstrated through the quality assurance and improvement programme which assesses conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

2100 Nature of Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

2110 Governance

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information among the board, external and internal auditors and management.

2110.A1

The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.

2110.A2

The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.

2120 Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- Organisational objectives support and align with the organisation's mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

2120.A1

The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

2120.A2

The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

2120.C1

During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

2120.C2

Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.

2120.C3

When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 Control

The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1

The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

2130.C1

Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.

2200 Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.

2201 Planning Considerations

In planning the engagement, internal auditors must consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance;
- The significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level;
- The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model; and
- The opportunities for making significant improvements to the activity's governance, risk management and control processes.

2201.A1

When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201.C1

Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities and other client expectations. For significant engagements, this understanding must be documented.

2210 Engagement Objectives

Objectives must be established for each engagement.

2210.A1

Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210.A2

Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives.

2210.A3

Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and/or the board to develop appropriate evaluation criteria.

Public sector interpretation

In the public sector, criteria are likely to include value for money.

2210.C1

Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.

2210.C2

Consulting engagement objectives must be consistent with the organisation's values, strategies and objectives.

2220 Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

2220.A1

The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under the control of third parties.

2220.A2

If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

2220.C1

In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

2220.C2

During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

2230 Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.

2240 Engagement Work Programme

Internal auditors must develop and document work programmes that achieve the engagement objectives.

2240.A1

Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly.

2240.C1

Work programmes for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 Performing the Engagement

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.

2310 Identifying Information

Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.

Interpretation:

Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.

2320 Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 Documenting Information

Internal auditors must document relevant information to support the conclusions and engagement results.

2330.A1

The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330.A2

The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.

2330.C1

The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.

2340 Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff is developed.

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

2400 Communicating Results

Internal auditors must communicate the results of engagements.

2410 Criteria for Communicating

Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.

2410.A1

Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Interpretation:

Opinions at the engagement level may be ratings, conclusions or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

2410.A2

Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3

When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.

2410.C1

Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy and wordiness. Constructive communications are helpful to the engagement client and the organisation and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

2430 Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”

Internal auditors may report that their engagements are “conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*”, only if the results of the quality assurance and improvement programme support the statement.

2431 Engagement Disclosure of Nonconformance

When nonconformance with the *Definition of Internal Auditing*, the *Code of Ethics* or the *Standards* impacts a specific engagement, communication of the results must disclose the:

- Principle or rule of conduct of the *Code of Ethics* or Standard(s) with which full conformance was not achieved;
- Reason(s) for nonconformance; and
- Impact of nonconformance on the engagement and the communicated engagement results.

2440 Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

Interpretation:

The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and deciding to whom and how it will be disseminated. When the chief audit executive delegates these duties, he or she retains overall responsibility.

2440.A1

The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2

If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organisation the chief audit executive must:

- Assess the potential risk to the organisation;
- Consult with senior management and/ or legal counsel as appropriate; and
- Control dissemination by restricting the use of the results.

2440.C1

The chief audit executive is responsible for communicating the final results of consulting engagements to clients.

2440.C2

During consulting engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.

2450 Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Interpretation:

The communication will identify:

- The scope including the time period to which the opinion pertains;
- Scope limitations;
- Consideration of all related projects including the reliance on other assurance providers;
- The risk or control framework or other criteria used as a basis for the overall opinion; and
- The overall opinion, judgment or conclusion reached.

The reasons for an unfavourable overall opinion must be stated.

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

2500 Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1

The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1

The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 Communicating the Acceptance of Risks

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

Interpretation:

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief audit executive to resolve the risk.

Glossary

Add Value

The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

Adequate Control

Present if management has planned and organised (designed) in a manner that provides reasonable assurance that the organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and economically.

Public sector definition: Assurance Framework

This is the primary tool used by a board to ensure that it is properly informed on the risks of not meeting its objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of the systems in place to mitigate those risks.

Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

Public sector definition: Audit Committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

Board

The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically, this includes an independent group of directors (eg a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the 'board' may refer to the head of the organisation. 'Board' may refer to an audit committee to which the governing body has delegated certain functions.

Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive

Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title of the chief audit executive may vary across organisations.

Code of Ethics

The *Code of Ethics* of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. The *Code of Ethics* applies to both parties and entities that provide internal audit services.

The purpose of the *Code of Ethics* is to promote an ethical culture in the global profession of internal auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes

The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organisation is willing to accept.

Engagement

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives

Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Opinion

The rating, conclusion and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.

Engagement Work Programme

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider

A person or firm outside of the organisation that has special knowledge, skill and experience in a particular discipline.

Fraud

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

Public sector definition: Governance Statement

The mechanism by which an organisation publicly reports on its governance arrangements each year.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

Independence

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Information Technology Controls

Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure and people.

Information Technology Governance

Consists of the leadership, organisational structures and processes that ensure that the enterprise's information technology supports the organisation's strategies and objectives.

Internal Audit Activity

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

International Professional Practices Framework

The conceptual framework that organises the authoritative guidance promulgated by The IIA. Authoritative Guidance is comprised of two categories (1) mandatory and (2) strongly recommended.

Public sector interpretation

Only the mandatory elements apply for the purposes of the Public Sector Internal Audit Standards.

Public sector interpretation: International Standards for the Professional Practice of Internal Auditing

The Public Sector Internal Audit Standards take the place of the International Standards where applicable.

Must

The *Standards* use the word “must” to specify an unconditional requirement.

Objectivity

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Overall Opinion

The rating, conclusion and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite

The level of risk that an organisation is willing to accept.

Risk Management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation’s objectives.

Should

The *Standards* use the word should where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Standard

A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

Technology-based Audit Techniques

Any automated audit tool, such as generalised audit software, test data generators, computerised audit programmes, specialised audit utilities and computer-assisted audit techniques (CAATs).

Committee(s):	Date(s):
Audit & Risk Management Committee	25 th June 2013
Subject: Internal Audit Recommendations Follow-up	Public
Report of: Chamberlain	For Information

Summary

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 5th March 2013.

At the end of May 2013, there are no outstanding red priority actions from reviews previously concluded and reported to this Committee.

Cumulative performance in the implementation of audit recommendations over the last 24 months, has been monitored with 73% of audit recommendations confirmed as implemented, when formal audit follow-ups were undertaken. Where red and amber priority recommendations were still to be implemented at the time of audit follow-up, further updates have been sought from management to confirm the implementation of red and amber priority recommendations.

Management status updates on all agreed red and amber actions is provided in **Appendix 1**.

There has been a delay in the implementation of three amber priority recommendations from the iTrent application review, which had been previously reported to this Committee. Action is now in progress to complete one of these recommendations, which concerned configuration hardening for web servers and will be completed by the end of July 2013. Two further recommendations have now been closed, following further review by internal audit and assessment of the risk as minimal. The original management response from IS Division was that implementation of these recommendations may not be practical, and would require further investigation. This has proved to be the case. Investigation of compliance with Data Protection Act and Public Secure Network (PSN) requirements was however undertaken as originally agreed and compliance confirmed in relation to existing arrangements.

Analysis of the implementation of red and amber priority recommendations, requested at the last Committee, shows that whilst 39% of recommendations are implemented by the originally agreed date, 61% of amber priority recommendations are implemented after the originally agreed date, with 35% implemented more than 6 months afterwards. This is clearly an area for improvement. Further analysis will be undertaken to identify those departments where the more significant delays in implementation are occurring. Targeted follow-up with Chief Officers will be undertaken to ensure originally agreed timescales for the implementation of recommendations are kept to wherever possible.

In addition to the 15 amber open actions, there are 240 open green priority actions as of May 2013.

Members are asked to:

- Note the recommendations follow-up report
- Note that a clear improvement is required in ensuring originally agreed timescales for the implementation of recommendations are achieved.

Main Report

Formal Audit Follow-ups

1. No formal audit review follow ups have been conducted since the 5th March 2013 update to the Committee. Internal audit work has been targeted on the completion of the 2012/13 audit plan and, in many cases, evidence of recommendation implementation is being provided by Departments, as actions are being completed, which is often negating the need to undertake formal follow-up reviews.
2. 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 May 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	97	327	430
Recommendations Implemented	5	65	245	315
% implemented	83%	67%	75%	73%

3. Where red and amber priority recommendations were still to be implemented at the time of formal audit follow-up, further updates have been sought from management to 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 May 2013, there are no outstanding red priority actions from reviews previously concluded and reported to this Committee.

Red and Amber Priority Recommendations Status

4. 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 that there are no open red priority actions and that there are 15 amber priority actions open from internal audit work reported previously to Committee. This table only shows open amber actions and does not include amber actions agreed and subsequently implemented. An analysis and commentary on the extent to which actions have been implemented according to their originally agreed timescales is provided later in the report at paragraph 9.

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	15	3	12	-	8	4	3*
Total	15	3	12	-	8	4	3

* Details of the three amber priority recommendations with future target dates of greater than 6 months are as follows. (Additional information is in Appendix 1):-

- Two amber recommendations are linked to the requirements of the Hutton report on public sector pension reform and the resulting legislation (Public Service Pensions Act 2013) which received Royal Assent on the 25th April 2013. Due for implementation by April 2014 as originally agreed.
- The other amber priority recommendation is outstanding in respect of addressing the poor quality of management information available from the car park barrier system at Smithfield. The replacement equipment will not now be in place until November 2014 when the new off street car park contract is let.

iTrent application (Payroll & HR database)

5. There were three amber priority recommendations reported as outstanding at the last Committee meeting relating to the iTrent application (Payroll & HR database system). One recommendation concerning configuration hardening for web servers had not been progressed due to lack of resources. Action is now in

progress, with new software installed and configuration hardening for web servers in progress, which will be completed by the middle of July 2013.

6. Two further recommendations have been reviewed between internal audit and IS Division and have now been closed. The first concerned writing audit trails to a secure server. Most importantly, audit logs are written to a securely configured server and this ensures a proper audit/management trail. However, applying a division of duty between administrators, automated log review and alerts, while being investigated, still have not been implemented. The original management response from IS Division was that these issues may not be practical and this has proved to be the case. The policy has been reviewed on a cost/risk basis and judged not to be realistic. This position is accepted by internal audit as the risk is minimal and will be addressed again under the IS outsourcing arrangements.
7. The second recommendation concerns the automated reconciliation of security logs and the investigation of compliance with Data Protection Act (DPA) Principle 7 and Public Secure Network (PSN) requirements (CoCo PRO.2 and PRO.3). The concerns arising from this recommendation have now been investigated. The IS policy for this area (i.e. Protective monitoring – logs) with security logs now being kept in a central location for six months achieves compliance with the DPA and PSN requirements. Not all data is subject to this policy, but importantly it is applied to critical data (e.g. domain controllers, firewalls, and file cluster). This position is accepted by internal audit as the risk is minimal and will be reviewed again under the IS out-sourcing arrangements.
8. In any organisation the security policy has to be considered on a cost/risk basis while being in line with the legislation, guidelines and standards of the industry. The City of London Corporation is no exception to this and the IS division's security policy considers cost/risk and resources and prioritises accordingly.

Implementation of Recommendations according to agreed timescales

9. At the March 2013 Committee meeting, members requested an analysis of the extent to which priority audit recommendations are implemented according to originally agreed timescales or revised target dates were agreed. The following table provides an analysis from data held in the MK Audit Automation system relating to the implementation dates for now closed Amber and Red priority recommendations over the last 15 months.

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

Implemented 1 month or more ahead of time	8%
Implemented in due month	31%
Less than 1 month after	4%
Less than 3 months after	18%
Less than 6 months after	4%
More than 6 months after	35%

10. The analysis shows that whilst 39% of recommendations are implemented by the originally agreed date, 61% of amber priority recommendations are implemented after the originally agreed date, with 35% implemented more than 6 months afterwards. This is clearly an area for improvement. Further analysis will be undertaken to identify those departments where the more significant delays in implementation are occurring. Targeted follow-up with Chief Officers will be undertaken to ensure that the importance of keeping to the originally agreed timescales for the implementation of recommendations is understood.
11. 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, with revised implementation dates agreed with internal audit. All live red and amber recommendations are being tracked through the MK audit automation software, which is enabling a pro-active approach to audit recommendation follow up and reporting. The use of this system is now enabling a deeper analysis of the progress in implementing recommendations to be undertaken.
12. At previous Committee meetings, 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. Most recently, this message was communicated and discussed with Chief Officers at the April 2013 Chief Officer Group meeting where they undertook to remind recommendation owners of this requirement.

Conclusion

13. There is a very high level of acceptance of internal audit recommendations, although implementation according to the originally agreed timescales is often not achieved and requires improvement. Internal audit work focused on obtaining status update information from management of open recommendations, in addition to formal audit follow-up reviews is ensuring appropriate management attention is given to completing agreed audit actions.

Appendices

- **Appendix 1 – Red and Amber actions status update**
- **Appendix 2 – Audit Follow-up process and recommendation priority definitions**

Background Papers:

2013/14 Internal Audit Plan

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Audit Actions Status - based on Management reports - as at 23/05/13				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 action is "In Progress" and the revised completion date remains "October 2013". The status update is " Following the report to the Members of the Epping Forest and Commons Committee in February, agreeing to maintain arrangements until October, a Recovery Plan report will be considered at the July meeting. This will include a proposal to use the Professional Golfers Association (PGA) contract for managing the course. It is now less likely that the IS online booking system will be available by October for this golf use. However, an alternative arrangement, involving Jonas software linked to the Epping Forest web site, is being progressed as an alternative too.		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 on public sector pension reform and the resulting legislation (Public Service Pensions Act 2013) which received Royal Assent on the 25th April 2013. The bi-annual Internal Audit review of the Pension Scheme is scheduled for the quarter ending 30th September 2013. The implementation of the changes required by the new legislation will be included within this audit review, which will include a re-examination of these two recommendations.	2					2
Town Clerk's	Declarations	Jun-11	Green		1	Fully implementation of the enhanced guidance for staff of declarations is dependant on the roll-out of the revised staff code of conduct. A further report with suggested revised wording for para 10.2 will go back to Establishment Committee on 23rd June. Once that's agreed the roll-out can proceed.		1		1		
CLSG	Fee Income	Feb-12	Green	0	1	A revised implementation date of 30/06/13 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 trialled and rolled out for portable devices, having been implemented already for non portable devices.		1		1		
CLS	Petty cash, CDT safe and inventory	Jun-12	Green	0	1	Following a successful trial the School has purchased School Asset Manager software and is in the process of entering all of its assets. It is hoped to complete this by 31 August 2013. The new system will provide appropriate procedures for future fixed asset disposals.		1			1	
Markets and Consumer Protection/DBE	Markets Car Parks	Apr-12	Green	0	1	One amber priority recommendation is outstanding in respect of addressing the poor quality of management information available from the car park barrier system at Smithfield. The barrier equipment replacement is included in the procurement of the off-street car park management contract. The current contract (with APCOA) has been extended until 30 November 2014 (ratified at Court of Common Council on 16 May 2013). Therefore the replacement equipment will not now take place until 2014/15 when the new off street car park contract is let. Responsibility for the contract is with Directorate of Built Environment		1				1

Audit Actions Status - based on Management reports - as at 23/05/13				Open Red & Amber			Open Red & Amber Actions			Planned Implementation date		
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. 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. Updated implementation timescale of October 2013 has been agreed..		1			1	
Culture, Heritage and Libraries	Tower Bridge Penny Press	Apr-13	Green	0	1	Two companies have visited the area and following further discussions an appropriate solution has been identified to improve physical security. An order has been placed with ITAB and installation is scheduled to take place w/c 10 th June.	1			1		
DCCS	Individual Budgets	Jan-13	Amber	0	1	One amber priority recommendation outstanding - to be implemented by August 2013 in line with the use of a new case management system developed for the social care team. All other recommendations have been implemented subject to a formal follow-up.		1		1		
DCCS	Responsive Repairs	Mar-13	Amber	0	4	Three amber recommendations originally targeted for implementation by April 2013 will now be completed by the end of June 2013. These relate to undertaking and monitoring post completion inspection sampling and consideration of repairs history and trends. One further amber recommendation to consider planned maintenance prior to initiating responsive repairs jobs, although partially implemented will not be fully completed until September 2013 when new software is introduced.		4		3	1	
Total				0	15		3	12	0	8	4	3

Internal Audit Recommendations Follow-up Report – Appendix 2

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. There were no formal follow-up reviews completed in the last period. 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 1**.

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(s):	Date(s):
Audit & Risk Management Committee	25 th June 2013
Subject: Internal Audit Update Report	Public
Report of: Chamberlain	For Information
Summary	
<p>This report provides an update on internal audit activity since the last Audit & Risk Management Committee on the 5th March 2013</p> <p>The outcomes from the 14 main audit review finalised since the last audit update report are reported and significant risk issues highlighted. One audit review, the Community and Children Services – Community Care review resulted in a ‘Red’ Limited Assurance opinion. This audit identified a number of significant weaknesses in respect of the management of client accounts. A total of 16 accounts were identified where either a credit or debit balance was held for deceased clients. In addition, accounts were not subject to regular reconciliation nor was there an adequate level of segregation. All recommendations have been agreed with management and will be subject to an early audit follow-up in July 2013. Management has responded quickly to these issues once brought to their attention</p> <p>Three audit reviews resulted in Amber assurance ratings which indicate there are significant audit findings which require mitigation and focused action by management;</p> <ul style="list-style-type: none"> - Community & Children’s Services – Responsive Repairs (New Contractual Arrangements) - Corporate Review – Governance and VFM in the application of project priorities - Culture Heritage & Libraries – Procurement of Reprographic Equipment <p>The findings from these four audit reviews have been highlighted to the relevant Committee chairman.</p> <p>There was a larger than anticipated carry forward of audit work from 2012/13 due to one auditor vacancy, a higher level of investigation work and some audit reviews taking longer than their planned day allocations. Additional unplanned cash checks, taking an additional 40 auditor days, have been undertaken at a number of departments in the first part of 2013/14, and investigation activity is continuing in excess of what was allowed for at audit planning stage. Whilst good progress has been made in finalising the 2012/13 audit reviews, there has been some delay in commencing work on the 2013/14 audit work programme. The one current auditor vacancy will be filled from the 17th June. The impact of the additional investigation work in the first quarter of 2013/14 is being assessed and audit plans for the remainder of the year will need to be re-prioritised in some areas. This re-planning will be reported back to the next Audit and Risk Management Committee.</p>	

Recommendation(s)

Members are asked to note the update report.

Main Report

Key Audit Findings

1. Since the last update to the Audit & Risk Management Committee in March 2013, eight main audit reviews have been finalised. Two of these reviews resulted in Amber or Red assurances for which the headline issues and consideration of impact is analysed in **Table 1**. Further details of these reports are provided in **Appendix 1**.

Table 1 – Key Audit Report Headlines	Assurance Level	Impact (H/M/L)
<p>Community & Children’s Services: Community Care (2 Red, 5 Amber, 6 Green)</p> <p>Materiality: The Department of Community & Children’s Services (DCCS) provides a wide range of social care services to ensure service users live independently for the maximum time possible. This review focused on the management of 96 client accounts and access to telephones (provided under the Chronically Sick and Disabled Persons Act 1970).</p> <p><i>A number of significant weaknesses were identified in respect of the management of client accounts; A total of 16 accounts were identified where either a credit or debit balance was held for deceased clients. In addition, accounts were not subject to regular reconciliation nor was there an adequate level of segregation.</i></p> <p>Management Response:</p> <p>A total of 15 recommendations were made, 14 of which are due for implementation by June 2013. The one remaining green recommendation will be completed by April 2014 to coincide with the end of the financial year. All recommendations have been agreed with management</p>	Red	Medium

Table 1 – Key Audit Report Headlines	Assurance Level	Impact (H/M/L)
and will be subject to an early follow-up in June/July 2013.		
<p>Community & Children’s Services: Responsive Repairs (New Contractual Arrangements) (5 Amber, 5 Green)</p> <p>Materiality: The review focused on the new contractual arrangements in place for the delivery of the housing responsive repairs and maintenance service. The new contract is valued at £867k per annum.</p> <p><i>Although the contractor commenced work in January 2011, a signed contract was not put in place until August 2012. Recommendations were made to improve contract monitoring, inspection arrangements and introduce additional procedures to safeguard against inefficiency and waste.</i></p> <p>Management Response:</p> <p>Management have agreed with all five amber and five green priority recommendations. Full Implementation was originally agreed for the end of April 2013, however implementation of recommendations has now been agreed for the end of June 2013.</p>	Amber	High
<p>Corporate Review – Governance and VFM in the application of project priorities (3 Amber, 3 Green)</p> <p>Materiality: the internal audit review focused on project categories (e.g. Health & Safety, Asset Enhancement, Spend to Save) attributed to projects which are subject to the City Project Management process. As the priority of these categories is relied upon by Members when deciding which projects are to be progressed, and which are not, this goes to the very heart of the City’s Governance and Value for Money arrangements.</p> <p><i>In the opinion of Internal Audit, at least seven (47%) of the projects sampled had been incorrectly allocated to categories of a higher priority than they should have been. Recommendations were made to improve guidance and strengthen the oversight and consistency in the allocation, recording and reporting of project categories.</i></p> <p>Management Response:</p> <p>Management have agreed with the three amber and three</p>	Amber	High

Table 1 – Key Audit Report Headlines	Assurance Level	Impact (H/M/L)
green priority recommendations. Amber priority recommendations are due for full implementation by June 2013, with all recommendations to be implemented by September 2013.		
<p>Culture, Heritage and Libraries – Procurement of Reprographic Equipment (2 Amber, 3 Green)</p> <p>Materiality: In 2012/13, actual Department expenditure on printing, equipment purchase, maintenance and hire was £418,000. The audit investigation focused on a photocopier lease agreement allegedly entered into for a five year period costing £43,812 as well as the general Departmental controls over reprographic equipment purchasing and cost monitoring.</p> <p><i>Greater control is required by the department in the procurement of equipment and subsequent lease monitoring. In relation to the specific photocopier lease which initiated the audit review, the equipment has not been used; was never required; and the officer who signed the agreement did not have the authority to do so. The Chamberlain had advised that under the new centralised procurement arrangements being put in place, it should not now be possible for an officer to enter into a procurement of this type.</i></p> <p>Management Response:</p> <p>Two amber priority and three green priority recommendations were agreed to improve control in this area and were implemented by 31st March 2013.</p>	Amber	Low

Current Position

- In addition to highlighting the key issues arising from recent internal audit work, the 10 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	Red recs.	Amber recs.	Green recs.	Total
Central Criminal Court Income, Expenditure and Value for Money	-	-	2	2
City of London Freemans School Premises Related Expenditure	-	-	3	3
City of London School Premises Related Expenditure	-	1	6	7
Barbican Centre Cost Monitoring Review	-	-	3	3
Barbican Centre Box Office Processes	-	-	3	3
Community & Children’s Services Housing Car Parks	-	-	5	5
Community & Children’s Services Barbican Car Parks	-	-	6	6
Community & Children’s Services Home Care Closure arrangements	-	-	1	1
Department of Built Environment Off Street Parking Income	-	-	2	2
City Surveyors Guildhall Expenditure	-	-	4	4

Audit Work Delivery

3. Progress continues to be made on the audit reviews carried forward from the 2012/13 plan; the position as at 30th May 2013 is set out in **Table 3** below

Table 3 – Carry Forward Progress	Total	Not Started	Planning	Fieldwork	Draft Report	Final/ Complete	% completion
Full Reviews	41	4	3	16	8	7	37%
Spot Check / Mini-reviews	9	2	2	3	1	1	22%
Total	50	6	5	19	9	8	34%*

Note 1 - Percentage completed includes reports at draft stage as per KPI1

4. Work delivery of the 2013/14 plan as at 30th May 2013 is set out in **Table 4** below.

Table 4* – Audit Plan Progress	Current Plan	Not Started	Planning	Fieldwork	Draft Report	Final/ Complete	% completion
Full Reviews	68	64	1	2	1	0	1%
Spot Check / Mini-reviews	75	65	1	1	0	8	11%
Irregularity investigations	3	2	0	1	0	0	0%
A&I / support reviews	3	1	0	2	0	0	0%
Total	149	132	2	6	1	8	6%**

Note 1 - Table 4 excludes audit reviews carried forward from the 2012/13 audit plan

Note 2 - Percentage completed includes reports at draft stage as per KPI1

5. Since the 2013/14 audit plan was agreed at the 5th February 2013 Audit & Risk Management Committee, there have been a number of changes which have been agreed with management. The reasons for changes since the plan was agreed are detailed in **Appendix 2**.
6. There was a larger than anticipated carry forward of audit work from 2012/13 due to one audit vacancy, a higher level of investigation work and some audit reviews taking longer than their planned day allocations. Additional unplanned cash checks taking an additional 40 days have been undertaken at a number of departments in the first part of 2013/14, and significant investigation activity is continuing in excess of what was allowed for at audit planning stage. Whilst good progress has been made in finalising the 2012/13 audit reviews, there has been some delay in commencing work on the 2013/14 audit work programme. The one current vacancy will be filled from the 17th June with the appointment of an audit apprentice.
7. The impact of the additional investigation work in the first quarter of 2013/14 is being assessed and audit plans for the remainder of the year will need to be re-prioritised in some areas. This re-planning will be reported back to the next Audit and Risk Management Committee.
8. The following main reviews are at draft reporting stage and will be reported to the Committee by the end of July 2013. :

Department	Review
Corporate	Tendering and Due Diligence
Chamberlains Department	Investments
City Surveyors	Refurbishment of the Traditional Crematorium

Barbican Centre	Stocks and Stores
Department of Built Environment	On-Street Parking
Open Spaces	Income Checks
Community & Children's Services	Client Account Management – Appointeeships and Court of Protection Cases
Guildhall School of Music & Drama	Income – Including Fees System

9. Details of main audit reviews planned for the next quarter (June 2013 to September 2013) are provided in **Appendix 3**.
10. Analysis of audit days delivered for the 2013/14 planning period is provided in **Appendix 4**. The higher allocation of time to staff monitoring in the first 6 week period has been caused by the year end staff appraisal process. This area is being closely monitored.

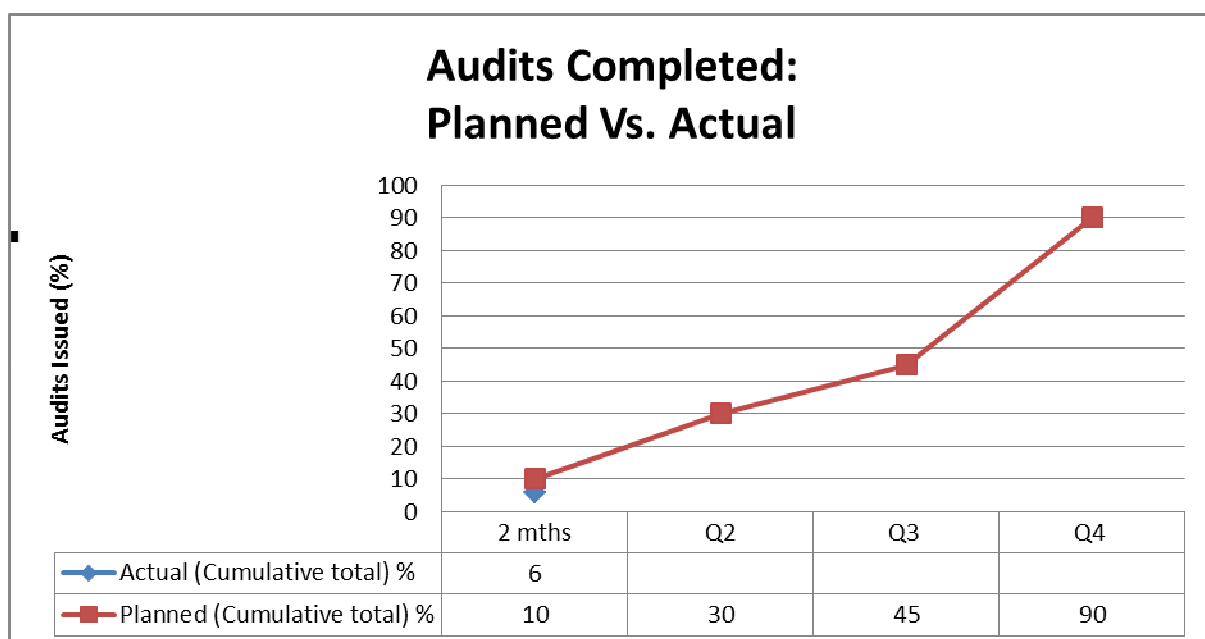
Internal Audit Section Performance

11. 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	2013/14 Performance	May 13	Feb 13
Completion of audit plan	90% of planned audits completed to draft report stage by end of plan review period (31 st March 2014)	6% completed as of May 2013 – see comments below	☹	☹
% 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%	☹	☹
Timely production of draft report	80% of draft reports issued within 4 weeks of end of fieldwork	On target – 80% as of May 2013	☺	☹
Timely agreement and issue of final report	80% of final reports (including agreed	Above target – 100% as of May 2013	☺	☺

Performance Measure	Target	2013/14 Performance	May 13	Feb 13
	management action plan) issued within 5 weeks of issue of draft report			
Customer satisfaction	Through key question on post audit surveys – target 90%	None returned in first 6 weeks	n/a	☺
% of audit section staff with relevant professional qualification	- target 75%	79%	☺	☺

12. **Completion of audit plan** – A graph is provided below to show delivery of the internal audit plan against the assumed profile of completion anticipated at the start of year. Performance completion of the 2013/14 audit plan was at 6% (at 30th May 2013) which is less than the projected 10% position for this time of year.



13. The main reason for this is additional cash checks being undertaken in a number of departments, and additional investigation activity being undertaken by the internal audit team at the request of the Chamberlain. A report on this investigation activity is provided separately on the agenda. In addition, there has been a small reduction in audit resource availability due to the section

having one vacancy. This vacancy will be filled from the 17th June with the appointment of an audit apprentice. A larger than anticipated carry forward of audit work from 2012/13 has also had an impact.

14. **Implementation of Recommendations** – Overall implementation of audit recommendations as measured by formal follow-up reviews undertaken over the last year is currently at 65%. Further analysis of performance in this area is provided in the separate audit recommendations follow-up report.
15. **Timely production of draft report** – performance in issuing draft reports within four weeks of end of fieldwork is on target at 80%; an improvement on the performance reported in March 2013.
16. **Timely agreement and issue of final report** – performance in finalising Internal Audit work now exceeds the 80% target and is at 100%. An increased emphasis on agreeing draft audit recommendations at audit exit meetings has been adopted to assist with the timely completion of audits.
17. The timely reporting and agreement of audit reports are areas where the Committee has commented on the need to improve performance previously.
18. Details of the utilisation of internal audit resource is provided in **Appendix 4**.

Conclusion

19. Internal audit's opinion on the City's overall internal control environment is that it remains adequate and effective. Some areas of control, however do need focused improvement by management, as identified in the red and amber assurance audit reports. As a result of additional investigation work, some areas of the audit plan will need to be re-prioritised.

Appendices

- Appendix 1 – Audit Report Summaries
- Appendix 2 – 2013/14 Audit Plan Changes
- Appendix 3 – Next Quarter internal audit planned reviews
- Appendix 4 – Audit Resource Analysis

Background Papers:

2013/14 Internal Audit Plan

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APPENDIX 1 – Red and Amber Assurance Audit Review Outcomes

Audit: Department of Community & Children’s Services – Community Care – Red Assurance (2 red, 7 Amber, 6 Green priority recommendations)		
<p><u>Audit Scope:</u> The Department of Community & Children’s Services (DCCS) provides a wide range of social care services to ensure service users live independently for the maximum time possible. A review was recently completed on the management of client accounts (excluding Appointeeships and Court of Protection/Deputyships) and access to telephones (provided under the Chronically Sick and Disabled Persons Act 1970) and the telecare service.</p>	<p><u>Audit Findings:</u> Client Accounts Limited assurance was provided concerning the management of client funds; owing in part to poor communication between DCCS and the Chamberlains Financial Services Division (FSD). It is noted that although regular budgetary control and debt monitoring meetings take place between the two areas these did not include a discussion of client accounts. Overall the level of financial control in respect of client accounts is poor. A review of the accounts maintained for clients highlighted failures to recover funds / debts from individuals and to provide reimbursement. Furthermore it was established that of 96 client accounts held, 16 of these were attributed to individuals now deceased, further highlighting a lack of communication and poor management of client monies. Amounts held for clients were not subject to regular reconciliation and an inadequate separation of duties was in operation and, in some cases, an incomplete audit trail of the movement of client funds. With the exception of one transaction, none of the expenses reviewed were supported by documentation evidencing that the client in each case had authorised the withdrawal of cash on their behalf, or received goods purchased on their behalf. However, the way in which client funds are accounted for on the City’s financial system was deemed adequate enabling transparency over the movement and withdrawal of funds.</p>	<p><u>Management Response:</u> All recommendations were agreed with the Chief Officer; with 14 of the recommendations due to be implemented by June 2013; the remaining green recommendation is due by April 2014. A follow-up is due to be completed in early July 2013 to ensure the risks identified have been suitably mitigated. Following agreement of the recommendations Internal Audit have been requested to review the arrangements in place for the management of Appointeeship and Court of Protection cases.</p>

Telecare Service

The service is provided by the London Borough of Camden (LBC) and Wealden and Eastbourne Lifeline (W&E). Fieldwork established that LBC had not invoiced for services provided since the beginning of April 2012, potentially impacting the Departments budgetary position; an amber priority recommendation was made in relation in this regard. Following fieldwork an invoice covering services provided during 2012/13 by LBC has been received and paid and it is expected that a contract with W&E will be in place by June 2013. At the time of fieldwork it was established that a contract with W&E had not yet been signed; as such an amber priority recommendation was made to finalise the contract and is due to be implemented by June 2013.

Procedures developed for the assessment of service users for access operate effectively with no scope identified for improvement. In addition, Fair Access to Care Services criteria is used consistently in order to establish the client's level of need and whether the service user is required to contribute for the service provision.

Billing arrangements in place for individuals who pay for the service operate effectively with no significant aged debt held by clients. A high-level benchmarking exercise was undertaken with other local authorities providing similar services to those offered by the City, this indicated that the City does not pass the full cost of the services to individuals who are not eligible to receive the service without charge. A recommendation was made to review this in further detail which was agreed by the Department; this is expected to be completed by 01/04/14 (subject to Committee approval) as part of the proposal to include the telecare costs to individual budget packages for those that are eligible, those not meeting funding criteria will be required to meet the full cost of the service.

	<p>Telephone Rental Service</p> <p>Individuals receiving access to a telephone line funded by the City of London under the Chronically Sick and Disabled Persons Act had not been assessed for a substantial amount of time; although the number of service users receiving this type of support was minimal. However, the Department was already in the process of reassessing all individuals in accordance with the Fair Access to Care Services criteria and, where appropriate, will be allocated an equivalent value in the form of a personal budget. No recommendations were made in relation to this element of the Community Care provision.</p>	
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Audit: Department of Community & Children's Services – Housing – Responsive Repairs (New Contractual Arrangements) – Amber Assurance (5 Amber, 5 Green priority recommendations)

<p><u>Audit Scope:</u></p> <p>The City of London provides housing services for 2,700 homes spread across six London boroughs. Repairs to these properties are undertaken by an external contractor. The most recent tendering exercise for this service was conducted in 2010, following which Linbrooks were appointed on a three year term with an option to extend up to a further ten years in increments. The contract commenced in January 2011 at a projected cost of £867k per year.</p>	<p><u>Audit Findings:</u></p> <p>Whilst the systems in place for repairs processing, financial monitoring and invoicing were generally found to be adequate and operating satisfactorily, significant weaknesses were identified in the following key areas:-</p> <p>Although the contractor commenced work in January 2011, a signed contract was not put in place until August 2012, some weeks after the conclusion of audit fieldwork. The reason given for the delay was that it was an oversight by Housing management. For this period, the City would have been exposed to a number of risks, chiefly, that the contractor could have walked away from the arrangement and, that any issues relating to adverse performance could have been problematic to manage. This significant risk was addressed prior to the issuing of the draft internal audit report and therefore it was not necessary to raise a red priority recommendation.</p> <p>Whilst the contractual relationship was considered to be working well, and day to day issues dealt with, an amber priority recommendation was agreed to maintain formal monthly monitoring meetings.</p> <p>In respect of post-completion inspections, two concerns emerged. Firstly, the lack of segregation of duties and absence of a random selection process could result in Technical Officers 'cherry-picking' jobs, resulting in a non-representative sample and thereby reducing the effectiveness of the inspection regime. Secondly, there is no system in place for monitoring inspections undertaken; consequently there is a risk that the 10% target may not be achieved and the contractor's work is therefore not subject to the requisite scrutiny. Two amber priority recommendations have been agreed to generate the sample of jobs for post completion inspections independently and improve the overall systems of post completion inspections.</p>	<p><u>Management Response:</u></p> <p>Management have agreed with all the five amber and five green priority recommendations, with are all due for implementation by April 2013.</p>
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In terms of value for money, there are two areas where improvement is required in order to safeguard against inefficiency and waste. Firstly, there is no consideration of planned maintenance when processing repairs orders. Any awareness staff have is gained informally and may not prevent repairs being undertaken ahead of scheduled works of a similar nature. Secondly, there is little use made of existing information to inform the decision making process; without identifying and considering underlying trends (e.g. repetitive requests) the most effective and economic solutions may not be implemented. Two amber priority recommendations have been agreed to implement a process whereby planned maintenance is flagged as orders are input by call centre staff to the Housing repairs system and so that repairs information is routinely analysed to identify trends and problem areas in order to better inform the repairs decision making process.

Audit: Corporate Review – Governance and VFM in the application of project priorities. Amber Assurance (3 Amber, 3 Green priority recommendations)

<u>Audit Scope:</u>	<u>Audit Findings:</u>	<u>Management Response:</u>
<p>This review was undertaken on behalf of the Officer Corporate Projects Board at the request of the Financial Services Director. This review tested the accuracy of the categories being attributed to projects and whether these were compliant with the criteria previously agreed with Members. As the priority of these categories is relied upon by Members when deciding which projects are to be progressed and which are not, this process goes to the very heart of the City's Governance and Value for Money arrangements.</p>	<p>This review sampled fifteen projects chosen from those listed on Project Vision in respect of six different departments, with individual project values between £30k and £27m, and a total sample value of between £77.4m and £81.9m.</p> <p>In the opinion of Internal Audit at least seven (47%) of the projects sampled have been incorrectly allocated to categories of a higher priority than they should have been. On a further project, initial assessments indicate that this may also have been allocated to a higher priority than it should have been.</p> <p>This review has also noted anomalies between the categories detailed in Project Vision and those reported to Members. Some 20% of the projects sampled were listed as a higher priority in Project Vision than had been reported to Members. A further 27% of the projects sampled had been placed within the top three categories on Project Vision without the category used having been clearly reported to Members. A further inconsistency was noted on one project where the financial data stored on Project Vision was different to that which had been reported to Members.</p> <p>Three amber recommendations were made to further refine the use of software in respect of data entry and verification controls, and to improve the quality of financial assessments. Three green recommendations were made to more clearly define the criteria to which project categories are applied, to train staff in their application, and to improve the use of existing reporting templates so as to ensure the provision of information necessary for effective governance. The implementation of these recommendations will better facilitate governance and value for money by mitigating the risk of decisions based upon inaccurate or incomplete information.</p>	<p>Management have agreed that the amber priority recommendations are due for full implementation by June 2013, with all recommendations to be implemented by September 2013.</p>

Audit: Culture Heritage & Libraries – Procurement of Reprographic Equipment. Amber Assurance (2 Amber, 3 Green priority recommendations)

Audit Scope:

The Internal Audit Section was requested to investigate the circumstances resulting in the procurement of an expensive photocopier and printing machine. The department had received a demand for lease payments in respect of the machine, the total value of all payments over a five year lease period being in the region of £44,000. Management investigations undertaken prior to the request for Internal Audit's review had established that the procurement had not been authorised or been given budget holder approval.

Audit Findings:

The review concluded that greater control is required by the department in the procurement of equipment and subsequent lease monitoring. Contracts have been entered into without appropriate authorisation or budget holder approval. One lease examined was for an agreement for equipment situated in a property managed by the City Surveyor. Whilst it has been established that this lease is the City's responsibility and the cost included within the property service charges, it should not have been signed by an employee of the Culture, Heritage and Libraries Department. The Director of Culture, Heritage and Libraries agreed to instruct all his staff by e-mail to ensure that they operate within financial delegation limits and to consult with the departments Policy & Performance Team before committing the department to high value expenditure.

In respect of the procurement of the equipment which initiated the investigation, interviews have been held with the sales representative from Photocopier Leasing firm and Guildhall Library staff who were alleged to have requested the photocopier. There has also been correspondence with the former Finance & Administration Officer. The advice of City of London Police and the City Solicitor and Comptrollers Department has been sought. Police have indicated that it would not be possible to pursue criminal action in this matter.

Contract management for existing copiers has also been poor since an analysis of invoices compared to leases revealed that there are two machines for which the leases have run into the "secondary period" (i.e. the City has an option to keep the equipment at a reduced rate), but the original lease costs were still being paid. An overpayment of £546 had been made which has subsequently been recovered from the leasing firm. Recommendations were made to address the lack of control over monitoring lease payments and ensuring that future equipment procurement is undertaken in consultation

Management Response:

Two amber priority and three green priority recommendations were agreed to improve control in this area and were implemented by 31st March 2013

	with the City of London Procurement Service (CLPS).	
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2013/14 Audit Plan Changes since April 2013

1 – Additional Work

Department	Review	Priority	Days	Reason
Community & Children's Services	Client Accounts – Appointeeships & Court of Protection	High	10	Request received to examine arrangements in place following the outcome of the Community Care review which highlighted significant control weaknesses with the management of client accounts.
Corporate Wide	Cash Checks	High	40	Undertaken at the request of the Chamberlain following concerns over the management of cash collection and banking
Built Environment	Verification of Final Project Accounts	Medium	12	Re-prioritisation of contract/project audit programme
Community & Children's Services	Verification of Final Project Accounts	Medium	12	Re-prioritisation of contract/project audit programme
Barbican Centre	Verification of Final Project Accounts	Medium	15	Re-prioritisation of contract/project audit programme
City Surveyors	Verification of Final Project Accounts	Medium	15	Re-prioritisation of contract/project audit programme
City Police	City First Project	Medium	5	Request received from City Police in respect of major project work.

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
Corporate	Capital Project Review	20	cancelled	To accommodate additional final account contract reviews added to the audit plan.

Appendix 3 - Main Internal Audit Reviews commencing next Quarter – 1st July – 29th September 2013

Department/Area	Outline Scope	Planned Fieldwork Start date
Chamberlains/VAT Accounting Management	Examination of the City's compliance to VAT legislation	July 2013
Chamberlains/PP2P – 2 nd Year Project Progress	Review of the progress completed on the implementation of PP2P during year two.	July 2013
Remembrancers/Functions & Guildhall Lettings	The Remembrancer manages the use of the Great Hall for both in-house and external functions. This includes maintenance of a list of approved caterers and provision of technical equipment. The setting of fees and charges, the collection and banking of income controls will be examined.	August 2013
Guildhall School of Music & Drama/Professor's Contracts	Evaluation of controls over the procurement of temporary staff and payment of fees for professional services.	September 2013
City 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.	August 2013
Corporate/Data Back-up Strategy and Operation (phase 1)	The back-up process is a vital area from the business continuity planning perspective. This is due to be outsourced and it is vital to ensure the process conforms in operation to CoL strategy. This will include the central storage area network and all other areas (e.g. WAN sites).	July 2013
Chamberlains/Cash Receipting & Income Management System	A new system was implemented April 2007 with a value throughput of some £300m. Standard application/system review, objectives being to establishing and evaluating the strategy, responsibility, logical security, physical & environmental controls, housekeeping and resilience. Note. The emphasis for the review will be subject to the IS outsourcing arrangements and outcomes from other recent internal audit work on Departmental cash handling.	August 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.	August 2013

Department/Area	Outline Scope	Planned Fieldwork Start date
City Surveyors/Third Party Contracts	Evaluation of the extent to which VFM is secured via third party contracts and the extent to which the City's interests are safeguarded.	September 2013
Markets & Consumer Protection/ Tenant Leases (Due Diligence)	Following on from an issue arising at Spitafields this year, the Director has requested that we examine the procedures used by all markets in respect of due diligence checks on prospective tenants. This will aim to establish best practice and ensure compliance with standards upheld corporately (e.g. City Surveyors).	September 2013
Public Relations Office/ Expenditure & VfM	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).	July 2013
Built Environment / Verification of Final Accounts	To provide assurance that the control systems in place provide for adequate control over the preparation of final accounts and that these are produced in accordance with the departmental guidelines.	August 2013
Community & Children's Services / Verification of Final Accounts	To provide assurance that the control systems in place provide for adequate control over the preparation of final accounts and that these are produced in accordance with the departmental guidelines.	August 2013
Barbican Centre / CSA Interim Variations	This review will examine the method by which project variations are notified, authorised and controlled, and the effectiveness of change control reporting arrangements.	July 2013
City Surveyor / CSA Interim Variations	This review will examine the method by which project variations are notified, authorised and controlled, and the effectiveness of change control reporting arrangements.	August 2013

Appendix 4 – Internal Audit Resource Analysis (1st April to 10th May)

	Plan Budget (Days)	Budget to Date (Days)	Actual to Date (Days)
Gross Days	3861	445	445
Uncontrollable Days			
Bank Holidays	106	30	28
Annual Leave	456	53	73
Net Available Days	3299	362	344
Days available for direct audits and support work			
Available for Projects			
Main Reviews/Spot Checks	1597	88	41
Follow-ups	100	11	5
2012 Plan C/fwd	180	100	99
	1877	199	145
Risk Management			
Corporate Risk Management	148	17	23
Ad hoc on-demand support/advice (risks & controls)	128	14	10
Chamberlain Business Continuity Support	5	1	0
Anti-Fraud & Corruption			
Fraud Investigations	239	27	49
Pro-active fraud & prevention	74	8	3
Audit Planning & Reporting			
Audit Planning & Reporting	49	6	11
Audit Plan progress reporting	51	6	5
External Audit Liaison/Co-ordination	10	1	6
Efficiency & Performance Board Support and Officer Groups			
Support to Efficiency Board / EPSC	35	4	5
Officer Groups*	17	1	2
Audit Development			
Continuous Improvement	64	7	1
Audit policy, research and development	56	6	4
Audit intranet	3	1	0
Member Support			
COL Audit & Risk Management Committee	28	3	3
GSMD Audit & Risk Management Committee	6	1	0
London Councils - Audit Committee	6	1	0
Museum of London - Audit Committee	6	1	0
Police Performance & VFM Committee	3	1	1
Barbican Centre Risk/Finance Committee	6	1	0
	934	107	123
Admin Support			
General (e.g. time recording/staff meetings/staff monitoring)	263	27	30
MK Audit Automation Software	15	2	2
Other Absences**	104	12	4
Audit Training	80	9	4
Corporate Training	18	2	0
CIPFA & IIA Training	35	4	5
	488	56	45

*Information management governance board, IS Liaison and Transport Co-ordination

** sickness /medical appointments/City volunteering

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Committee(s):	Date(s):
Audit and Risk Management Committee	25 th June 2013
Subject: Head of Internal Audit Annual Report and Opinion	Public
Report of: Chamberlain	For Information
<p>Summary</p> <p>The Head of Internal Audit has prepared an annual internal audit report and opinion for the financial year 2012/13 which, is set out in this report. The opinion is as follows:-</p> <p><i>“I am satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the City’s risk management, control and governance processes.</i></p> <p><i>In my opinion, the City has adequate and effective systems of internal control in place to manage the achievement of its objectives. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.</i></p> <p><i>Notwithstanding my overall opinion, internal audit’s work identified a number of opportunities for improving controls and procedures which management has accepted and are documented in each individual audit report. Timeliness in the implementation of priority audit recommendations has improved during the year, although implementation according to the originally agreed timescales is often not achieved. The new Strategic Risk Management arrangements have become embedded during the year. Opportunities exist for enhancing the operation of the risk management framework across the organisation; an improvement programme is being progressed.”</i></p> <p>One area of emphasis is highlighted in the internal audit opinion relating to controls operating within some areas of Community and Children Services; focused management attention is required in relation to the control of client individual budgets, child care provision, Housing responsive maintenance and the Affordable Housing Strategy.</p> <p>In addition, a review of the internal audit section’s performance has been undertaken, including a critical self-assessment to determine the extent to which the Internal Audit section complies with guidance issued by CIPFA.</p>	

Specifically, the Code of Conduct for Internal Audit in Local Government (the CIPFA Code) and the CIPFA statement on The Role of The Head of Internal Audit in Public Sector Organisations. CIPFA recommends that bodies use this statement as a framework to assess compliance with good practice and report publicly on this.

It has been concluded that the City of London meets all material aspects of the CIPFA guidance, although minor updating of the internal audit section manual is required.

Review of the performance of the internal audit function has highlighted that the function needs to achieve a higher delivery of the audit plan, with 85% of the audit plan for 2012/13 being completed to draft report stage at the end of March 2013, compared to a target of 90%.

Recommendations

Members are asked to:

1. note the Head of Internal Audit Report and Opinion for 2012/13
2. note the conclusions of the review of internal audit effectiveness assessed against the CIPFA internal audit code of practice and statement on the role of the Head of Internal Audit in public sector organisations.

Main Report

Background

Introduction

1. In accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (“the CIPFA Code”), the Head of Internal Audit must provide a written report to those charged with governance timed to support the Annual Governance Statement. The report must:
 - Include an opinion on the overall adequacy and effectiveness of the organisation’s control environment;
 - Disclose any qualifications to that opinion, together with the reasons for the qualification;
 - Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
 - Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;

- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria; and
 - Comment on compliance with these standards and communicate the internal audit quality assurance programme.
2. The purpose of this report is, therefore, to provide the Head of Internal Audit's opinion on the adequacy and effectiveness of the City's control environment, in particular drawing on:
- The work which has been undertaken to arrive at my assessment;
 - The key issues arising from the audit work; and
 - The performance of the internal audit function for the period.
3. This report is supported by a summary of the work completed by the in-house internal audit team at Appendix 1, which has been reported to the Audit & Risk Management Committee over the preceding year through internal audit update reports.
4. This report has been prepared to meet the requirement to provide an annual report and opinion and has been prepared in accordance with the CIPFA Code of Practice.

Progress against the plan

5. The Internal Audit Plan for 2012/13 was approved by the Audit & Risk Management Committee on the 22nd February 2012. The internal audit section has experienced some turnover of staff during the year, with two auditors leaving, which resulted in some a loss of auditor resources whilst replacement staff were recruited The majority of the 2012/13 audit plan has been delivered and reported, and provides the basis for the 2012/13 audit opinion. The following main audit reviews which are yet to be finalised from the 2012/13 audit plan are at draft report stage:-
- Barbican Centre – Stocks and Stores
 - Chamberlain's Department – Investments – Corporate Responsibility
 - City Surveyor's Department – Refurbishment of the Traditional Crematorium
 - Community & Children's Services – Client Account Management – Appointeeships & Court of Protection
 - Corporate – Tendering and Due Diligence
 - Guildhall School of Music & Drama – Income – Including Fees System
6. The findings and recommendations arising from these audits are being agreed with management. There are no issues of significance within the findings of these reviews which would have an impact on my overall opinion.

Implementation of Recommendations

7. During the year, internal audit have undertaken a programme of internal audit follow-up reviews 6-12 months after the finalisation of audit reports, which have been reported through audit follow-up reports. At the end of May 2013, cumulative performance in the implementation of audit recommendations at the time of the formal follow-up over the last two years is as follows:-

Implementation at time of audit follow-up over last 2 years	Red	Amber	Green	Total
Recommendations Agreed	6	97	327	430
Recommendations Implemented	5	65	245	315
% implemented	83%	67%	75%	73%

8. Close monitoring of the status of red and amber priority recommendations during 2012/13, in addition to formal audit follow-ups, has continued to improve the timeliness of recommendation implementation. 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. Analysis shows that 35% of amber priority recommendations are implemented more than 6 months after the originally agreed date. Targeted follow-up with Chief Officers is planned for 2013/14, to reinforce the importance of keeping to originally agreed timescales for the implementation of recommendations. At the end of May 2013 there are no outstanding red priority actions and 15 open amber priority actions from reviews previously concluded and reported to this Committee.

Annual Opinion of the Head of Internal Audit

9. As Head of Internal Audit, I am required to provide an opinion on the overall adequacy and effectiveness of the City's control environment. I have undertaken the following in order to form a basis for providing my assurance.
- Assessed the quantity and coverage of internal audit work against the 2012/13 internal audit plan, first quarter audit plan for 2013/14 and other independent assurance work, to allow a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes.

- Reviewed the reports from the reviews undertaken during the year by internal audit and other assurance providers, which included the following:
 - 43 main internal audit reviews completed during the year;
 - 35 internal audit compliance spot checks;
 - Ofsted Inspection of Safeguarding and Looked After Children (March 2012) and Fostering Services (March 2013);
 - HMIC Police Inspection reports, Anti-Social Behaviour (June 2012), Custody (June 2012) and Integrity (September 2012)
 - External Audit - Annual Audit Letter – September 2012;
 - Considered, any significant recommendations not accepted by management and the consequent risks, of which there were none;
 - Assessed the status of recommendations identified as not implemented, as part of internal audit follow-up reviews and subsequent progress tracking;
 - Considered the effects of any significant changes in the City's objectives or systems, including the impact of the significant reduction of financial resources as a result of the economic downturn and reductions in government funding;
 - Reviewed and considered matters arising from reports to the Audit and Risk Management Committee;
 - Considered whether there were any limitations which may have been placed on the scope of internal audit.
10. Following consideration of the above I am able to provide the following Head of Internal Audit Opinion for 2012/13:-

Audit Opinion

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

in the implementation of priority audit recommendations has improved during the year, although implementation according to the originally agreed timescales is often not achieved. The new Strategic Risk Management arrangements have become embedded during the year. Opportunities exist for enhancing the operation of the risk management framework across the organisation; an improvement programme is being progressed.

Matters of Emphasis

14. I have encountered no fundamental issues which would cause me to qualify my opinion or which I believe could have a material impact on the ability of the City to achieve its objectives. However, there is one area where it is felt that the City of London Corporation should focus particular attention:

Community & Children Services – Internal Audit reviews have identified some important areas where control needs to be improved in the management of client accounts, and some other areas where focused management attention is required within the Department in relation to the control of client individual budgets, child care provision, housing responsive maintenance and the Affordable Housing Strategy. Management, both within DCCS and the Chamberlain's Department, is taking appropriate action to address these issues through the implementation of the agreed recommendations.

The Head of Audit and the new Director of Community and Children Services have agreed to introduce closer audit liaison arrangements with the Department, through internal audit attending Departmental SMT meetings on a quarterly basis to review the internal audit work programme and monitor closely the implementation of audit recommendations.

Internal Audit Section compliance with relevant CIPFA Codes of Practice

15. Compliance with the CIPFA Code of Practice for Internal Audit in Local Government and CIPFA statement on the role of the Internal Auditor in Local Government has been reviewed in May 2013, through undertaking a self-evaluation.
16. The CIPFA Code of Practice recommends that the Head of Internal Audit reports directly to a member of the Leadership Team. Following review of the Head of Internal Audit reporting lines in consultation with the Audit and Risk Management Committee, the Head of Internal Audit reporting lines have been changed from September 2012, so he has a direct reporting line to the Chamberlain, with additional professional and managerial support provided by the Business Support Director.
17. The Internal Audit section complies with all aspects of the Codes, although there are a number of minor areas where the internal audit section manual needs updating to formalise existing practices. This work is underway and will be completed by the end of June 2013.
18. From the 1st April 2013, a new set of Internal Audit Standards – the Public Sector Internal Audit Standards (PSIAS) were introduced, which now provides a coherent and consistent internal audit framework for the whole of the public sector. These new standards effectively replace the CIPFA Code of Practice for Internal Audit in Local Authorities in the United Kingdom.
19. Implementation of the PSIAS for the City of London will require very few changes to existing processes, which have been based on the previous Code of Practice for Internal Audit in Local Authorities in the United Kingdom.
20. The Head of Internal Audit will be expected to report on conformance with the PSIAS in his next annual report for the year 2013/14.

21.

Internal Audit Section Performance

22. A number of Key Performance Indicators were agreed for the Internal Audit section for monitoring during the 2012/13. Performance against these indicators is set out in the table below. Where targets have not been achieved, further comments on corrective action are provided after the table.

Performance Measure	Target	2013/14 Performance	2012/13 Performance
completion of audit plan	90% of planned audits completed to draft report issued stage by end of plan review period (31st March 2013)	85% - target not achieved, although improvement from 2012/13. Delay in completion at year end due mainly due to impact of vacancy, one auditor vacancy, a higher level of investigation work and some audit reviews taking longer than their planned day allocations	80%
% recommendations accepted	target 95%	99% - target exceeded	99%
timely production of draft report	80% of draft reports issued within 4 weeks of end of fieldwork	77% - marginally below target	80%
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	84% - target achieved	43%
customer satisfaction	through key question on post audit surveys – target 90%	95% - target met	100%
% of audit section staff with relevant professional	– target 75%	79% -further professional training plans in place for	73%

Performance Measure	Target	2013/14 Performance	2012/13 Performance
qualification		2013/14.	

23. **Completion of the audit plan** – lessons learnt from last year’s audit plan delivery have been identified in relation to audit work exceeding allocated budgets and revised audit plan monitoring arrangements have been introduced for 2013/14. The internal audit section is currently at full strength with no vacancies.
24. **Timely production of draft report** - performance in issuing draft reports promptly, following completion of audit fieldwork, is marginally below target. A more concise audit report format is being piloted, which will reduce the length of time taken to prepare and review draft audit reports before issue. This area will continue to be monitored closely.
25. **Timely agreement and issue of final report** - An increased emphasis on agreeing draft audit recommendations, at audit exit meetings, has been adopted during the year, to assist with the timely completion of audits. This has been successful in improving the timely agreement and issue of final report KPI, so that performance of 84% for the year exceeds the KPI target of 80% of final reports (including agreed management action plan) being issued within 5 weeks of issue of draft report.
26. **Customer satisfaction** – The last Audit and Risk Management Committee requested that use of the Customer Satisfaction KPI be reviewed. Currently, the internal audit section issues out a post-audit questionnaire (PAQ) to the relevant Chief Officer at the finalisation of each major audit review. Whilst the responses to these PAQs are nearly always positive, the response rate is relatively low. The process for sending and receiving feedback on the PAQs has been revised twice over the last two years, in order to encourage feedback. It is intended to continue issuing PAQs, recognising they do have value, but also that they have limitations in scope.
27. What PAQs do not measure is satisfaction on the overall service provided by internal audit and do not capture the views of senior or more strategic stakeholders such as Members, senior management, External Audit, the Chamberlain and Town Clerk and Chief Executive. Informal feedback from these stakeholders is provided through interaction and discussions with the Head of Audit. In addition the Audit and Risk Management Committee provided some feedback on the internal audit function through the Audit & Risk Management Committee effectiveness review, which was reported and discussed at the 5th February 2013 meeting.
28. It is intended that a structured customer feedback questionnaire is developed to be used with chief officers, on an annual basis, to obtain more strategic feedback on the satisfaction with the internal audit service. It is planned to develop and use this type of questionnaire over the Summer of 2013. It should also be noted that the new Public Sector Internal Audit standard requires the implementation of formal arrangements for the Audit and Risk Management Committee Chairman and the Town Clerk and Chief Executive

to have input to the performance appraisal of the Head of Audit and Risk Management for the 2013/14 year end.

29. Detail of the utilisation of internal audit time resource is provided in **Appendix 2**.

Development of the Internal Audit Section

30. The new audit automation software (MK) was fully embedded within the working practices of the internal audit team during the year. This tool has systemised and automated the audit review planning, working paper and audit report production process. This aspect of the software functionality has proved to be very successful, as has the recommendations tracking functionality. Further time recording and audit plan progress monitoring functionality from the system was introduced from the start of April 2012, however this proved to be less efficient than our previous Management Information system, and, as a result we have introduced revised time recording and audit plan monitoring systems from the start of 2013/14.
31. We are also planning to utilise the capability of the new audit automation software to facilitate more targeted follow-up and reporting of management progress in implementing audit recommendations during 2013/14.
32. Auditor skills and personal development is a key focus for the section. Particular attention is being given to the sharing of skills and expertise more widely within the team, particularly in specialist audit areas where succession planning is an important consideration.

Conclusion

33. Internal Audit work continues to identify improvement areas for management; however, internal audit's overall opinion on the City's internal control environment is that it remains adequate and effective. There is a high level of acceptance of internal audit recommendations, although implementation according to the originally agreed timescales is often not achieved. Several areas for improvement in the internal audit function have been identified for action over the forthcoming year. The Internal Audit section complies with all aspects of the relevant internal audit codes of practice.

Appendices

- **Appendix 1 - Audit Report Summary**
- **Appendix 2 – Audit Resource Analysis**

Background Papers:

2012/13 Internal Audit Plan

2012/13 Internal Audit update reports

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Internal Audit Work 2012/2013 – Summary

Main Audit Review	Finalised	Assurance	Recommendations			
			R	A	G	Total
Corporate Wide						
Contractors' Final Accounts	May 2012	Amber	1	1	1	3
iTrent – Strategy, Security & Operation	October 2012	Amber	-	11	20	31
Tendering and Due Diligence	Draft Report	Green (tbc)	-	4	5	9
Barbican Centre						
CDM Control Self-Assessment of Health & Safety in Construction	October 2012	Amber	2	3	5	10
Cost Monitoring Review	March 2013	Green	-	-	3	3
Income Collection & Banking	June 2012	Green	-	-	4	4
Box Office Processes	April 2013	Green	-	-	3	3
Stocks and Stores	Draft Report	Green	-	-	tbc	tbc
Theatre Thefts	November 2012	Green	-	1	2	3
Retail Outlets	November 2012	Amber	-	4	2	6
Events Income and Expenditure	August 2012	Green	-	-	4	4
Built Environment						
Enterprise Services – Contract Management	February 2013	Green	-	-	3	3
On-Street Parking Income Systems	June 2013	Green	-	-	2	2
Coach Park Investigation	February 2013	Green	-	-	-	-
Off-street Parking Income Systems	April 2013	Green	-	-	2	2
Chamberlain's						
Main Accounting	August 2012	Green	-	-	4	4
Council Tax – Hosted	September 2012	Green	-	-	2	2
Investments – Corporate responsibility	Draft Report	Amber (tbc)	-	2	3	5
City Surveyor's						
Refurbishment of the Traditional Crematorium	Final Report	Amber	-	4	1	5
Guildhall Expenditure	Final Report	Green	-	-	5	5
Community and Children's Services						
Housing Responsive Maintenance	February 2013	Amber	-	5	5	10
Housing Estates Car Parks	May 2013	Green	-	-	6	6
Barbican Estate Car Parks	May 2013	Green	-	-	6	6
Affordable Housing	August 2012	Amber	1	3	4	8
Child Care Provision	January 2013	Amber	-	3	7	10
Community Care – Client Accounts, Telecare & Phone Rental	May 2013	Red	2	5	5	12
Individual Budgets	February 2013	Amber	-	4	11	15
Home care closure arrangements	March 2013	Green	-	-	1	1
Mansion House						
Supplies & Services Expenditure	February 2013	Green	-	-	2	2
Open Spaces						
Sports Provision	October 2012	Green	-	-	6	6
Income	June 2013	Green	-	-	16	16
Remembrancer's Office						
Operational Expenditure	August 2012	Green	-	-	4	4
Town Clerk's						
Central Criminal Court – Other Expenditure, Grant and Other Income	March 2013	Green	-	-	2	2
City Bridge Trust – Due Diligence Review	October 2012	Amber	-	5	8	13

Printing	June 2012	Green	-	-	9	9
City of London Police HMG Compliance	November 2012	Green	-	-	6	6
City of London Schools CLFS Premises Related Expenditure	April 2013	Green	-	1	6	7
CLS Premises Related Expenditure	April 2013	Green	-	1	6	7
Guildhall School of Music and Drama Income – Including Fees System	Draft Report	Green	-	tbc	tbc	tbc

Appendix 2 – Internal Audit Resource Analysis (1st April 2012 to 31st March 2013)

	Original Plan Budget (Days)	Outturn Days
Gross Days	3900	3975
Uncontrollable Days		
Bank Holidays	150	135
Annual Leave	469	390
Net Available Days	3281	3450
Days available for direct audits and support work Available for Projects		
Main Reviews/Spot Checks	1719	1554
Follow-up's	124	113
2011 Plan C/fwd	50	310
	1893	1977
Risk Management		
Corporate Risk Management	128	137
Ad hoc on-demand support/advice (risks & controls)	175	50
Chamberlain Business Continuity Support	6	1
Anti-Fraud & Corruption		
Fraud Investigations	175	237
Pro-active fraud & prevention	74	62
Audit Planning & Reporting		
Audit Planning & Reporting	49	55
Audit Plan progress reporting	51	91
External Audit Liaison/Co-ordination	15	11
Efficiency & Performance Review		
Support to Efficiency Board/EPSC	40	50
Audit Development		
Continuous Improvement	66	54
Audit policy, research and development	60	54
Audit intranet	3	6
Member Support		
COL Audit & Risk Management Committee	28	36
GSMD Audit & Risk Management Committee	6	4
London Councils - Audit Committee	6	5
Museum of London - Audit Committee	6	5
Police Performance & VFM Committee	3	3
Barbican Centre Risk/Finance Committee	4	4
	895	865
Admin Support		
General (e.g. time recording/staff meetings/staff monitoring)	240	319
MK Audit Automation Software	15	48
Other Absences*	105	137
Audit Training	75	51
Corporate Training	18	29
CIPFA & IIA Training	40	24
	493	608

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

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Committee(s):	Date(s):
Audit and Risk Management Committee	25 th June 2013
Subject: Pro-Active Anti-Fraud and Investigation Report	Public
Report of: Chamberlain	For Decision

Summary

This report provides Members with a summary of the Internal Audit Section's delivery against its programme of pro-active anti-fraud activity for the 2012/13 reporting year; it also details our programme of proactive anti-fraud activity for the 2013/14 reporting year, along with summaries of the outcomes of our investigations in the attached appendices.

During 2012/13 the section completed the development of the Corporate-wide fraud awareness e-learning package, delivered three Fraud awareness presentations, completed a pro-active antifraud review of Housing Tenancy allocations and made significant progress in preparing for the 2013 National Fraud Initiative (NFI) data matching exercise, with good progress being made in the investigation of matches.

The work streams outlined within this year's plan have been formulated following regular benchmarking against recognised best practice and include a range of activity to continue our commitment to promote deterrence and prevention. This year's plan includes the delivery of a Fraud prevention awareness week, continuing with targeted Fraud awareness presentations to officers, and pro-active data matching exercises looking at Housing rents and employee to Directorship records.

This report also provides Committee members with details of all relevant Fraud matters affecting the Corporation of London. A separate report in relation to investigations into the proper use of two City Bridge Trust grants is provided on the Committee agenda.

Recommendations

Members are asked to note:

- The programme of pro-active anti-fraud activity for the current reporting year;
- Our delivery against the 2012/13 pro-active anti-fraud plan, the roll-out of a Corporate wide fraud awareness e-learning package; and
- The outcomes of investigations undertaken since the last update report.

Main Report

Background

1. The City's Internal Audit section provides a professional corporate investigation service across the City Corporation. Anti-fraud activity, undertaken by the section, combines reactive investigations with pro-active work designed to prevent, deter and detect fraud. Each Internal Audit review also considers fraud risk, as part of its scope, with appropriate recommendations made to improve controls to mitigate fraud risks, where necessary.
2. Members were provided with a proactive anti-fraud plan at this Committee on June 14th 2012 followed by a summary of delivery against this plan on 12th December 2012. Internal Audit will continue to provide Members with a forward looking proactive anti-fraud plan at each June Committee and a six monthly progress report against this plan in December. Investigation update summary reports will be made to the intervening Committees.
3. Benchmarking against best practice (published in the Audit Commission's protecting the Public Purse, the National Fraud Authorities Fighting Fraud Locally strategy, and CIPFA guidance) provides the main focus for the development of the anti-fraud and investigation service and our subsequent programme of anti-fraud activity.
4. The section continues to undertake successful investigations across a number of high risk areas, including internal fraud, grant fraud, housing tenancy fraud, and housing benefit fraud. A detailed case load summary is included within the appendices.
5. This report also presents Members with a summary of key achievements during the 2012/13 reporting year, along with a summary of the anti-fraud and pro-active work to be undertaken during the coming year. We maintain a clear emphasis on deterrence and prevention through targeted activity to raise fraud awareness across the organisation, in addition to undertaking fraud drives in high risk areas, in order to identify and take action against fraud and corruption.

Proactive Anti-Fraud Activity

6. A summary of our delivery against the 2012/13 proactive anti-fraud plan is included as **Appendix 1** to this report, with details of key achievements are summarised below;

Fraud Awareness E-learning – A tailored fraud awareness e-learning training course has been developed in-house by the Senior Investigator;

benchmarking was undertaken by the Head of Training & Educational Services at the City of London Police, who has provided positive feedback & support. Following support for the introduction of this training course at Chief Officers group in March, a phased roll-out across the City Corporation is in progress, with the aim that it should become a mandatory part of the employee induction.

National Fraud Initiative (NFI) – Strong progress has been made against reviewing the matches provided by the Audit Commission in January 2013, these matches suggest matters to review, where there may be fraud or error, such as undeclared residents where Council tax single person discount is claimed, or possible duplicate payments.. Additional buy-in from owning departments has been achieved to support the continued investigation of the instances of fraud, or of errors identified by this data-matching exercise. The City's involvement in this exercise continues to remain a key tool in detecting fraud and errors across a number of services provided by the City of London.

7. A detailed Pro-active Anti-Fraud Plan for the 2013/14 reporting year is included as **Appendix 2** to this report. This plan seeks to promote fraud awareness & prevention activities across the City Corporation, through various workshops and events aimed at City Corporation employees, along with pro-active fraud drives designed to identify fraud & error. These risk areas and activities were identified as part of our benchmarking against current risks faced by local Government, highlighted by the National Fraud Authorities Fighting Fraud Locally strategy.
8. Internal Audit remain committed to publicising successful prosecutions, in order to highlight our commitment to taking robust action against those who commit fraud, and as a way of deterring those who may be considering committing such offences.

Investigation Activity Summary

9. The following table summarises our investigation activity in the current reporting year from April 2013; it gives the number of cases closed and number of cases subject to investigation across all disciplines. It also details investigation activity over the past two reporting 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.

Investigations Caseload	2013/14				2012/13	2011/12
	Cases brought forward from previous year	New cases opened	Cases closed	Current live cases	Total	Total
Benefit Fraud	21	3	8	16	52	43
Housing Fraud	10	4	0	14	21	21
Corporate Fraud:						
Theft	5	1	1	5	13	3
Cheque Fraud	0	0	0	0	0	2
Employee Conduct	2	1	1	2	6	6
Total	38¹	9	10	37	92	75
Notes:						
¹Of the total number of cases brought forward from the previous year, 7 have now been closed						

10. Corporate fraud investigations are primarily reactive, initiated following receipt of an allegation. Owing to the seriousness of matters involving employee conduct and potential cash losses, such investigations are prioritised by the Senior Fraud Investigator. The section continues to up-date Members of this Committee on the progress and outcomes of sensitive and significant investigations. A number of the cases referred to the section for investigation, however, either cannot be substantiated, represent too low a significance to warrant investigation, or result in advice to the Departments concerned to mitigate against similar exposure. Such matters are included in the corporate fraud statistics within the above table.

11. Detailed summaries in respect of housing benefit fraud and housing tenancy fraud caseloads are shown as Appendix 3 and 4 respectively.

City of London Police Liaison arrangements

12. The City Corporation's liaison arrangements with The City Police continue to grow providing Internal Audit with a professional opinion on cases where Police involvement is considered necessary. Quarterly liaison meetings have been established between Internal Audit & the Economic Crime Directorate, providing opportunities to continue to build upon and strengthen our relationship and data-sharing protocols.

Measuring Success and Progress

13. As a new policy the Chamberlain's Department will be progressively introducing a programme of self assessment / competency tests to be undertaken on-line by appropriate officers in areas of finance, information

technology and procurement. Members may have come across this “ driving license” type approach before. Awareness of fraud and knowledge of how to prevent and deal with it is an ideal application for this self assessment / competency testing and will be implemented.

Conclusion

14. The City of London Corporation has a clear programme of pro-active anti-fraud activity designed to prevent, deter and detect fraud and error. These plans have been developed following benchmarking activity against Audit Commission, CIPFA and NFA anti-fraud guidance, and seek to encompass activity to identify current and emerging fraud risks affecting Local Government, whilst continuing to provide a clear emphasis on deterrence and prevention.
15. The key activities detailed for action in the 2012/13 pro-active anti-fraud plan, have been completed, with the introduction of a Fraud Awareness e-learning training course Corporation-wide providing a positive addition to our fraud prevention tools.
16. Corporate fraud referrals, received by the section, have increased over the past year; Internal Audit continues to prioritise such investigations because of the risks involving potential losses to public funds or assets, and the risks to the City Corporation’s reputation, resulting from inappropriate employee conduct. Departmental feedback continues to remain extremely positive, whilst support is readily provided, where necessary. Where appropriate, action is taken by individual Departments, following advice being provided by internal audit and HR.

Background Papers:

Appendices

Appendix 1: Pro-active Anti-Fraud Plan 2012/13 – summary of achievements

Appendix 2: Pro-active Anti-Fraud Plan 2012/13

Appendix 3: Housing Benefit Fraud Caseload Summary

Appendix 4: Housing Tenancy Fraud Caseload Summary

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Appendix 1 - Pro-active Anti-Fraud Plan 2012/13

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
Protecting the Public Purse 2011 - Checklist for those responsible for governance	Review of Organisations response to fraud against AC check list	Gain a greater understanding of how the organisation views and responds to fraud. Identify areas for improvement Outcome of review reported within Strategic Anti-Fraud report to Audit & Risk Committee in June 2012	Benchmarking exercise undertaken by the Senior Investigator, with the results utilised to inform our Pro-active Anti-fraud strategy.	Chris Keesing Matt Lock Paul Nagle	Q1	Completed.
Fraud Awareness E-learning	Review of Corporate package held on L&D corezone - and re-designed to fit CoL purposes. CK to be given editing privileges for e-learning package, with support from L&D – Corporate HR. Chief Officer support required for package to become mandatory for completion by staff across the organisation	Development of e-learning package planned for Q1. Senior Management/ Chief Officer agreement Q2. Roll out of fraud awareness e-learning package Q2 – Q3 Aim to Increase staff awareness of fraud Provide staff with a way to check their understanding of the topic Undertake learner evaluation Establish areas for pro-active fraud drives.	Initial review by Senior Investigator, Agreement of scope (content & target audience) with Risk & Assurance Manager. Head of Audit, Business Support Director & Chamberlain Senior Investigator & L&D to edit content Roll out of e-learning by L&D	Chris Keesing Sabir Ali Paul Nagle HR L&D	Q1 – Q4	E-learning completed and presented to COG in March 2013.

Appendix 1 - Pro-active Anti-Fraud Plan 2012/13

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
Fraud Awareness Presentations	Analysis of service areas suitable for fraud awareness, possibly driven from the evaluation of e-learning. Methodology to be reviewed and improved to increase the benefits of presentations – questionnaires/ evaluation Tailored Fraud Awareness sessions to be undertaken at Departmental request, or when need identified following fraud investigation/ audit review.	Action plan for delivery of fraud awareness presentations, possibly feeding into Corporate induction Increase staff awareness of fraud at all levels across the organisation Understand employee's views of fraud and how they feel the City responds.	Analysis by Senior Investigator Review by Risk & Assurance Manager Scope agreed with business units Delivery of Fraud Awareness sessions by Senior Investigator	Chris Keesing Paul Nagle CoL Depts.	Q1 – Q4 (and upon request)	Three Fraud Awareness Presentations given, positive feedback received from all.
Data Matching against CIFAS National Fraud Database (NFD)	Free trial match of housing rents/ options data, housing benefits data, CT SPD data, disabled parking permit data against the CIFAS NFD	Identify CoL customers who may have made fraudulent applications/ claims with external organisations, such as banks, insurance companies etc. CIFAS outcomes data to be regarded as intel. Any matched persons to be considered for additional investigation.	Senior Investigator to agree data matching principles, and gather required data from relevant service delivery areas Senior Investigator to correspond with CIFAS, agree timetable, and exchange data. Senior Investigator to review returns, and investigate individual matches	Chris Keesing Paul Nagle	Q3 – Q4	Deferred due to priority given to sensitive investigations.

Appendix 1 - Pro-active Anti-Fraud Plan 2012/13

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
Housing Rents/ Allocations Fraud Drive	Undertake review of the social housing provision provided by the City of London	To identify instances where employees have abused the social housing provision provided by the City of London, this includes abuse by employees when making applications and possible abuse of process by staff when assessing housing applications and allocating City of London social housing	Senior Investigator to propose Fraud Drive and agree scope with Risk & Assurance Manager & Head of Audit Field work and data to be checked by Senior Investigator / Internal Auditor's Investigations to be undertaken by Senior Investigator/ Internal Auditor's	Chris Keesing/ Joseph Lee	Q3 - Q4	Completed – no frauds identified providing assurance of adherence to Policy & Procedures. Minor recommendations made to up-date data held locally on tenant's files.
National Fraud Initiative – NFI	To actively participate in Audit Commission (AC) 2012/13 NFI exercise Ensure CoL is compliant with NFI principles, data sets, FPN's, timetable etc.	To identify areas for concern, where fraud or error may exist To investigate matches received Take appropriate action where fraud & error is found Positive publicity for CoL	Senior Investigator – Key Contact, will liaise with AC, and be responsible for compliance with datasets, FPN's, timetable etc. Data matches to be investigated by Internal Audit staff and Departmental NFI contacts across the organisation	Chris Keesing Paul Nagle CoL Dept. NFI contacts	Q2 onwards	NFI Data submissions successfully completed. NFI matches released by AC on 29/01/2013. Positive progress made progressing instances identified by AC.

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Chamberlain's Department – Internal Audit - Pro-active Anti-Fraud Plan 2013/14 – Appendix 2

Activity	Action	Desired Outcome	Estimated Resources	Who	When	Progress
Protecting the Public Purse 2012 - Checklist for those responsible for governance	Review of the City's response to fraud against AC check list	<ul style="list-style-type: none"> Gain a greater understanding of how the organisation views and responds to fraud. Identify areas for improvement 	Benchmarking exercise undertaken by the Senior Investigator- results utilised to inform our Pro-active Anti-fraud strategy.	Chris Keesing	June 2013	
Fraud Awareness 'Spot it, Stop it' campaign.	Week long Fraud Awareness campaign, promoted by the National Fraud Authority and CIPFA, utilising the 'Spot it Stop it' tool kit available on the CIPFA TIS web-site..	<p>Aims;</p> <ul style="list-style-type: none"> Targeted fraud awareness campaign to all CoL employees Increased fraud awareness across organisation, along with increased awareness and confidence in City's whistleblowing arrangements Increase profile of City's anti-fraud and investigation unit. Enforce our zero tolerance approach to fraud & corruption Supporting full roll out of fraud awareness e-learning and other awareness activity 	<p>Chief Officer support from TC & Chamberlain, along with Business Support Director.</p> <p>Chris Keesing to co-ordinate campaign</p> <p>Support for delivery from Paul Nagle, Sabir Ali and Internal Audit staff.</p> <p>Support from Internal Comms Team and HR.</p>	Chris Keesing	Autumn 2013 (commencing Sept 2013)	

Chamberlain's Department – Internal Audit - Pro-active Anti-Fraud Plan 2013/14 – Appendix 2

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

Chamberlain's Department – Internal Audit - Pro-active Anti-Fraud Plan 2013/14 – Appendix 2

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

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Appendix 3 – Housing Benefit Fraud Caseload Summary as at 1st May 2013

Housing Benefit Fraud Case Referrals	April 2013 - Date		April 2012 – March 2013		April 2011 - March 2012
Referrals Received in current year	3		32		25
Cases carried over from previous years ¹	21		20		18
Total	24		52		43
Comprising					
Cases currently under investigation	8		12		12
Cases referred to DWP solicitors	1		1		2
Cases referred to City Solicitors	1		1		4
Cases subject to benefit entitlement re-assessment	6		6		2
Cases subject to Admin Penalty Action	0		1		0
Total number of live cases²	16		21		20
Successful prosecutions	0		5		3
Successful Cautions	1		2		1
Successful Admin Penalties	1		2		1
Cases where fraud proven but no further action taken	1		4		3
Cases closed with no further action	5		18		15
Total number of closed cases	8		31		23
Total	24		52		43
Total value of HB/ CTB overpayments relating to the investigated cases detailed above³	£6,632		£93,211		£70,558
Notes: ¹ Previous year's data shows the position at year end, and is provided for comparative purposes. Cases carried over from previous years do not represent live cases in the current reporting year. ² Total claim base approximately 1100 individuals ³ Total value of benefit payments per annum circa £5.7m					

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Appendix 4 – Housing Tenancy Fraud Caseload Summary as at 1st May 2013

Housing Tenancy Fraud Case Referrals	April 2013 to Date	April 2012 to March 2013	April 2011 to March 2012
Referrals received in current year	4	9	12
Cases carried over from previous years ¹	10	11	9
Total	14	20	21
Cases currently under investigation	12	9	11
Cases closed with no further action	0	4	6
Cases with Comptroller & City Solicitor	1	1	0
Cases where possession pending	1	0	0
Cases where possession order granted	0	0	0
Cases where successful possession gained ²	0	6	4
Total	14	20	21
Value where successful possession gained ³	£0.00	£108,000	£72,000

¹ Previous year's data shows the position at year end, and is provided for comparative purposes. Cases carried over from previous years do not represent live cases in the current reporting year.

² Cases where successful possession has been gained will be considered for criminal action where suitable, and where offences committed are serious enough to warrant proceedings under the Fraud Act 2006.

³ Successful possession gained value of £18,000 per property sourced from Audit Commission value of national average temporary accommodation costs to Local Authorities for one family.

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Committees:	Date:	Item no.
Audit and Risk Management	25 th June, 2013	
Subject: Local Audit and Accountability Bill	Public	
Report of: Remembrancer	For Information	
<p><u>Summary</u></p> <p>This report informs the Committee of the provisions of the Local Audit and Accountability Bill currently before Parliament.</p> <p>The Bill will abolish the Audit Commission and require local authorities to appoint auditors. A new framework for local audit will be put in place, including a requirement to have an advisory audit panel with a majority of independent members.</p> <p>The Bill will also modify the requirement to hold referendums on proposed increases in council tax.</p> <p>Recommendation</p> <p>The Committee are invited to note the contents of this report.</p>		

Report

1. The Local Audit and Accountability Bill was introduced in Parliament, following the Queen's Speech in May. Its main purpose is to finalise the abolition of the Audit Commission, a move first announced in a high-profile statement by the Secretary of State shortly after the present government took office. The general direction of the Bill is not expected to meet with significant parliamentary opposition, although there will be extensive discussion of the detail.
2. A separate aspect of the Bill, concerning the Code of Recommended Practice on Local Authority Publicity, is being reported separately to the Policy and Resources Committee.

Local Audit

3. The appointment of auditors of local authorities is currently the responsibility of the Audit Commission. The Bill will abolish the Audit Commission and transfer the duty to appoint local auditors to individual local authorities. The appointment will have to be made in full council, rather than by committee. Local authorities will be able to appoint auditors for a period of up to five years at a time.
4. In order to be eligible for appointment, an individual will have to be on a register of approved local auditors and meet certain requirements of independence and professional qualification, similar to those applicable in relation to private companies. Local auditors will be subject to regulation by the Financial Reporting Council, and will be required to operate in accordance with a code of practice formulated by the National Audit Office.
5. Local authorities will be required to establish audit panels to advise on the appointment of auditors and on the maintenance of an independent relationship between the authority and its auditor. Audit panels will consist of a majority of independent members (*i.e.* persons who have not been members or officers of the authority for at least five years, and who are not relatives or close friends of members or officers), one of whom must chair the panel. (As the Committee will be aware, the City Corporation has already established an Independent Audit Appointment Panel satisfying this description, for the purpose of leading the recent tender for the audit of the City's non-local authority funds.) Local authorities will be permitted to share audit panels. Local authorities will not have to follow the advice of their audit panels, but will have to publish reasons if they do not do so.
6. Local auditors will continue to examine both whether accounts have been properly prepared in accordance with legal requirements, and whether proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources. Auditors' powers for the prevention of unlawful expenditure and the making of public interest reports will be retained broadly in their current form.
7. The Audit Commission's programme of comprehensive area assessments has already ceased on the instructions of the Government. In its place, the National Audit Office will be given a more limited power to carry out examinations into the economy, efficiency and effectiveness with which local authorities have used their resources. The Government have indicated that no more than six such examinations will take place each year.
8. The new audit framework is intended to take effect for the financial year 2015-16, albeit that the local auditors will initially be those currently

working under out-sourcing arrangements made by the Audit Commission. Local authorities are expected to make the first appointment of local auditors for the financial year 2017-18.

Application to the City

9. The Bill's audit provisions will only apply to the work of the Common Council in respect of the City fund, the collection fund and the local government pension fund.

Council Tax

10. Under provisions introduced in 2011, local authorities are required to hold referendums to approve proposed increases in their 'basic amount' of council tax above a threshold (currently 2%) determined by the Secretary of State. At present, increases in the amounts charged by levying bodies are left out of account in calculating the basic amount. The Bill will reverse this, so that increases in levies will affect whether the referendum threshold is met. Amounts charged by major precepting authorities (such as the Greater London Authority) will continue to be dealt with separately.

Application to the City

11. The bodies currently charging levies to the City are the London Pensions Fund Authority, Transport for London (in respect of traffic signals), the London Borough Grants Scheme, the Lee Valley Regional Park, and the Environment Agency (in respect of flood defence). These levies account for less than four per cent of the City's council tax requirement in the current financial year, so it is unlikely that increases in levies alone would engage the current referendum threshold. The position could be different if an increase in levies were to coincide with an increase in the Common Council's own council tax requirement, or if the referendum threshold were reduced in future years.

Consultation

12. The Chamberlain has been consulted in the preparation of this report.

Recommendation

13. The Committee are invited to note the contents of this report.

Background Papers

- D.C.L.G., *'Future of local public audit: Consultation'*, March, 2011.

- *D.C.L.G., 'Government response to the future of local audit consultation', January, 2012.*
- *House of Commons Draft Local Audit Bill ad hoc Committee, 'Draft Local Audit Bill: Pre-legislative scrutiny', January, 2013.*
- *Written Statement to the House of Commons by Mr. Eric Pickles, 'Local Government Finance', 30th January, 2013.*
- *D.C.L.G., 'Government Response to the Pre-legislative Scrutiny Report by the Draft Local Audit Bill Committee', April, 2013.*

Contact

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Committee(s):	Date(s):
Audit and Risk Management	25 Jun 2013
Subject: Annual Governance Statement 2012/13	Public
Report of: Town Clerk and Chamberlain	For Decision

Summary

This report presents the annual update of the City Corporation's governance and internal control framework in the formats agreed by this Committee in March 2013. Appendices 1 and 2 set out the City Corporation's Annual Governance Statement (AGS) as required by the Accounts and Audit (England) Regulations 2011. The statement is set out in two versions – one with the main changes highlighted, and the other showing full track changes from the 2011/12 statement.

The AGS is prepared in accordance with proper practice guidance – Delivering Good Governance in Local Government – issued jointly by the Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). This was revised in 2012, accompanied by a new guidance note and addendum.

Appendix 3 contains an outline schedule of assurances in support of the statement. Although the AGS requires corporate ownership, as it is concerned with corporate controls rather than being confined to financial issues, it must accompany the annual City Fund and Pension Funds Statement of Accounts.

Recommendation(s)

Members are asked to:

- approve the AGS set out in Appendixes 1 and 2 for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive;
- note that the AGS will be published alongside the 2012/13 City Fund and Pension Funds Statement of Accounts;
- note the future developments in paragraph 63 of the AGS to improve the governance framework; and
- delegate authority to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of this Committee, to amend the AGS for any significant events or developments relating to the governance arrangements that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

Main Report

Background

1. This report presents the annual update of the City Corporation's governance and internal control framework. The Accounts and Audit (England) Regulations 2011, which apply to the City of London's City Fund activities, require an audited body to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) each year, alongside the authority's Statement of Accounts. The AGS is set out in Appendix 1, with the main changes from last year highlighted, and in Appendix 2 with all additions, deletions and other changes shown as 'tracked changes'.
2. In June 2007, the Chartered Institute of Public Finance and Accountancy (CIPFA), in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE), published a *Delivering Good Governance in Local Government: Framework* and an accompanying guidance note, which represented the proper practice guidance in relation to internal control. During 2012, a CIPFA/SOLACE Joint Working Group reviewed the Framework, 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. The City's AGS has been prepared in accordance with this revised guidance.
3. In 2010, CIPFA issued its *Statement on the Role of the Chief Financial Officer in Local Government*. The governance requirements in this document are that the Chief Financial Officer should be professionally qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members. The Statement requires that, if different arrangements are adopted, the reasons should be explained in the organisation's AGS, together with how these deliver the same impact. The role of the Chamberlain conforms to the requirements of the Statement on the Role of the Chief Financial Officer.

Approval

4. The AGS must be signed by the most senior officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent).
5. The AGS should be approved by an appropriate committee, but there is no statutory timetable for approval, other than that the AGS must accompany the Statement of Accounts.
6. 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.
7. There is a requirement that any significant events or developments relating to the governance arrangements that occur between the Balance Sheet date (31st March 2013) and the date on which the Statement of Accounts is signed by the Chamberlain are reported within the AGS. Delegated authority is,

therefore, sought for the Town Clerk, in consultation with the Chairman and Deputy Chairman of this Committee, to amend the AGS if necessary

Ownership

8. As a corporate document, the AGS should be owned by all senior officers and members of the authority. CIPFA argues that it is essential that there is buy-in at the top level of the authority; otherwise, there is a risk that the preparation of the AGS is not perceived as an important task and, if the work is delegated to a single officer, it is likely to dilute the statement's significance. The draft AGS was considered and agreed at the Performance and Strategy Summit Group of Chief Officers on the 12th June.
9. The signatories need to ensure that the AGS accurately reflects the governance framework for which they are responsible. To achieve this, reliance may be placed on many sources of assurance, such as:
 - Chief Officers and Senior Managers;
 - the Chief Financial Officer responsible for the accounting control systems and records and the preparation of the statement of accounts;
 - the Monitoring Officer in meeting his/her statutory responsibilities;
 - members (e.g. through audit or scrutiny committees);
 - the Head of Internal Audit;
 - performance and risk management; and
 - external audit and other review agencies.
10. The Audit and Risk Management Committee has a key role within the 'review of effectiveness' of the City's governance framework, including the system of internal control. One of its prime responsibilities is to review the work of the internal auditors, consider the risk management framework, and consider comments made by the external auditors and other review agencies and inspectorates.

Future Developments

11. Paragraph 63 of the AGS lists future developments planned for 2013/14, to further improve the governance framework, as follows:
 - Reviewing future arrangements for the City's Local Strategic Partnership;
 - Conducting a detailed review of the Corporate Plan, including consultation with Members;
 - Consulting on and agreeing a revised IS Strategy;
 - Implementing a service based review process, to generate further efficiency savings, in response to reductions in government grant;
 - Reviewing the level of cash reserves to ascertain whether the investments could be re-allocated to other higher yielding asset classes, such as property;
 - Embedding the City Of London Procurement Service arrangements, so procurement and payment efficiencies and compliance from a centralised service are realised;

- Commissioning an independent review of the effectiveness of risk management processes and controls;
- Implementing the risk management improvement plan to strengthen and raise awareness of risk management across all areas of the City Corporation; and
- Amending existing internal audit processes in accordance with the new Public Sector Internal Audit Standards.

External Audit

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

Conclusion

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

Appendices

1. Appendix 1 – Draft Annual Governance Statement 2012/13 – main changes highlighted
2. Appendix 2 – Draft Annual Governance Statement 2012/13 – all changes tracked
3. Schedule of reporting to Members

Background Papers:

- Report to Audit and Risk Management Committee, March 2013: *Annual Governance Statement - Methodology*
- CIPFA/SOLACE publications:
 - Delivering good governance in Local Government: Framework (reissued 2012)
 - Delivering good governance in Local Government: Framework – Addendum (December 2012)
 - Delivering good governance in Local Government:– Guidance Note for English Authorities (2012 Edition)

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ANNUAL GOVERNANCE STATEMENT 2012/13

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(3) of the Accounts and Audit (England) Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

5. The governance framework comprises the systems and processes by which the City is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the City to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
6. 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 2013 and up to the date of approval of the statement of accounts.

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;

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

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

9. The City's main decision making body is the Court of Common Council, which brings together all of the City's elected members. Members sit on a variety of committees which manage the organisation's different functions, and report to the Court of Common Council on progress and issues. The Town Clerk and Chief Executive is the City's head of paid service, and chairs the Chief Officers' Group, which considers strategic issues affecting the organisation. This group is supported by other officer groups, including the Performance and Strategy Summit Group and the Economic Development Chief Officers Group.

10. During 2012/13, a Members Working Party undertook a post-implementation review of the revised governance arrangements agreed in March 2011, to take stock of the new arrangements and how they were working. Following a full consultation exercise, the Working Party concluded that, overall, the new arrangements were operating well, but that there were areas that required modification. Changes were agreed by the Court of Common Council in December 2012.

11. Following the enactment of the provisions of the Localism Act 2011, which abolished the local government standards regime under the Local Government Act 2000, the City is 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. As a code of conduct had to be adopted by 1st July 2012, in order to comply with statutory requirements, the Court of Common Council initially agreed to re-adopt the City's existing code until such time as the regulations defining disclosable pecuniary interest had been made. Following the issue of these regulations, the Court approved a new Code of Conduct in the form suggested by the Department for Communities and Local Government and agreed that, apart from disclosable pecuniary interests, no additional categories of interest would be disclosable.

12. The City must also have in place arrangements under which written allegations of a breach of the Member Code of Conduct can be investigated and decisions on those allegations taken. In November 2012, the Standards Committee approved a Complaints Guidance Handbook, including guidelines for dealing with complaints submitted to the Committee. The Committee subsequently agreed the introduction of new voluntary arrangements for the registration of gifts and hospitality received, in response to queries received on that issue since the introduction of the new standards regime.

13. Under section 28 of the Localism Act, the City is required to appoint at least one Independent Person to support the new standards arrangements. In June, the Court of Common Council gave support to three appointments to the position of Independent Person, and also agreed a revised constitution and terms of reference for the Standards Committee, to be adopted from the point that section 28 of the Act came into force.
14. The Localism Act also requires the City to prepare and publish a Pay Policy Statement each year, setting out its approach to pay for the most senior and junior members of staff. The draft Pay Policy Statement for 2013/14 was agreed by the Court of Common Council in March 2013.
15. During 2012/13, the Audit and Risk Management Committee agreed procedures for annual declarations of interest by certain officers, to meet the City's obligations under the Bribery Act 2010. The agreed approach demonstrates a proportionate and pro-active approach, by requiring officers with decision-making powers in relation to higher risk activities to make an annual declaration to confirm that they have met the requirements relating to potential conflicts of interest, as set out in the Employee Code of Conduct, and to confirm that they have not engaged in any conduct which might give rise to an offence under the Bribery Act.
16. As a result of the Protection of Freedoms Act 2011-12, revisions were agreed to the City's policy and procedures in respect of the Regulation of Investigatory Powers Act 2000 (RIPA), which regulates surveillance carried out by public authorities in the conduct of their business. In September 2012, the City was inspected by the Office of Surveillance Commissioners (OSC). The OSC noted that the City had not used RIPA powers since the last inspection (in 2009), and is "well prepared to use them in appropriate circumstances, having taken steps to ensure legislative compliance ...". In December 2012, a number of officers undertook a comprehensive training course to ensure that a high standard of administration and management in respect of the use of RIPA powers is maintained.
17. 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.
18. The legislation that introduced 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



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

- The sustainable community strategy for the City of London (The City Together Strategy: The Heart of a World Class City 2008-2014) is a shared focus for the future, helping to co-ordinate partners' activities towards meeting the needs and aspirations of the City's diverse communities. This was informed by extensive consultation with a wide range of stakeholders and specific interest groups. A Local Strategic Partnership (The City Together) oversees the development of the Community Strategy, which is centred on the Square Mile and the City's local authority and Policing functions.
 - The Corporate Plan shows how the City Corporation will fulfil its role as a provider of services both inside and outside of the City boundaries. The Corporate Plan includes a statement of the City's Vision, Strategic Aims, Key Policy Priorities and Core Values.
 - The City of London Policing Plan details the policing priorities and shows how these will be delivered over the coming year. It also contains all the measures and targets against which the Police Committee hold the City of London Police to account.
 - The Communications Strategy sets out the City's plan of action over the short to medium-term for communicating its activities and managing its reputation. The 2012-15 Strategy identifies two key priorities, namely: supporting London's communities, and helping to look after London's heritage and green spaces.
 - A new Cultural Strategy 2012-2017 for the City was agreed, following extensive consultation and approval from the relevant Committees. This presents a coherent view of the City's important cultural and heritage-related contributions to the life of London and the nation.
 - Other corporate plans and strategies are mentioned elsewhere in this document.
20. Plans and strategies are informed by a range of consultation arrangements, such as City-wide and local residents' meetings, representative user groups and surveys of stakeholders. The City has a unique franchise, giving businesses (our key constituency) a direct say in the running of the City, and a range of engagement activities, including through the Lord Mayor, Chairman of Policy and Resources Committee and the Economic Development Office. An annual consultation meeting is held for business ratepayers.

21. The Health and Social Care Act 2012 transferred responsibility for health improvement of local populations to local authorities in England, with effect from 1st April 2013. The new duties include the establishment of a Health and Wellbeing Board, to provide collective leadership to improve health and wellbeing for the local area. A shadow Health and Wellbeing Board for the City of London was formed in response to the Government's expectation that local authorities should be prepared ahead of the implementation of the reforms; this operated throughout 2012/13. In December 2012, the Court of Common Council approved steps to set up a Health and Wellbeing Board, including the terms of reference and membership as at April 2013.

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

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

24. During 2012/13, the City Corporation commenced a tender exercise to select an external partner to deliver the “business as usual” IS function. As part of the transition to the new service provision, revised information management responsibilities will be agreed and the Information Management Strategy will be updated.

Financial Management Arrangements

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

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

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

27. For non-Police services, the Local Government Funding Settlement for 2013/14 and 2014/15 was more severe than anticipated by the local government finance community, and further reductions in Government grant funding are expected for the foreseeable future. These reductions in Government funding are a major factor underlying the potential annual revenue deficits of £5million indicated from 2016/17 in the medium term financial forecast. This figure represents approximately 8% of net spending on services. To address these potential deficits, a service-based activity review will be undertaken to identify: further efficiencies where savings can be made with little impact on services; the appropriate level of expenditure to fulfil statutory requirements; services with less impact on the City’s policy objectives; and funding/income generation opportunities. In addition, targeted/selective budget reductions and efficiency programmes are continuing to be pursued, including those relating to corporate-wide procurement arrangements. The utilisation of assets is also being reviewed to determine whether investment returns can be improved at an acceptable level of risk.

28. The City of London Police manages its budget on a ring-fenced basis, but also faces significant and continuing reductions in Government Grants. The force has its own savings plan, including a new operating model proposed by the City First Change Programme.

29. An Efficiency Board monitors the savings achieved and a Transformation Board is overseeing the change process. The Efficiency and Performance sub-Committee receives regular reports from these two Boards, continues to challenge the achievement of value for money, and helps to embed further a value for money culture within the City's business and planning processes.
30. 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.
31. The City has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:
- Financial Strategy. This provides a common base for guiding the City's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
 - Budget policy. The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers to continuously seek improved efficiency 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.
32. Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members.
33. 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.
34. 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).
35. The Police Performance and Resource Management sub-Committee's responsibilities include overseeing the force's resource management in order to maximise the efficient and effective use of resources to deliver its strategic priorities; and monitoring government and other external agencies' policies and actions relating to police performance.
36. The City's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects sub-Committee meets monthly to ensure that projects align with corporate objectives and strategy, and provide value for money. A review of all project management arrangements, conducted one year after the new arrangements were introduced, concluded

that the Project Procedure is fit-for-purpose and required only relatively simple adjustments, which were agreed.

Risk Management

37. The City's Risk Management framework continues to abide by the Risk Management Handbook. This handbook was revised slightly during 2012/13, to incorporate the capture of the risk scores before mitigating controls (Gross Risk), an assessment of the controls in place (Control Evaluation), and the appointment of the new Town Clerk and Chief Executive. The framework continues to align 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 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.
38. 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.
39. Actions being taken to mitigate operational risks are monitored by Chief Officers and by the relevant service Committees. Corporate oversight of strategic risk is provided by the Chief Officers' Group and Audit and Risk Management Committee. In addition to receiving quarterly risk update reports, the Audit and Risk Management Committee has adopted a cycle of regular in depth review of individual risks stated on the Strategic Risk Register.
40. During 2012/13, three new risks were added to the Strategic Risk Register: Longer term Financial Uncertainty; a risk capturing a high value exhibition at the Barbican Art Gallery; and Data Protection Breaches.

Health & Safety

41. 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. During 2012/13, a review of the Corporate Health & Safety Policy was completed. The City's systems are aligned to HSG65, the Health and Safety Executive's guidance document on the essential philosophy of good health and safety. 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.
42. Top X (the City's Health & Safety risk management system) has been successfully aligned with the business planning process. During 2012/13, departmental use of the system has improved, helping to ensure that many uncontrolled safety hazards arising from operational processes are identified promptly and controls implemented in a timely manner. Operating alongside the risk management process, it assists in ensuring that specific safety risks are integrated by Chief Officers within their business planning. All departments regularly submit their Top X which is analysed and considered twice a year by the Corporate Health & Safety Committee, now chaired by the Town Clerk and Chief Executive. 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

43. 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.

44. The City has an overarching Business Continuity Strategy and Framework and each department has their own business continuity arrangements. The disaster recovery solution for the City has now been fully deployed and technical tests have been carried out to ensure its robustness. Both corporate and departmental arrangements are regularly reviewed to ensure they align with the relevant risk registers and business objectives. Officers from the different departments share best practice and validate their arrangements through the Emergency Planning and Business Continuity Steering Group, which sits on a quarterly basis.
45. Programme management of the City's business continuity management system (BCMS) lies with the Security and Contingency Planning Group, and all departments play a role in it. In preparation for the major events of 2012 (including the Olympic and Paralympic Games), the group delivered a programme of training and exercises for departments to strengthen the existing core business continuity arrangements. All departments reviewed their own plans in light of the potential disruptions associated with these events, allowing the City to ensure the effectiveness of its plans and coordination arrangements. Through the live operations of the City of London Olympic and Paralympic Coordination Centre and the Event Control Room for the Lord Mayor's Show, the City has been able to gain significant confidence that its plans are effective and are consistent with pan-London and national major incident arrangements. Lessons learnt from these events, and the novel requirements enshrined in the new international standard for business continuity (ISO 22301), were fed back into the BCMS and a programme of enhancements is currently under implementation.

Role of Internal Audit

46. 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.
47. 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*. Revised Internal Audit Terms of Reference were agreed by the Audit and Risk Management Committee in September 2012, to include codification of the existing internal audit reporting lines.
48. 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). During 2012/13, 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 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.
49. The new Public Sector Internal Audit Standards (PSIAS) came into effect on 1st April 2013. These standards are mandatory and will underpin the Internal Audit arrangements within the City of London Corporation. Implementation of the PSIAS for the City will require very few changes to existing processes, which have been based on the previous CIPFA Code. The Head of Audit and Risk Management will be expected to report on conformance with the PSIAS in his annual report from the year 2013/14.
50. The Audit and Risk Management Committee oversees a targeted approach to the follow-up and implementation of high priority audit recommendations to ensure the internal control environment is maintained.
51. 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. The Audit and Risk Management Committee is now provided with six-monthly progress reports on the

strategic pro-active anti-fraud plan, with investigation activity update reports presented to intervening meetings.

Performance Management

52. The corporate business planning framework sets out the planning cycle with clear linkages between the different levels of policy, strategy, target setting, planning and action (the “Golden Thread”).
- All departments are required to produce annual departmental business plans for approval by the relevant service committee(s). These are all clearly linked to the overall Corporate Plan and show key objectives aligned with financial and staffing resources
 - All 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.
53. Performance is communicated to Council Tax and Business Rate payers through the City-wide residents’ meetings, the annual business ratepayers’ consultation meeting and regular electronic and written publications, including an annual summary of performance and accounts.
54. During 2012/13, best practice guidance was issued to Chief Officers on quarterly reporting to service committees and on the inclusion of an annual assurance statement on data quality within year-end performance reports.

Audit and Risk Management Committee

55. The Audit and Risk Management Committee is an enhanced source of scrutiny and assurance over the City’s governance arrangements. It considers and approves internal and external audit plans, receives reports from the Head of Audit and Risk Management, external audit and other relevant external inspectorates, including HMIC, as to the extent that the City can rely on its system of internal control. The Committee reviews the financial statements of the City prior to recommending approval by the Finance Committee and considers the formal reports, letters and recommendations of the City’s external auditors. The Committee also monitors and oversees the City’s Risk Management Handbook. The Committee undertakes a systematic programme of detailed reviews of each of the risks on the City’s Strategic Risk Register.
56. During 2012/13, a review of the effectiveness of the Committee was conducted, in accordance with best practice, identified by CIPFA and the City’s external auditors. The analysis undertaken, and a survey of Members of the Committee, showed that the Committee is substantially compliant with the CIPFA Audit Committee best practice guidelines. Items to be addressed were: training; the provision of assurances to the Committee on the operation of risk management and anti-fraud and corruption measures at the departmental level; and the frequency and timetabling of meetings.

Review of Effectiveness

57. 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.
58. Processes that have applied in maintaining and reviewing the effectiveness of the governance framework include scrutiny primarily by the Policy and Resources, Finance, Police, Audit and Risk Management, Investment, and Standards Committees; and the Resource Allocation,

Police Performance and Resource Management and Efficiency and Performance sub-Committees.

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

Head of Internal Audit's Opinion

60. 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.

61. 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. Timeliness in the implementation of priority audit recommendations has improved during the year, although implementation according to the originally agreed timescales is often not achieved. The new Strategic Risk Management arrangements have become embedded during the year. Opportunities exist for enhancing the operation of the risk management framework across the organisation; an improvement programme is being progressed.

62. One area for particular attention is highlighted in the internal audit opinion relating to the controls operating within some areas of Community and Children's Services: focused management attention is required in relation to the control of client individual budgets, child care provision, housing responsive maintenance and the Affordable Housing Strategy.

Future Developments

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

- Reviewing the Scheme of Delegations to ensure that it remains fit-for-purpose;
- Reviewing future arrangements for the City's Local Strategic Partnership;
- Conducting a detailed review of the Corporate Plan, including consultation with Members;
- Developing a protocol for consultation with external stakeholders;
- Consulting on, and agreeing, a revised IS Strategy;
- Implementing a service-based review process, to generate further efficiency savings in response to reductions in government grant;
- Reviewing the level of cash reserves to ascertain whether investments could be re-allocated to other higher yielding asset classes, such as property;
- Embedding the City Of London Procurement Service arrangements, so that procurement and payment efficiencies from, and compliance with, a centralised service are realised;
- Commissioning an independent review of the effectiveness of risk management processes and controls;

- Implementing the risk management improvement plan, to strengthen and raise awareness of risk management across all areas of the City Corporation; and
- Amending existing internal audit processes, in accordance with the new Public Sector Internal Audit Standards.

This annual governance statement was approved by the City's Audit and Risk Management Committee on 25th June 2013.

John Barradell
Town Clerk and Chief Executive

Date:

Mark Boleat
Chairman, Policy and Resources
Committee
Date:

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ANNUAL GOVERNANCE STATEMENT 2012/13

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 ~~s~~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(3) of the Accounts and Audit (England) Regulations 2011 ~~in which requires all relevant bodies relation to the requirement~~ to prepare an ~~A~~annual ~~g~~Governance ~~S~~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 its~~ communities~~sy~~. 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 2013~~2~~ 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 Scheme](#) of delegations, which defines the responsibility for decision-making and the exercise of authority;
 - A Members' Code of Conduct, which defines standards of personal behaviour; a Standards Committee, and register of interests, gifts and hospitality;
 - A Code of Conduct for [staff employees](#);
 - A corporate complaints procedure, operated through the Town Clerk's Department, with a separate procedure in Community and Children's Services, to comply with the relevant regulations;
 - A corporate Project Toolkit and other detailed guidance for officers, including procedures and manuals for business critical systems;
 - An anti-fraud and corruption strategy, including anti-bribery arrangements, and whistle blowing policy;
 - A Risk Management Handbook
 - Job and person specifications for senior elected Members; and
 - A protocol for Member/officer relations.
9. [The City's main decision making body is the Court of Common Council, which brings together all of the City's elected members. Members sit on a variety of committees which manage the organisation's different functions, and report to the Court of Common Council on progress and issues. The Town Clerk and Chief Executive is the City's head of paid service, and chairs the Chief Officers' Group, which considers strategic issues affecting the organisation. This group is supported by other officer groups, including the Performance and Strategy Summit Group and the Economic Development Chief Officers Group.](#)
- ~~9.10. During 2012/13, a Members Working Party undertook a post-implementation review of the revised governance arrangements the changes agreed as a result of the review of governance reported to the Court of Common Council in March 2011, to take stock of the new arrangements and how they were working. -were applied- Following a full consultation exercise, the Working Party concluded that, overall, the new arrangements were operating well, but that there were areas that required modification. Changes were agreed by the Court of Common Council in December 2012. 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.
11. Following the enactment of the provisions of the Localism Act 2011, which abolished relating to the local government standards regime under the Local Government Act 2000, the City ~~is~~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. As a code of conduct had to be adopted by 1st July 2012, in order to comply with statutory requirements, the Court of Common Council initially agreed to re-adopt the City's existing code until such time as the regulations defining disclosable pecuniary interest had been made. Following the issue of these regulations, the Court approved a new Code of Conduct in the form suggested by the Department for Communities and Local Government and agreed that, apart from disclosable pecuniary interests, no additional categories of interest would be disclosable.
12. The City must also have in place arrangements under which written allegations of ~~the a~~ breach of the Member Code of Conduct can be investigated and decisions on those allegations taken. In November 2012, the Standards Committee approved a Complaints Guidance Handbook, including guidelines for dealing with complaints submitted to the Committee. The Committee subsequently agreed the introduction of new voluntary arrangements for the registration of gifts and hospitality received, in response to queries received on that issue since the introduction of the new standards regime~~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. Under section 28 of the Localism Act, the City is required to appoint at least one Independent Person to support the new standards arrangements. In June, the Court of Common Council gave support to three appointments to the position of Independent Person, and also agreed a revised constitution and terms of reference for the Standards Committee, to be adopted from the point that section 28 of the Act came into force.
14. The Localism Act also requires the City to prepare and publish a Pay Policy Statement each year, setting out its approach to pay for the most senior and junior members of staff. The draft Pay Policy Statement for 2013/14 was agreed by the Court of Common Council in March 2013.
15. During 2012/13, the Audit and Risk Management Committee agreed procedures for annual declarations of interest by certain officers, to meet the City's obligations under the Bribery Act 2010. The agreed approach demonstrates a proportionate and pro-active approach, by requiring officers with decision-making powers in relation to higher risk activities to make an annual declaration to confirm that they have met the requirements relating to potential conflicts of interest, as set out in the Employee Code of Conduct, and to confirm that they have not engaged in any conduct which might give rise to an offence under the Bribery Act.
- ~~12-~~16. As a result of the Protection of Freedoms Act 2011-12, revisions were agreed to the City's policy and procedures in respect of the Regulation of Investigatory Powers Act 2000 (RIPA), which regulates surveillance carried out by public authorities in the conduct of their business. In September 2012, the City was inspected by the Office of Surveillance Commissioners (OSC). The OSC noted that the City had not used RIPA powers since the last inspection (in 2009), and is "well prepared to use them in appropriate circumstances, having taken steps to ensure legislative compliance ...". In December 2012, a number of officers undertook a comprehensive training course to ensure that a high standard of administration and management in respect of the use of RIPA powers is maintained.

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Business Strategy and Planning Process



15.19. 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 coordinate 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 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.
- The Communications Strategy sets out the City's plan of action over the short to medium-term for communicating its activities and managing its reputation. The 2012-15 Strategy identifies two key priorities, namely: supporting London's communities, and helping to look after London's heritage and green spaces.
- A new Cultural Strategy 2012-2017 for the City was agreed, following extensive consultation and approval from the relevant Committees. This presents a coherent view of the City's important cultural and heritage-related contributions to the life of London and the nation.

- Other corporate plans and strategies are mentioned elsewhere in this document.

~~16.~~ Plans and strategies are informed by a range of consultation arrangements, such as [central City-wide](#) 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.](#)

~~17-20.~~ 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.

~~18-21.~~ [The Health and Social Care Act 2012 transferred responsibility for health improvement of local populations to local authorities in England, with effect from 1st April 2013. The new duties include the establishment of a Health and Wellbeing Board, to provide collective leadership to improve health and wellbeing for the local area. A In response to the government's health reforms, the City has established a shadow Health and Wellbeing Board for the City of London was , initially formed in response to the Government's expectation that local authorities should be prepared ahead of the implementation of the reforms; this operated throughout 2012/13. In December 2012, the Court of Common Council approved steps to set up a Health and Wellbeing Board, including the of key partners from the Adult Wellbeing Partnership and the Children and Young People's Strategic Partnership, with agreed terms of reference and membership as at April 2013a 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

~~19-22.~~ The Information Management Strategy (approved October 2009) sets out the headline approach to information management in the City. It summarises the current position, gives a vision of where we want to be and proposes a set of actions to start us on the path to that vision. The Strategy defines our approach to the other key elements for information management, in particular data security and data sharing.

~~23.~~ 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.

~~20-24.~~ [During 2012/13, the City Corporation commenced a tender exercise to select an external partner to deliver the "business as usual" IS function. As part of the transition to the new service provision, revised information management responsibilities will be agreed and the Information Management Strategy will be updated.](#)

Financial Management Arrangements

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

~~22-26.~~ The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, a system of delegation and accountability, and independent scrutiny. In particular the system includes:

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

27. ~~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. For non-Police services, the Local Government Funding Settlement for 2013/14 and 2014/15 was more severe than anticipated by the local government finance community, and further reductions in Government grant funding are expected for the foreseeable future. These reductions in Government funding are a major factor underlying the potential annual revenue deficits of £5million indicated from 2016/17 in the medium term financial forecast. This figure represents approximately 8% of net spending on services. To address these potential deficits, a service-based activity review will be undertaken to identify: further efficiencies where savings can be made with little impact on services; the appropriate level of expenditure to fulfil statutory requirements; services with less impact on the City's policy objectives; and funding/income generation opportunities. In addition, targeted/selective budget reductions and efficiency programmes are continuing to be pursued, including those relating to corporate-wide procurement arrangements. The utilisation of assets is also being reviewed to determine whether investment returns can be improved at an acceptable level of risk.~~

28. ~~The City of London Police manages its budget on a ring-fenced basis, but also faces significant and continuing reductions in Government Grants. The force has its own savings plan, including a new operating model proposed by the City First Change Programme.~~

23-29. ~~An Efficiency Board monitors the savings achieved and a Transformation Board is overseeing the change process. The Efficiency and Performance sub-Committee receives regular reports from these two Boards, continues to challenge the achievement of value for money, and helps to embed further a value for money culture within the City's business and planning processes.~~

24-30. ~~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.

~~25-31.~~ The City has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:

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

~~26-32.~~ Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to ~~M~~members.

~~27-33.~~ 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.

~~28-34.~~ 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.

~~30-35.~~ The Police Performance ~~and Resource~~ Management ~~and Value for Money~~ sub-Committee's responsibilities include overseeing the force's resource management in order to maximise the efficient~~ey~~ 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.~~

~~31-36.~~ The City's 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. ~~The 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~~ A review of all project management arrangements, conducted one year after the new arrangements were introduced, concluded that the Project Procedure is fit-for-purpose and required only relatively simple adjustments, which were agreed.

Risk Management

~~32.37. During 2011/12, a full review was undertaken of~~ the City's Risk Management framework continues to abide by the, resulting in a refreshed strategy and policy, published in a Risk Management Handbook. This handbook was revised slightly during 2012/13, to incorporate the capture of the risk scores before mitigating controls (Gross Risk), an assessment of the controls in place (Control Evaluation), and the appointment of, approved by the Audit and Risk Management Committee ~~the new Town Clerk and Chief Executive, in September 2011.~~ The framework continues to aligns with the key principles of ISO 31000: Risk Management Principles and Guidelines and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The Handbook 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.

~~33.38.~~ 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.

~~34.39.~~ Actions being taken to mitigate operational risks are monitored by Chief Officers and by the relevant service Committees. 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, the Audit and Risk Management ~~is~~ Committee has adopted a cycle of regular in depth review of individual risks stated on the Strategic Risk Register.

~~35.40.~~ During 201~~2~~4/~~13~~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. Longer term Financial Uncertainty; a risk capturing a high value exhibition at the Barbican Art Gallery; and Data Protection Breaches.

Health & Safety

~~36.41.~~ 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. During 2012/13, a review of ~~t~~ The Corporate Health & Safety Policy was completed, ~~which is currently under review,~~ The City's systems are ~~is~~ aligned to HSG65, the 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.

37.42. Top X (the City's Health & Safety risk management system) ~~was~~ has been successfully aligned ~~into with~~ the business planning process. During 2012/13, departmental use of the system has improved, helping to in 2010 ensure that many uncontrolled safety hazards arising from operational processes are identified promptly and controls implemented in a timely manner. Operating alongside the risk management process, it assists in ensuring that specific safety risks are integrated by Chief Officers within their business planning. All departments regularly submit their Top X which is analysed and considered twice a year by the Corporate Health & Safety Committee, now chaired by the ~~Deputy~~ Town Clerk and Chief Executive. 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

38.43. 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.

39.44. 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~~ has now been fully deployed and technical tests have been carried out to ensure its robustness. Both corporate and departmental arrangements are regularly reviewed to ensure they align with the relevant risk registers and business objectives. Officers from the different departments share best practice and validate their arrangements through the Emergency Planning and Business Continuity Steering Group, which sits on a quarterly basis.

40.45. Programme mManagement of the City's business continuity management system (BCMS) lies with the Security and Contingency Planning Group, and all departments play a role in it. In preparation for the major events of 2012 (including the Olympic and Paralympic Games), the group delivered a programme of ~~The group has provided training and exercises to for~~ departments to strengthen the existing on-core business continuity arrangements, 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 ~~All departments reviewed their own plans in light of the potential disruptions associated with these events, allowing the City to ensure the effectiveness of its plans and coordination arrangements. Through the live operations of the City of London Olympic and Paralympic Coordination Centre and the Event Control Room for the Lord Mayor's Show, the City has been able to gain significant confidence that its plans are effective and are consistent with pan-London and national major incident arrangements. Lessons learnt from these events, and the novel requirements enshrined in the new international standard for business continuity (ISO 22301), were fed back into the BCMS and a programme of enhancements is currently under implementation.~~

Role of Internal Audit

41.46. 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.

42.47. 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*. Revised Internal Audit Terms of Reference were agreed by the Audit and Risk Management Committee in September 2012, to include codification of the existing internal audit reporting lines.

48. 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). During

2012/13, t. 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 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.

43-49. The new Public Sector Internal Audit Standards (PSIAS) came into effect on 1st April 2013. These standards are mandatory and will underpin the Internal Audit arrangements within the City of London Corporation. Implementation of the PSIAS for the City will require very few changes to existing processes, which have been based on the previous CIPFA Code. The Head of Audit and Risk Management will be expected to report on conformance with the PSIAS in his annual report from the year 2013/14.

44-50. 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.

45-51. 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. The Audit and Risk Management Committee is now provided with six-monthly progress reports on the strategic pro-active anti-fraud plan, with investigation activity update reports presented to intervening meetings.

Performance Management

46-52. 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 financial and staffing 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.

47-53. Performance is communicated to Council Tax and Business Rates payers through the City-wide residents’ meetings, ~~the~~ 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.~~

48-54. 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”. During 2012/13, best practice guidance was issued to Chief Officers on quarterly reporting to service

[committees and on the inclusion of an annual assurance statement on data quality within year-end performance reports.](#)

Audit and Risk Management Committee

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

49-56. [During 2012/13, a review of the effectiveness of the Committee was conducted, in accordance with best practice, identified by CIPFA and the City's external auditors. The analysis undertaken, and a survey of Members of the Committee, showed that the Committee is substantially compliant with the CIPFA Audit Committee best practice guidelines. Items to be addressed were: training; the provision of assurances to the Committee on the operation of risk management and anti-fraud and corruption measures at the departmental level; and the frequency and timetabling of meetings.](#)

Review of Effectiveness

50-57. 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.

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

51-59. [This review of the main elements of the City's governance framework has not identified any significant issues for reporting to senior management.](#)

Head of Internal Audit's Opinion

52-60. 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.

53-61. [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. Timeliness in the implementation of priority audit recommendations has improved during the year, although implementation according to the originally agreed timescales is often not achieved. The new Strategic Risk Management arrangements have become embedded during the year. Opportunities exist for enhancing the](#)

operation of the risk management framework across the organisation; an improvement programme is being progressed ~~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.~~

54-62. -One area for particular attention is highlighted in the internal audit opinion relating to the controls operating within some areas of Community and Children's Services: focused management attention is required in relation to the control of client individual budgets, child care provision, housing responsive maintenance and the Affordable Housing Strategy. ~~His annual report draws out one area of particular emphasis requiring management attention in the area of ICT operational and security controls.~~

Future Developments

55-63. The governance framework is constantly evolving due to service and regulatory developments and assessments. Improvement plans have been compiled in response to the reports and assessments summarised above. Controls to manage principal risks are constantly monitored, in particular for services with statutory responsibilities for the safety of vulnerable people. The City proposes over the coming year to take the following steps ~~In order to maintain, develop and strengthen the existing governance framework~~ ~~future plans include:~~

- Reviewing the Scheme of Delegations to ensure that it remains fit-for-purpose;
- Reviewing future arrangements for the City's Local Strategic Partnership in response to Government policy;
- Conducting a detailed review of the Corporate Plan, including consultation with Members;
- Developing a protocol for consultation with external stakeholders;
- Consulting on, and agreeing, a revised IS Strategy;
- Implementing a service-based review process, to generate further efficiency savings in response to reductions in government grant;
- ~~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 Reviewing the level of cash reserves to ascertain whether investments could be re-allocated to other higher yielding asset classes, such as property;
- Embedding the City Of London Procurement Service arrangements, so that procurement and payment efficiencies from, and compliance with, a centralised service are realised;

- Commissioning an independent review of the effectiveness of risk management processes and controls;
- Implementing the risk management improvement plan, to strengthen and raise awareness of risk management across all areas of the City Corporation; and
- Amending existing internal audit processes, in accordance with the new Public Sector Internal Audit Standards.

This annual governance statement was approved by the City's Audit and Risk Management Committee on 25th June 2013.

Chris DuffieldJohn Barradell
Town Clerk and Chief Executive

Date:

Mark Boleat
Chairman, Policy and Resources
Committee

Date:

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ANNUAL GOVERNANCE STATEMENT 2012/13**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.
	Post-implementation review of the revised governance arrangements (para 9)	The post-implementation review was reported to the Policy and Resources Committee on 8 th November, and the Court of Common Council on 6 th December 2012.
	Localism Act: Standards regime (paras 11-13)	The revised terms of reference for the Standards Committee were agreed by the Policy and Resources Committee on 7 th June, and the Court of Common Council on 21 st June 2012. The appointment of three Independent Persons was approved by the Court of Common Council on 21 st June 2012. The new Member Code of Conduct was approved by the Standards Committee on 21 st September, and the Court of Common Council on 25 th October 2012. The Complaints Guidance Handbook was approved by the Standards Committee on 23 rd November 2012. The new voluntary registration arrangements were approved by the Standards Committee on 8 th February 2013.
	Localism Act: Pay Policy Statement (para 14)	The draft Pay Policy Statement for 2013/14 was agreed by the Court of Common Council on 7 th March 2013.
	Bribery Act (para 15)	Procedures for staff declaration were approved by the Audit and Risk Management Committee on 12 th December 2012.
	Regulation of Investigatory Powers (RIPA) (para 16)	Revisions to the RIPA policy and procedures were agreed by the Policy and Resources Committee on 14 th February 2013.
Business Strategy and Planning Process	Sustainable Community Strategy (para 19)	The City Together Strategy (the sustainable community strategy for the City) was agreed by the Court of Common Council and the City's local strategic partnership (The City Together) in July 2008.
	Corporate Plan (para 19)	The Corporate Plan for 2012-16 was agreed by Court of Common Council on 8 th March 2012, following consideration

		by Policy and Resources Committee on 26 th January 2012.
	Policing Plan (para 19)	The Policing Plan for 2012-15 was agreed by the Police Committee on 27 th January 2012.
	Communications Strategy (para 19)	The Communications Strategy for 2012-15 was agreed by the Court of Common Council on 19 th April 2012.
	Cultural Strategy (para 19)	The Cultural Strategy for 2012-17 was agreed by the Court of Common Council on 25 th October 2012.
	Annual City-wide residents' meeting (para 20)	The annual City-wide residents' meeting was held on 30 th May 2012.
	Annual business ratepayers' meeting (para 20)	The annual business ratepayers' meeting was held on 20 th February 2012 and 11 th February 2013.
	Health and Wellbeing Board (para 21)	The terms of reference and membership for the City's Health and Wellbeing Board were agreed by the Court of Common Council on 6 th December 2012.
Financial Management Arrangements	Efficiency and performance sub-Committee (para 29)	During 2012/13, the sub-Committee met on five occasions, considering reports on, inter alia: <ul style="list-style-type: none"> • Procurement and Procure to Pay (PP2P) • Work of the Transformation and Efficiency Boards • Department of Community and Children's Services Commissioning Strategy • Income generation initiatives • Cross-borough working • Shared Services
	Financial Strategy and Budget Policy (para 23)	The revised Medium Term Financial Strategy was agreed by the Court of Common Council on 8 th March 2012.
	Review of projects (para 36)	The review of project management arrangements was reported to the Policy and Resources Committee on 8 th November 2012.
Risk Management	Updates to Audit and Risk Management Committee (para 39)	The Audit and Risk Management Committee receives update on risk management at each meeting. During 2012/13, the following strategic risks were reviewed in depth: <ul style="list-style-type: none"> • SR1: Response to terrorist attack • SR2: Supporting the business city • SR3: Financial stability • SR4: Planning policy • SR5: Flooding in the City • SR6: Project risk

		<ul style="list-style-type: none"> • SR8: Managing the City's reputation • SR10: Adverse political developments affecting the City • SR11: Pond embankment failure – Hampstead Heath • SR14: Financial uncertainty • SR15: Barbican Art Gallery
Role of Internal Audit	General updates to Audit & Risk Management sub-Committee (para 47)	Internal audit update reports were presented to the Audit & Risk Management Committee on 14 th June 2012, 20 th September 2012, 12 th December 2012, and 5 th March 2013.
	Revised Internal Audit Terms of Reference (para 47)	Revised terms of reference were agreed by the Audit and Risk Management Committee on 20 th September 2012.
	Reports re fraud investigation function (para 551)	Anti-Fraud and Investigation updates were presented to the Audit & Risk Management Committee on 14 th June 2012, 20 th September 2012, 12 th December 2012, and 5 th March 2013
Performance Management	Departmental reporting (para 52)	Departmental Business Plans are normally approved by the relevant service committee(s) between February and April each year. Chief Officers produce quarterly monitoring reports for their service committee(s), combining information on service and financial performance.
	Annual Summary of Performance and Accounts (para 53)	The annual City Fund Overview for 2011/12 was published in December 2012. The City Fund Overview for 2012/13 will be produced in the summer of 2013.
Audit and Risk Management Committee	Review of the Committee's effectiveness (para 56)	The review of effectiveness was reported to the Audit and Risk Management Committee on 5 th February 2013.
Head of Internal Audit's Opinion	(paras 60-62)	The annual opinion from the Head of Audit and Risk Management for the year 2012/13 was reported to the Audit and Risk Management Committee on 25 th June 2013.

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Committee(s):	Date(s):
Audit and Risk Management Committee	25 June 2013
Subject: Audit of City Fund	Public
Report of: The Chamberlain	For Information
<p>Summary</p> <p>The purpose of the report is to update Members on the Audit Commission's intention to re-tender the Corporation's City Fund and Pension Fund audit from 2015/16. Deloitte is currently appointed by the Audit Commission to the City Fund and Pension Fund audits.</p> <p>Also attached is Deloitte's annual audit fee letter for the year ending 31 March 2014 for City Fund and the Pension Fund.</p> <p>Recommendation</p> <p>Members are asked to note this report and the annual fee letter from Deloitte for the audit of the City Fund and Pension Fund 2013/14.</p>	

Main Report

Background

1. For local authority functions, the statutory framework for the appointment of auditors is currently governed by the Audit Commission Act 1988 and the Accounts and Audit Regulations 2003. Last year, the Audit Commission successfully outsourced the 70% of its audit work that had previously been carried out by its in-house practice.
2. The outcome of the tendering process enabled the Commission to reduce statutory audit fees for all audited bodies by 40%. In light of the outcomes of that procurement exercise, the Commission has announced it will retender the contracts with audit firms which it first awarded in 2006, 2007 and were extended in 2010. This includes the appointment of Deloitte to the City of London Corporation's City Fund and Pension Fund.
3. The new appointments will come into effect for the audit of accounts for 2015/16 onwards.
4. This announcement has come as a surprise to officers as there had been no prior consultation by the Audit Commission with affected bodies.

Implications

5. Deloitte will remain our auditors on the City Fund and Pension Fund for 2013/14 and 2014/15.
6. The Audit Commission will re-tender the audit for the 2015/16 financial year. The City Corporation is unlikely to have any direct control over the process
7. Members will recall that, when re-tendering the non-local authority funds, care was taken to align the contract period with the end of the Audit Commission framework with the express intent of synchronising the end of the audit contracts; so that, in the future, the City has the option of appointing a single auditor to all its funds.
8. Assuming the new public audit framework commences with the audit for the 2017/18 financial year, if the Commission were to place a new contract as notified for the final two years of the current framework, we potentially face having as many as three different audit firms on City Fund within a four year period.
9. There is an alternative risk for us. If, as a result of the Commission's re-tendering, the public audit framework contract is lengthened beyond the audit of the 2016/17 financial year, then we are in an even more difficult position in aligning our local authority and non-local authority audit contracts. The extent of this risk will depend on whether any amendments are made to the Local Audit and Accountability Bill to allow extended timeframes as it goes through Parliament.
10. The Chamberlain has written to the Audit Commission to request an exemption, and has subsequently spoken directly with the Commission's Chief Executive. However, no exemption has been allowed. The principal reason for this is that there is, at present, no contract in place for the City Corporation – our audit is effectively a piece of work within a larger contract; there is, therefore, no practical way in which the City Corporation can be detached from this. The Audit Commission's response is shown at Appendix 1 and advises that we will be consulted on the proposed auditor appointment for 2015/16.

Audit fee 2013/14

11. Deloitte has submitted their annual audit fee letter for the City Fund and Pension Fund, year ending 31 March 2014. This is shown at Appendix 2. The fee levels are set by the Audit Commission and are unchanged from 2012/13. The indicative fee for grant certification work, also set by the Audit Commission, is £2,200 lower than the prior year.

Conclusion

12. The Audit Commission will be tendering the City Fund and Pension Fund audit. The risk is that a different audit supplier may be appointed to the City Fund for the final two years of the Audit framework. This process may result in a lack of continuity of audit supplier, given our intention to re-tender the audit of all funds for 2017/18.

Appendices

Appendix 1 – Audit Commission’s response to the Chamberlain 22 April 2013

Appendix 2 – Annual audit fee letter for year ending 31 March 2014- the City Fund and Pension Fund

Caroline Al-Beyerty

Financial Services Director

T: 020 7332 1113

E: caroline.al-beyerty@cityoflondon.gov.uk

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22 April 2013

Chris Bilsland
Chamberlain
City of London
PO Box 270
Guildhall
London
EC2P 2EJ

Tel: 0303 444 8276
Email: m-waterman@audit-
commission.gsi.gov.uk

Dear Chris

Auditor Appointment

Thank you for your letter of 11 April. We consulted DCLG and the LGA before giving notice on our older audit contracts with accounting firms and they were both supportive of our approach on value for money grounds.

Jon Hayes, one of my Associate Controllers, has explained to Caroline Al-Beyerty in an email that Deloitte will remain your auditor for 2012/13, 2013/14 and 2014/15, unless we have to change the appointment for some other reason. That means any change of appointment as a result of our procurement will be for the audit of the accounts for the financial years 2015/16 and onwards.

We will of course, consult you on a proposed auditor appointment for those audits in accordance with our legislation. The firms winning contracts will be those offering the best combination of quality and price for our audits.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Marcine Waterman'.

Marcine Waterman
Controller of Audit

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23 April 2013

Mr C Bilsland
The Chamberlain
City of London Corporation
Guildhall
PO Box 270
London
EC2P 2EJ

Dear Chris

Annual audit fee for the year ending 31 March 2014 – the City Fund of the City of London Corporation and the City of London Corporation Pension Fund

We are writing to confirm the audit work that we propose to undertake for the year ending 31 March 2014 in respect of:

- the City Fund of the City of London Corporation; and
- the Local Government Pension Scheme (the City of London Corporation Pension Fund).

The fees have been set by the Audit Commission to reflect the work programme auditors are required to deliver and our assessment of audit risk.

The indicative fee for the audit of the City Fund for 2013/14 is £103,920 (exclusive of VAT), which is unchanged from the audit fee of £103,920 for 2012/13. The indicative fee for the audit of the pension scheme annual report of the City of London Corporation Pension Fund is £21,000 (2012/13: £21,000). These are in agreement with the scale fees set by the Audit Commission.

From 2012/13, the Audit Commission has replaced the previous schedule of hourly rates for the certification of grant claims with a composite fee for certification work for each body. The composite indicative fee which the Audit Commission has set for 2012/13 is £21,700 (£23,900 in 2012/13). The indicative fees for 2013/14 for individual bodies are based on final 2011/12 certification fees. The 2013/14 indicative fees therefore reflect the latest complete information which the Audit Commission has on the amount of work required by the auditor to certify the claims and returns for each body. Fees for schemes no longer requiring certification have been removed.

It is possible that actual certification fees for 2013/14 may be higher or lower than the indicative fees listed below, because we find it is necessary to undertake more or less work than in 2011/12 on individual claims or returns. We are required to seek the agreement of the Commission to any proposed variations to indicative certification fees.

In summary, the planned fees for our work on the City Fund and pension scheme of the City of London Corporation are as follows:

Audit area	Planned Fee 2013/14	Planned Fee 2012/13
	£	£
Planned audit fee for the City Fund of the City of London Corporation	103,920	103,920
Certification of claims and returns	21,700	23,900
Audit of Local Government Pension Scheme	21,000	21,000

The fees exclude:

- any work in relation to providing any specific accounting or other views. Given the uncertainty of timing and input required, we will agree the scope of work and associated fee with you when you request the opinion;
- any additional work required to address questions and objections raised by local government electors which, due to uncertainty of timing and resource required, will be agreed separately.
- any work requested by you that we may agree to undertake. Each piece of work will be separately negotiated and a detailed project specification agreed with you; and
- value added tax which will be charged at the prevailing rate.

Work programme and risk assessment

The programme is set out in the Commission's publication "Work Programme and Scale of Fees 2013/14: Local Government" issued March 2013. It includes:

- audit of the City Fund financial statements;
- work to support the value for money conclusion. This will continue to be based on two criteria, specified by the Audit Commission, assessing the arrangements applicable to the City Fund in relation to securing financial resilience and prioritising resources;
- procedures specified by the National Audit Office in relation to the City's Whole of Government Accounts Return; and
- Audit of the pension scheme annual report.

Our audit is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission. The fee reflects our current assessment of audit risk but as we have not started our detailed audit planning process for 2013/14, this assessment could change. This process will continue as the year progresses and fees will be reviewed as necessary. Any significant variation in the assessment of risk may impact on the fee.

If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you. We will prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Risk Management Committee. Any variation in fee would then need to be approved by the Audit Commission as they are responsible for setting audit fees.

We have also assumed that:

- Internal Audit undertakes appropriate work on all systems, and good quality working papers and records will be provided by the agreed start date for the interim audit visit;
- Good quality working papers and records will be provided to support the financial statements by the agreed start date for the final audit visit; and
- Good quality working papers will be available by the deadline for submission of the WGA return to auditors to support the WGA return.

A separate plan detailing our assessment of audit risk and proposed response to those risks will be issued for consideration at the December 2013 meeting of the Audit and Risk Management Committee. Within this, we will set out a timetable of deliverables required from you which will ensure a timely and efficient audit process, and therefore minimise the fees charged to you. As part of our detailed planning discussions we will seek to identify with you any further areas where efficiency can be achieved in the year end reporting and audit process.

We will issue a number of reports relating to our work over the course of the audit:

Planned output	Indicative date
Audit plan	December 2013
Annual Governance Reports on City Fund and Pension Scheme	July 2014
Auditor's report giving the opinion on the financial statements and value for money conclusion and auditors' report on the pension scheme financial statements	September 2014
Assurance report on the WGA return	September 2014
Annual audit letter	September 2014

Deloitte.

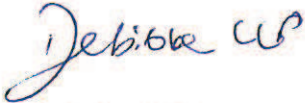
Audit Team

The key members of the audit team for the 2013/14 are:

Team member	Role
Heather Bygrave	Engagement partner
Angus Fish	Senior audit manager

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Heather Bygrave in the first instance.

Yours sincerely



Deloitte LLP

cc Caroline Al-Beyerty

Audit and Risk Management Work Programme 2013/14

(Additions since the last meeting shown in italics)

Date	Items
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
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 • <i>Strategic Risk 1 – Failure to respond to a terrorist attack</i> • <i>Internal Audit – Customer Service Review</i> • 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 • Planning Governance Review • <i>Audited 2012/13 City's Cash and City's Cash Trust Funds Financial Statements together with Deloitte's report thereon</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 • External Audit - 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

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| | <ul style="list-style-type: none">• Risk Management Update |
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Agenda Item 26

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Agenda Item 27

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of the Local Government Act 1972.

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Agenda Item 28

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of the Local Government Act 1972.

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Agenda Item 31

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