



Audit and Risk Management Committee

Date: TUESDAY, 17 SEPTEMBER 2013
Time: 1.45pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

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

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

Lunch will be served in the Guildhall Club at 1pm

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **DECLARATIONS BY MEMBERS UNDER THE CODE OF CONDUCT**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 23 July 2013.

For Decision
(Pages 1 - 6)
4. **OUTSTANDING ACTIONS OF THE COMMITTEE**
Report of the Town Clerk.

For Information
(Pages 7 - 10)
5. **STRATEGIC RISK 1: FAILURE TO RESPOND TO A TERRORIST ATTACK AND STRATEGIC RISK 13: FAILURE TO MANAGE EFFECTIVELY THE NEGATIVE IMPACTS ARISING FROM PUBLIC ORDER AND PROTEST**
Report of the Town Clerk

For Information
(Pages 11 - 20)
6. **INTERNAL AUDIT SATISFACTION REVIEW**
Report of the Chamberlain

For Information
(Pages 21 - 26)
7. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP REPORT**
Report of the Chamberlain

For Information
(Pages 27 - 40)
8. **INTERNAL AUDIT UPDATE REPORT**
Report of the Chamberlain

For Information
(Pages 41 - 62)
9. **ANTI-FRAUD AND INVESTIGATION UPDATE REPORT**
Report of the Chamberlain

For Information

(Pages 63 - 66)
10. **RISK MANAGEMENT UPDATE**
Report of the Chamberlain

For Decision
(Pages 67 - 98)

11. **COMMITTEE WORK PROGRAMME**

Report of the Town Clerk

For Decision
(Pages 99 - 102)

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

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

14. **EXCLUSION OF THE PUBLIC**

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

For Decision

Part 2 - Confidential Agenda

15. **ANTI-FRAUD AND INVESTIGATION UP-DATE REPORT - PART 2**

Report of the Chamberlain

For Information
(Pages 103 - 108)

16. **CASH HANDLING AND BANKING AUDIT - UPDATE REPORT**

Report of the Chamberlain

For Information
(Pages 109 - 116)

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

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

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Agenda Item 3

AUDIT AND RISK MANAGEMENT COMMITTEE Tuesday, 23 July 2013

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Tuesday, 23 July 2013 at 11.00am

Present

Members:

Jeremy Mayhew (Chairman)	Oliver Lodge
Alderman Nick Anstee (Deputy Chairman)	Kenneth Ludlam (External Member)
Nigel Challis	Ray Catt (Ex-Officio Member)
Hilary Daniels (External Member)	Hugh Morris (Ex-Officio Member)
Revd Dr Martin Dudley	Jamie Ingham Clark

In Attendance

Officers:

Susan Attard	- Town Clerk's Department
Neil Davies	- Town Clerk's Department
Daniel Hooper	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Chris Bilsland	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Suzanne Jones	- Chamberlain's Department
Paul Nagle	- Chamberlain's Department
Steve Telling	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Heather Bygrave	- External Auditor, Deloitte
Angus Fish	- External Auditor, Deloitte

1. APOLOGIES

Apologies were received from Deputy Robin Eve, Alderman Ian Luder, Jeremy Simons, Caroline Mawhood and Roger Chadwick.

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

There were no declarations.

3. MINUTES OF THE PREVIOUS MEETING

The public minutes and non-public summary of the meeting held on 25 June were approved, subject to the following amendment:

Item 10 (SR16 – Data Protection) – to include the following sentence:

A Member also pointed out the need to identify the control owners of the mitigating factors on the documentation, as those individuals should be the first to identify when the control was being breached. It was agreed to annotate the forms accordingly, starting with SR16 but would need to be applied across all Strategic Risks.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received the Outstanding Actions list. Members noted those items discharged on this agenda and the following updates:

Wider issues affecting Exhibitions with Valuable Displays

The Deputy Town Clerk had met with the Managing Director of the Barbican Centre and the City Surveyor and agreed that the relevant security staff would be trained. Members agreed that this could come off the outstanding actions list, as it would be monitored by the City Surveyor.

Inductions for New Members

One new Member required an induction. Once this had occurred, this item could be removed.

Data Protection

Members were asked to note the amendment to the Minutes of 25 June 2013, referred to above. The Chairman commented that the recent induction session on Data Protection might have benefitted from having a facilitator/external trainer. Officers agreed to take this suggestion on board for future sessions.

Planning Governance

The Deputy Town Clerk advised that an initial challenge meeting would be arranged for early September and the review was on track for reporting to the October Audit and Risk Management Committee. The Chairman and Deputy Chairman and the Chairman of Planning would receive regular updates.

Cash Handling and Banking Audit (Confidential Item)

The following amendment to the non-public minute to be added:

A review of holidays taken by the relevant individuals would also be performed, to identify if the control to take regular holidays had been applied.

Local Audit and Accountability Bill

Members noted that the Bill had just 1 week left in the First House, so there was limited opportunity in parliamentary proceedings to suggest new arrangements. Members were also advised that 'lobbying' was only possible on current issues. The Chairmen suggested that, if City's Cash accounts were published, then the new External Auditors should be involved.

Financial Statements

The Chairman suggested that it would be helpful to have an additional outstanding actions list, dedicated to the production of the statements of accounts. This could be circulated once there is greater certainty about the timing and production of the accounts.

5. AUDITED 2012/13 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS TOGETHER WITH DELOITTE'S REPORT THEREON

The Committee received the City Fund and Pension Funds Financial Statements for the Year ended 31 March 2013. During the presentation and questions, the following points were raised:

- The Chairman reminded Members that two briefing sessions on the accounts had been held on 17 and 18 July 2013, for both Audit and Risk Management and Finance Committee Members.
- Crossrail was currently shown as a capital commitment. The Chamberlain advised that Accounting Standards were clear as to when a provision should be recognised and to treat it otherwise would not be appropriate accounting. However, Crossrail had featured in the Financial Plan, which had been presented to the Court of Common Council. Deloitte confirmed that they fully concurred with Management's view. In concluding, the Chairman asked if Members could receive an overall briefing on Crossrail.
- The final version of the Statement of Accounts would explain the difference between useable and unusable reserves; i.e. in terms of liquidity.
- Deloitte confirmed that there were no uncorrected misstatements on the accounts and an unqualified opinion was expected. Members were reassured that the accounts were very close to being finalised. Deloitte explained that the significant risk areas had largely been cleared.
- The Financial Services Director assured Members that she had provided the Auditors with a complete set of working papers.
- The assumptions used by the Actuaries in calculating the Pension Fund deficit were within an acceptable range.
- Members suggested that changes in mortality rates could be more visible in the future.
- Members noted that the Triennial Valuation of the City of London Pension Scheme would be presented to the Investment Committee in the Autumn.

- Deloitte confirmed that materiality of the pension fund was treated the same as City Fund.
- A separate bank account for the LGPS was in place but Members noted Deloitte's comments in that more transactions could be routed through it directly.
- A Pensions Board would be set up to comply with new legislation.
- In response to a query about the pressure on staff, caused by presenting this report to the July Audit Committee and not the September Audit Committee (as is usual practice in Local Authorities); the Chamberlain felt that the City had adopted the most efficient process. The Chamberlain was also of the view that Members should see the final accounts within 3 months of year end. Members noted the leeway in presenting the City's Cash accounts to an October meeting.

RESOLVED - THAT:

1. The content of the Management Letters be noted.
 2. The City Fund and Pension Funds Financial Statement for the year ended 31 March 2013 be recommended to the Finance Committee.
 3. Authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, to approve any material changes to the Financial Statements, required before signing of the Audit Opinion by Deloitte; expected to be by the end of August or early September 2013.
 4. Deloitte's final Management Letters be circulated to the Audit and Risk Management Committee, with any changes highlighted.
6. **AUDITED 2012/13 BRIDGE HOUSE ESTATES AND SUNDRY TRUSTS FINANCIAL STATEMENTS TOGETHER WITH DELOITTE'S REPORT THEREON**

The Committee received the audited 2012/13 Bridge House Estates and Sundry Trusts Financial Statements for the year ended 31 March 2013. During the presentation and questions, the following points were raised:

- This was a far simpler set of accounts.
- There had been considerable improvement in the City's resilience for dealing with VAT matters.
- A contingent liability notice in respect of the Guildhall Improvement Project was no longer appropriate.

- In respect of the Charity Commission guidance, which recommends that the annual reports of larger charities should include a description of the major risks faced, the Chamberlain confirmed that this was best practice, not mandatory, but would consider including it in future reports.
- The Chairman suggested that officers produce a separate outstanding actions list in respect of the financial statements.
- In respect of the surplus on income from the Bridges, Members noted that the amounts allocated to the City Bridge Trust was a matter for the Policy and Resources Committee
- Members noted the reimbursable expenses across all funds of £8,000. Members also noted that the City Corporation were not required to disclose this but agreed that we should, in the interest of transparency.

RESOLVED, that:

1. The contents of Deloitte's Management Letter be noted.
2. Bridge House Estates and Sundry Trusts Financial Statements for the year ended 31 March 2013 be recommended to the Finance Committee for approval.

7. COMMITTEE WORK PROGRAMME

Members received a report of the Town Clerk and noted that entries for 2014 had been added.

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

There were no questions.

9. ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT

There were no items of urgent business.

10. 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 Schedule 12A of the Local Government Act.

11. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

The non-public minutes of the meeting held on 25 June were approved; subject to the following amendment:

Cash Handling and Banking Audit (Interim Report) – Confidential Item

"Following a question from a Member, it was also agreed that a review of holidays taken by the relevant individuals would also be performed, to identify if the control to take regular holidays had been applied."

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

There were no questions.

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

There were no items of urgent business.

The meeting ended at 12.30pm

Chairman

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

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.
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. The Head of Internal Audit and Risk Management advised that the Court of Protection Audit would be covered in the next report. <i>(added 25 June 2013)</i> 	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 – DISCHARGED ON AGENDA FOR 17/9/2013 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– DISCHARGED ON AGENDA FOR 17/9/2013 3. Outcome from Appointeeship and Court of Protection Audit is included within Internal Audit Update report - DISCHARGED ON AGENDA FOR 17/9/2013
Internal Audit Recommendations follow-up report	<ol style="list-style-type: none"> a) Next report to include a provision for new risks created by outsourcing and commissioning. <i>(added 25 June 2013)</i> b) Deputy Town Clerk agreed that the timely implementation of Internal Audit recommendations would be included in Chief Officer appraisals. c) Improve performance in timely implementation of audit recommendations 	<ol style="list-style-type: none"> a) Paul Nagle b) Susan Attard c) Paul Nagle 	<ol style="list-style-type: none"> a) Will be included within September internal audit recommendations follow-up report. DISCHARGED ON AGENDA FOR 17/9/2013 b) On-going c) Further detailed analysis will be reported to September Committee. DISCHARGED ON AGENDA FOR 17/9/2013

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

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 and advised of the likely timings, which are currently difficult to predict. Once they are known, there might be scope to look into 'lessons learned' in terms of audit and risk processes.
Inductions for New Members	Inductions for new Members had been held during April and the programme would be repeated in June/July.	P Nagle/C Al-Beyerty	One new Member had received an induction in Internal Audit. Once both Members had been inducted in External Audit, this item can be removed.
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)	The Deputy Town Clerk advised that an initial challenge meeting would be arranged for early September and the review was on track for reporting to the October Audit and Risk Management Committee. Chairman and Deputy Chairman were provided with an update on 12 August.
Strategic Risk 16 – Data Protection	<p>The Chairman stressed the importance of training for all Members and officers and asked for a further update, via the 'Outstanding Actions' list, to the September or October Meeting. <i>(Added 25 June 2013)</i></p> <p>An email was sent to all Members on 1st July, encouraging Members to attend one of the Data Protection briefings on 15th/17th July. An update on the numbers attending will be given at the meeting on 23rd July.</p> <p>An email is also to be sent to all Access to Information Network (AIN) reps following the ARMC meeting on 25th June. Training for all officers processing personal data remains mandatory under the Employee Data Protection Policy.</p>	Neil Davies	<p>The Chairman commented that the recent induction session on Data Protection might have benefitted from having a facilitator/external trainer. Officers agreed to take this suggestion on board for future sessions.</p> <p>A Member also pointed out the need to identify the control owners of the mitigating factors on the documentation, as those individuals should be the first to identify when the control was being breached. It was agreed to annotate the forms</p>

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

			accordingly, starting with SR16, but it would be applied across the Board.
Annual Governance Statement	An External Member asked if there could be a stronger link with Police governance and this, along with any further amendments or adjustments would be delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee. <i>(Added 25 June 2013)</i>	Neil Davies	A revised version will be circulated before the next ARMC meeting to incorporate Mr Ludlam's point and any significant changes between 25th June and signing of the accounts. WILL BE DISCHARGED by 17/9/2013
Cash handling and Banking Audit	The Committee would receive a full update in September <i>(Added 25 June 2013)</i>	Paul Nagle	Internal audit work is on-going and a full report will be provided to the September Committee. Following a question from a Member, it was also agreed that a review of holidays taken by the relevant individuals would also be performed, to identify if the control to take regular holidays had been applied in this case.
Local Audit and Accountability Bill	The Bill has just 1 week left in the First House, so there was limited opportunity in parliamentary proceedings to suggest new arrangements. Members were subsequently advised that 'lobbying' was only possible on current issues.	Caroline Al-Beyerty	If City's Cash accounts are published, then the new External Auditors should be involved.
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

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Agenda Item 5

Committees:	Dates:
Audit and Risk Management Committee	17 September 2013
Subject: Strategic Risk 1: Failure to respond to a terrorist attack and Strategic Risk 13: Failure to manage effectively the negative impacts arising from public order incidents and protests	Public
Report of: Town Clerk	For Information
<u>Summary</u>	
<p>These strategic risks have been reviewed and amended to reflect the issues for which the City of London Corporation has both primary responsibility and control. This review has focused on the preparedness of the City of London Corporation and its delivery departments to respond to a terrorist attack and to manage effectively the negative impacts arising from public order incidents and protests. This review has also examined the effectiveness of our engagement with key partner agencies involved in responding to incidents of this nature, as well as our work with the Square Mile business and residential communities. The risk is owned and managed by the Town Clerk.</p> <p>The outcome of the rigorous regime of planning and exercising is that the City is able to demonstrate that effective steps have been taken to mitigate the gross risk and in turn reduce its likelihood from ‘likely’ to ‘rare’ (after the controls have been applied).</p> <p>In the specific case of the public disorder risk, our work helping City businesses and residents to be better prepared for the potential effects of this type of incident has meant that the impact has also been reduced.</p> <p>The knock on effect of this reduction is that the net risk for SR1 remains as ‘Amber’ and for SR13 is now ‘Green’.</p> <p>Recommendations</p> <ul style="list-style-type: none"> • The Committee is asked to note this report 	

Main Report

Introduction

1. This report has been prepared in accordance with the request of the Audit and Risk Management Committee that two Strategic Risks be selected for review at each Committee on a rotational basis. The report provides an account of Strategic Risk 1 (Failure to respond to a terrorist attack) and Strategic Risk 13 (failure to manage effectively the negative impacts arising from public order incidents and protests) and the mitigating controls in place.
2. Both risks have a number of components for the City of London Corporation resulting from its roles as an employer, a Local Authority and as the Police Authority for the square mile. The risks from a policing perspective (operational policing) are 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. Under the Civil Contingencies Act 2004, the City of London Corporation also has a responsibility to support its businesses and residential communities in the aftermath of a major incident.

Context - Strategic Risk 1 (Failure to respond to a terrorist attack)

3. The threat of an attack from international terrorism on the mainland of the United Kingdom has been assessed by the Security Services as 'Substantial' i.e. a terrorist attack is a strong possibility; whilst the threat from Northern Ireland-related terrorism in Great Britain has been assessed as 'Moderate' - this means that a terrorist attack is possible but not likely.
4. In the context of the City of London, the City Police has the lead responsibility for disrupting and preventing a terrorist attack as well as leading the initial response should an attack occur. They are supported in this task by the Metropolitan Police Service, the Security Services and other partners, including the City Corporation.

Context - Strategic Risk 13 (failure to manage effectively the negative impacts arising from public order incidents and protests)

5. The risk of public disorder has been identified in the City of London Community Risk Register, the Greater London Community Risk Register and the National Risk Register of Civil Emergencies. These documents focus on the potential impact of public disorder on communities, setting the scene for Strategic Risk 13.

6. Following the August 2011 disorders, the Home Secretary asked HM Chief Inspector of Constabulary to review how forces could increase preparedness and promote a more effective use of intelligence, tactics and resources. The police have made progress in implementing the Chief Inspector's recommendations and are now better prepared, equipped and trained to deal with disorder.
7. Strategic Risk 13 relates to the ability of the City of London Corporation to work effectively with partner agencies to manage the negative impacts arising from public order incidents, including the adverse effects of protest on the wider community.

Statutory Requirements

8. The Civil Contingencies Act 2004 places the City of London Corporation under a statutory duty to ensure that it is prepared to respond to an emergency, including public order incidents. Under this Act, the City of London Corporation has a number of specific duties:
 - i. assess the risk of emergencies occurring and use this to inform contingency planning
 - ii. put in place emergency plans
 - iii. put in place business continuity management arrangements
 - iv. put in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency
 - v. provide advice and assistance to businesses and voluntary organisations about business continuity management (local authorities only)
9. Two further duties are prescribed in the Regulations to all emergency responding organisations:
 - i. share information with other local responders to enhance co-ordination
 - ii. co-operate with other local responders to enhance co-ordination and efficiency
10. These statutory requirements provide the context for the controls the City of London Corporation has in place in order to mitigate against these risks.

Current Position

Common consequences and mitigating actions / risk controls

11. For both a terrorist attack or serious public disorder, the issues for the City Corporation to manage would include:

- i. Dealing with damage to specific areas and buildings, for example Guildhall
 - ii. Employee and community welfare
 - iii. Public and business confidence
 - iv. Coordination of the services of the City of London Corporation and other public services
12. For responding to these specific issues the City Corporation has a range of mitigating controls, these include;
- i. Business continuity and disaster recovery plans that have recently been reviewed updated and tested. These plans will ensure that should the City Corporation lose access to its key buildings or its information / communications systems, these core services can be recovered with the minimum disruption to service delivery.
 - ii. The City Corporation has plans in place to support employees following an incident including the availability of a Freephone advice line. We also have arrangements to care for the residential community should they become displaced by an incident through the establishment of rest Centres. Support is also available for the business community, for example, through the establishment of a Business Information Centre at which briefings will be provided by service departments and the emergency services.
 - iii. Through the City of London Resilience Forum, the City engages in regular liaison with all other emergency response organisations serving the Square Mile, as well as representatives from the business community. At these meetings service departments from the City Corporation, the emergency services and the utilities meet with business representatives to discuss their concerns and requirements. These discussions result in such things as amendments to existing plans and the development of major incident exercises. The work of the City of London Resilience forum has also generated a geographically specific risk profile for the Square Mile and a working group aimed at exploring how businesses need to prepare to respond to the key risks (including terrorist attacks of various natures).
 - iv. The City Corporation has a comprehensive Major Incident plan that is regularly reviewed and exercised. These exercises include the 'blue light services', the voluntary sector, the military, the utilities, City Corporation service departments and the business community. This plan fits into the wider Pan-London arrangements and the interaction between both levels is also subject to regular exercises.
13. In addition to a regular programme of simulations and tests, the major events of 2012 (including the Olympic and Paralympic Games) provided a number of opportunities for testing the effectiveness of our 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 Show, the City Corporation has been able to derive significant confidence that its plans are effective and are consistent with Pan London and national major incident plans.

14. Through the City of London Resilience Forum, the City engages in regular liaison with all other emergency response organisations serving the Square Mile, as well as representatives from the business community. At these meetings, service departments from the City of London Corporation, the emergency services and the utilities meet with business representatives to discuss their concerns and requirements. These discussions result in such things as amendments to existing plans and the development of major incident exercises. The work of the City of London Resilience forum has also generated a geographically-specific risk profile for the Square Mile (known as the City of London Risk Community Risk Register) and recently conducted a series of thematic workshops exploring how businesses need to prepare to respond to the key risks (including terrorism and public disorder). These workshops have led to the production of a comprehensive guidance document, which is currently being reviewed by City businesses. This document contains a detailed description of the potential impacts on businesses associated with each set of risks identified in the City Risk Register. The document also contains a compilation of simple measures that businesses of all sizes can implement to help them be better prepared to deal with the impacts identified.

Strategic Risk 1 (Failure to Respond to a Terrorist Attack)

15. The Centre for the Protection for National Infrastructure and the Security Services continually develop guidance on how to deal with the type of terrorist attacks that have happened around the world. Following on from this guidance, iconic sites within the City have been assessed by the Security Services and plans concerning these are regularly reviewed using simulations of real incidents and role plays.
16. The City of London Corporation's Contingency Planning Unit also led in the design of a recent pan-London exercise exploring how London's local authorities would respond to a scenario involving several simultaneous terrorist attacks. This scenario has been used subsequently to validate a host of pan-London arrangements and a series of exercises focusing on London's response to terrorism are due to take place between September and November 2013.

17. The City of London Corporation is also working closely with other business districts in London (such as Canary Wharf and the London Bridge Quarter) to help them become better prepared to respond to potential terrorist attacks.

Strategic Risk 13 (Failure to manage effectively the negative impacts arising from Public Order and Protest)

18. As a result of lessons learned from the disorder experienced in London in 2011, we have strengthened the support network for residents of our housing estates both inside and outside the Square Mile – including reassurance measures via staff on site. Support is also available for the business community, for example, through the establishment of a Business Information Centre at which briefings will be provided by service departments and the emergency services.
- v. The City of London Corporation will also be running a strategic level multi-agency training event on public disorder in September 2013. The course design has been driven by input from the College of Policing and has been supported by Central Government.

The Assessment of Risk

19. HM Government regularly monitors the most significant emergencies that the United Kingdom and its citizens could face over the next 5 years through the National Risk Assessment (NRA). This is a confidential assessment, conducted every year, which draws on expertise from a wide range of departments and agencies of government. The National Risk Register is the public version of the assessment.
20. To assist with national and local planning, the government provides a confidential list of the common consequences coming out of the NRA that cover the maximum scale, duration and impact that could reasonably be expected to occur as a result of emergencies. These consequences are referred to in the National Resilience Planning Assumptions.
21. The National Resilience Planning Assumptions provide details on the potential impact of terrorism and public disorder on businesses and on residential communities. Based on this information, the gross (unmitigated) impact of the risks covered in this has been assessed as Red (High risk, requiring constant monitoring and deployment of robust control measures). The assessment was based on the likelihood without any control measures (likely) and the impact (major).

Conclusion & Assessment of the existing controls

22. As explained in the preceding paragraphs, the City of London has comprehensive plans that cover emergency response, business continuity and disaster recovery. These plans meet the requirements established by Central Government through the Cabinet Office and have been benchmarked against those of all London local authorities.
23. The existing mitigating controls and a robust regime of testing, training and exercising demonstrate that effective steps have been taken to mitigate the gross risk and, in turn, reduce its likelihood from 'likely' to 'rare' (after the controls have been applied).
24. For *Strategic Risk 1 (Failure to Respond to a Terrorist Attack)*, the latest iteration of this risk has been updated to reflect more accurately those issues for which the City Corporation has primary responsibility and control. This, therefore, excludes the prevention of a terrorist attack because this quite properly falls with the remit of the Commissioner of Police and the security services. Although the assessment of the impact of the risk remains as 'catastrophic', the lowering of the likelihood of the gross risk results in the City of London being able to maintain the overall grading of the net risk as 'Amber' with a 'Green' control evaluation (as **Robust** mitigating controls are in place and the risk may occur only in **exceptional** circumstances).
25. For *Strategic Risk 13 (Failure to manage effectively the negative impacts arising from public disorder and protest)*, the impact of the various initiatives aimed at enhancing the resilience of the Square Mile's business community have resulted in the impact also being reduced from 'major' to 'moderate'. The lowering of both the likelihood and the impact of the gross risk results in the City of London being able to reduce the overall grading of the net risk as 'Green' with a 'Green' control evaluation (as **Robust** mitigating controls in place and the risk may occur only in **exceptional** circumstances).

Appendices

Appendix 1: Risk Register Extract for both strategic risks covered in this report

Contact:

Ian Harrison | ian.harrison@cityoflondon.gov.uk | 020 7332 1998

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.			
Specific Threats/Issues	Controls			
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 Community welfare implications of an attack (impacts on visitors, residents and workers)	<p>Iconic sites within the City have been assessed by the Security Services and plans concerning these are regularly exercised (Head of Resilience and Community Safety and relevant Chief Officers)</p> <p>Generic Emergency Management Plan and Corporate and Departmental Business Continuity arrangements are in place and are regularly exercised (Head of Resilience and Community Safety and all Chief Officers)</p> <p>Disaster Recovery and backups are in place and are regularly tested (Chief Technical Officer and relevant Chief Officers)</p> <p>Guidance and support is provided to businesses and residents on how they can better prepare for the potential impacts of terrorism (Head of Resilience and Community Safety)</p> <p>The City Corporation leads on the multiagency forum for the Square Mile and plays an active role in the Central London sub-Regional Resilience Forum and other pan-London bodies (Town Clerk and Head of Resilience and Community Safety)</p> <p>The City Corporation conducts and takes part in multiagency exercises focusing on the key threats. (Head of Resilience and Community Safety)</p> <p>Other relevant mitigations:</p> <p>The City Corporation has also held a thematic workshop focusing on the potential impacts of a terrorist attack on the Square Mile's business community (Head of Resilience and Community Safety)</p> <p>Building safety and evacuation/invacuation plans are in place for City of London Corporation's corporate premises (Head of Resilience and Community Safety, City Surveyor and relevant Chief Officers)</p>			
Summary			Net Risk	
<p>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.</p> <p>The City of London Corporation arrangements are tested regularly and a programme of local and pan-London tests and exercises ensures the City Corporation remains able to respond appropriately to a terrorist attack.</p> <p>The City of London Corporation, along with the Police undertakes a range of activities with other agencies (Met Police, Home Office, MI5) to prevent and prepare for terrorist activity. The Current Threat Level for the United Kingdom is at Substantial (meaning a terrorist attack is a strong possibility) therefore it is essential that the City Corporation maintains a high a level of preparedness to ensure that, together with its partner agencies, it is ready to respond to and lead the recovery phase of the emergency response to an incident.</p>			Likelihood	
			Impact	
			1	5
			Control Evaluation	
		G		

Risk Supporting Statement: SR13

Risk Owner: 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.	Gross Risk	R
	Links to: Strategic Aims SA1 & SA2 and Key Policy Priority KPP3	Likelihood	Impact
		4	4
Detail	<p>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.</p>		
<p><u>Specific Threats/Issues</u></p> <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><u>Mitigating Actions</u></p> <p>Systems are in place to warn and inform the community (visitors, residents and businesses) (Head of Resilience and Director of Public Relations)</p> <p>Generic Emergency Management Plan and Corporate and Departmental Business Continuity arrangements are in place and are regularly exercised (Head of Resilience and Community Safety and all Chief Officers)</p> <p>Procedures have been reviewed incorporating lessons learned during the past year (2012), enabling greater coordination of the City's response. (Head of Resilience and Community Safety and relevant Chief Officers)</p> <p>The City Corporation has also held a thematic workshop focusing on the potential impacts of civil disorder on the Square Mile business community and will be conducting a strategic level seminar on this topic in September 2013. Results of both events will be made available to City firms and will also inform our engagement with City residents. (Head of Resilience and Community Safety and relevant Chief Officers)</p> <p>Guidance and support is provided to businesses and residents on how they can better prepare for the potential impacts of emergencies (Head of Resilience and Community Safety)</p> <p>The City Corporation leads on the multiagency forum for the Square Mile and plays an active role in the Central London sub-Regional Resilience Forum and other pan-London bodies (Town Clerk and Head of Resilience and Community Safety)</p> <p>The City Corporation conducts and takes part in multiagency exercises focusing on the key threats. (Head of Resilience and Community Safety)</p> <p>Other relevant mitigations:</p> <p>Building safety and evacuation/invacuation plans are in place for City of London Corporation's corporate premises (Head of Resilience and Community Safety, City Surveyor and relevant Chief Officers)</p>	

Summary

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

Net Risk	G
Likelihood	Impact
1	3
Control Evaluation	
G	

Agenda Item 6

Committee(s):	Date(s):
Audit & Risk Management Committee	17 th September 2013
Subject: Internal Audit Satisfaction Review	Public
Report of: Chamberlain	For Information
Summary	
<p>The Audit and Risk Management Committee requested a wider review of the level of Customer Satisfaction with the services provided by the Internal Audit Service. This review being aimed at supplementing the post-audit questionnaires (PAQs) which are routinely issues at the end of each piece of work. The responses to these PAQs are generally positive however these do not provide an indication of satisfaction with the wider service that Internal Audit provides.</p> <p>Over the 2013 summer recess period, structured customer interviews led by the Business Support Director have been held with five Chief Officers and two senior managers to provide strategic feedback on the satisfaction with the internal audit function, with additional feedback sought separately with other Chief Officers through correspondence.</p> <p>The feedback from Chief Officers and senior managers was generally positive, recognising the shift in the internal audit approach over the last two to three years from a service predominantly focused on financial regularity to a service which gives broader assurance about both financial and non-financial controls and adds value to decision making.</p> <p>A small number of areas for further development have been identified from this review. In a few instances, Chief Officers had a limited appreciation of the full scope of internal audit work, beyond financial compliance assurance and lacked awareness of their lead audit manager. Some further work will be progressed to promote the full scope of the internal audit function and increasing engagement with Departmental Management Teams in some departments.</p> <p>A number of useful ideas to increase the value added by the internal audit function were identified through this review, which will progressed over the coming months. In particular, there was strong support for the idea that Internal Audit should share and promulgate more widely thematic risk and control issues arising from routine audit and investigation work, so that Chief Officers can seek assurances that similar risk and control issues are not present in their own departments.</p> <p>There was also support for the incorporating more outcome-focused Key Performance Indicators, such as trends in overall audit assurance ratings and the timeliness of the implementation of audit recommendations. An Audit & Risk-focused session of the Chief Officer Group has been arranged for the end of November 2013, at which this reporting approach will be discussed.</p>	
Recommendation	
Members are asked to note the report.	

Main Report

Background

1. The Audit and Risk Management Committee requested that there be a wider review of Customer Satisfaction with the internal audit function.
2. As a matter of routine, the internal audit section issues a post-audit questionnaire (PAQ) to the relevant Chief Officer at the end of each major audit review. Whilst the responses to these PAQs are generally 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 to encourage feedback by increasing the ease with which questionnaires can be completed and returned. Where PAQs are received and where comments are less than satisfactory, these are discussed by the Head of Audit with the client Department, and any necessary training, performance improvement or process changes introduced.
3. It is intended to continue issuing PAQs, recognising they do have value, but also that they have limitations in scope. 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 your meeting on 5th February 2013.
4. It is relevant to note that under the new Public Sector Internal Audit standard, 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 are to be introduced.

Customer Satisfaction Review

5. Over the 2013 summer recess period, structured customer interviews, led by the Business Support Director, have been held with five Chief Officers and two senior managers to provide strategic feedback on the satisfaction with the internal audit function, with additional feedback sought separately with other Chief Officers through correspondence. Interviews were held with the following officers:-
 - Director of the Built Environment
 - Deputy Town Clerk

- City Surveyor
- Director of Open Spaces
- Director Culture, Heritage, Libraries
- Chief Operating & Financial Director (Barbican/Guildhall School of Music and Drama)
- Bursar - City of London School for Girls

6. The feedback questions focused on the following areas:

- Usefulness and most important aspects of internal audit to Chief Officers;
- Chief Officer awareness of lead audit manager for their Department;
- Availability and provision of forward audit plan information and Chief Officer input to the development of internal audit plans;
- Audit Plan coverage and extent that it covers areas of risk/concerns that Chief Officers have;
- Clarity of internal audit reports and practicality of audit recommendations;
- Extent that Chief Officers are aware and use internal audit for advice and guidance on risk and control issues;
- Skills and expertise that Chief Officers are seeking from the internal audit function;
- Assessment of auditor professionalism;
- Review of internal audit function Key Performance Indicators; and
- Identification of improvement areas for internal audit.

Feedback from our Clients

7. The feedback from Chief Officers and senior managers was generally positive, recognising the shift in the internal audit approach over the last two to three years from a service predominantly focused on financial regularity to a service which gives broader assurance about both financial and non-financial controls and adds value to decision making.
8. A number of useful ideas to enhance further the value added by the internal audit function were identified through this review. These will be progressed over the coming months.
9. Common positive themes in the feedback provided by officers were as follows:-
- New audit reporting style, through more streamlined reports, with clearer RAG rating of recommendations and capture of management action plans welcomed;
 - Recommendations seen as practical and relevant;
 - Internal audit support in terms of resources, expertise, independent and objective viewpoint on irregularity, fraud and control breakdown investigation valued;

- Internal audit work focuses on the right areas, and demonstrates flexibility in audit work timing to maximise the value of audit to Departments; and
 - Satisfaction with the professionalism, independence and competence of internal auditors.
10. A number of areas of further improvement were identified from feedback as follows:
- Not all Chief Officers knew their lead Audit Manager contact which is indicative that further work should be undertaken to promote the role and value of internal audit within Departments, with a particular focus on Departmental Management Teams;
 - A few Chief Officers had a limited appreciation of the full scope of internal audit work, beyond financial compliance assurance, and the potential value that internal audit can provide on risk identification and control design across key business systems; and
 - Ensuring that the audit resources that are used to deliver assignments are suitably skilled and knowledgeable about the business area that they are reviewing.

Future Development of the Internal Audit Function

11. There was consistent and strong support for development of the following areas:
- Internal Audit should share and promulgate more widely thematic risk and control issues arising from routine audit and investigation work, so that Chief Officers can seek assurances that similar risk and control issues are not present in their own departments;
 - Continuing to develop an intelligent business relationship approach, which requires audit staff to have strong communication skills and a good understanding of the business environment across the often disparate activities of the Corporation and
 - More outcome-focused Key Performance Indicators (KPI) for the service focusing on the trend of overall audit assurance ratings and recommendations generated from audit reviews and the timeliness with which audit recommendations are implemented.

Next Steps

12. The customer satisfaction review with Chief Officers was considered to be a worthwhile exercise and it is planned to repeat a similar exercise next year, using a mixture of structured questionnaires and a different sample of Chief Officer interviews. The following actions are planned following this review;

- Some promotion material will be developed for use by internal audit function staff to promote the full scope of internal audit work to Departmental Management Teams;
- Periodic attendance of the Head of Audit or lead Audit Managers at the more significant Departmental Management Teams will be arranged, where this is not already in place;
- Recruitment of new audit staff (there is one current vacancy and a pending retirement in the near future) and development plans for existing audit staff will place more emphasis on the ability to develop strong business relationships through the use of good interpersonal skills;
- Development of greater thematic reporting of risk and control issues arising from routine audit and investigation work to Chief Officers. An Audit & Risk-focused session of the Chief Officer Group has been arranged for the end of November 2013 to demonstrate and discuss this reporting approach; and
- Introduce outcome-focused internal audit function KPIs with measurement and reporting introduced within quarterly internal audit update reports to Committee.

Conclusion

13. There is a good level of satisfaction with the internal audit function, with positive feedback provided by Chief Officers on the internal audit approach and how the service is developing. A small number of areas for improvement have been identified from this review coupled with a clear desire for internal audit to promulgate lessons learnt from its review work more widely.

Appendices

None

Suzanne Jones

Business Support Director

T: 020 7332 1280

E: Suzanne.Jones@cityoflondon.gov.uk

Paul Nagle

Head of Audit & Risk Management

T: 020 7332 1277

E: Paul.Nagle@cityoflondon.gov.uk

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Agenda Item 7

Committee(s):	Date(s):
Audit & Risk Management Committee	17 th September 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 25th June 2013.

Three formal audit review follow-ups have been concluded since the June Committee with 83% of recommendations fully implemented at the time of follow up. At the end of August 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 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 2**.

Updated analysis of the implementation of red and amber priority recommendations, discussed at the last Committee, shows that 83% of amber priority recommendations are implemented after the originally agreed date, with 67% implemented more than 6 months afterwards. All recommendations owners are keeping internal audit updated on any delays in implementing recommendations, with revised implementation dates always agreed with internal audit. The vast majority of revised implementation dates are agreed, prior to the agreed date being passed.

This is clearly remains an area for improvement as discussed at the June Committee. Further analysis has been undertaken to identify those departments where the more significant delays in implementation are occurring and underlying reasons for the delays. For the majority of recommendations delayed by more than 6 months, resourcing and conflicting priorities was the predominant reason given.

Targeted follow-up with Chief Officers has commenced to ensure that the importance of keeping to the originally agreed timescales for the implementation of recommendations is understood and that where revised timescales have already been agreed, that those timescales are adhered to.

This information will be fed into the performance appraisals of Chief Officers during 2013/14 and the Deputy Town Clerk's in-year performance review meetings with Chief Officers. An internal audit and risk focused meeting of the Chief Officers group is scheduled for the end of November, at which the expectations of the Audit and Risk Management Committee will be further reinforced. Internal audit procedures have been strengthened so that the explicit agreement of the Head of Audit and Risk Management is required before any changes are agreed to implementation timescales, which will only be on an exceptional basis.

In addition to the 14 amber open actions, there are 230 open green priority actions as of August 2013.

Members are asked to:

- Note the recommendations follow-up report
- Note the actions being taken to improve performance in ensuring originally agreed timescales for the implementation of recommendations are achieved.

Main Report

Formal Audit Follow-ups

1. Details of the three audit review follow ups concluded since the June 2013 update to the Committee are set out in Appendix 1, along with comments on where internal audit recommendations were yet to be implemented. The outcome of the City Bridge Trust Due Diligence audit follow-up has already been reported separately to the June Committee, including details of the two amber priority recommendations which were still to be completed fully.
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 August 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	101	328	435
Recommendations Implemented	5	68	246	319
% 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 August 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 has been extended to show the extent that target dates for the implementation of recommendations have been revised. All recommendations owners are keeping internal audit updated on any delays in implementing recommendations, with revised implementation dates always notified to internal audit. The majority of revised implementation dates are agreed, prior to the agreed date being passed. Internal audit procedures have been strengthened so that the explicit agreement of the Head of Audit and Risk Management is required before any

changes are agreed to implementation timescales, which will only be on an exceptional basis.

5. There are currently no open red priority actions as these are nearly always implemented before or very soon after internal audit work is finalised. There are currently 14 amber priority actions open. This table 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 in the next section of the report.

Open Amber/Red actions	Total	On-track per original agreed dates	Revised target date compared to original				Revised date to be agreed	Implementation Planned in future		
			1-3 mths	4-6 mths	7-12 mths	12 + mths		Next 3 mths	Next 4 to 6 mths	More than 6 mths
Red	-	-	-	-	-	-	-	-	-	-
Amber	14	2	3	2	3	4*	-	12	1	1
Total.	14	2	3	2	3	4	-	12	1	1

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

- Open Spaces - Chingford Golf Course - recommendation to market test the management contract has been delayed pending developments and optional appraisal relating to the future of the site. The Epping Forest Committee agreed on the 8th July 2013 to complete a tendering exercise for the running of the site. The revised completion date is October 2013.
- CLSG Fee Income – the School has advised that the recommendation to reconcile the income system to the banking system regularly has been implemented on a termly basis from December 2013. Confirmation is being sought that these reconciliations are now reviewed and signed off by the Bursar.
- CLS Inventory – implementation delayed pending procurement and installation of new asset management system.
- Markets Car Parks - Smithfield 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).

Implementation of Recommendations according to agreed timescales

6. At the June 2013 Committee meeting, members were provided an analysis of the extent to which priority audit recommendations are implemented according to originally agreed timescales or revised target dates were agreed. At the meeting, the Chairman and Members agreed that, whilst timescales for implementation should be realistic, deadlines should only slip in extreme circumstances. In concluding, the Chairman felt that the current level of

performance was unsatisfactory and offered continuing support to Internal Audit in enforcing a satisfactory standard. Members noted that the Chairman would email officers or call them to account at the Audit and Risk Management Committee, in the event of non-compliance;

7. The following table provides an updated analysis from data held in the MK Audit Automation system relating to the implementation dates for now closed Amber and Red priority recommendations that have been tracked through the MK Audit Automation system since it went live from November 2011.

Red and Amber Priority Recs – Implementation according to original target date	Position at Aug 2012
Early or within 1 month of original date	17%
More than 1 month but less than 3 months after original date	13%
More than 3 months but less than 6 months after original date	3%
More than 6 months but less than 12 months after original date	17%
More than 12 months after original date	50%

8. The analysis shows that looking back over the last 21 months, that 17% of higher priority recommendations are implemented early or within one month of the originally agreed date. 83% of the amber and red priority recommendations are implemented after the originally agreed date, with 67% implemented more than 6 months afterwards.
9. Further analysis has been undertaken to identify those departments where the more significant delays in implementation are occurring. This is set out in **Appendix 3**. The reasons for the extended implementation timescales for the recommendations delayed have been reviewed for the 20 amber recommendations where the delay in implementation was greater than 6 months. In three cases (15%), the delay was considered to be due to factors outside the direct control of the department e.g. where a technical solution for the issue needed to be developed by an external supplier or implementation was dependant on a third party. This factor was highlighted as a possible reason for why they may be delay in the implementation of recommendations at the last Audit and Risk management Committee; however, this analysis indicates that this is not a predominant factor. In two other cases (10%), implementation was delayed to allow action in addressing recommendations to align with wider change management initiatives. For the remainder of the delayed recommendations, resourcing and priority reasons (70%) was the predominant reason given.
10. Targeted follow-up with Chief Officers has commenced to ensure that the importance of keeping to the originally agreed timescales for the implementation of recommendations is understood and that where revised timescales have already been agreed, that those timescales are adhered to. This information will be fed into the performance appraisals of Chief Officers during 2013/14 and the

Deputy Town Clerk's in-year performance review meetings with Chief Officers. An internal audit and risk focused meeting of the Chief Officers group is scheduled for the end of November, at which the expectations of the Audit and Risk Management Committee will be further reinforced.

11. Recommendation owners are keeping internal audit updated on any delays in implementing recommendations prior to any agreed target dates being passed. A more robust approach in being adopted to challenge recommendation owners on the basis that slippage should only occur in exception circumstances, and to ensure that realistic implementation dates are set when recommendations are agreed at the end of audit reviews.
12. A further development of the MK audit automation software in enabling Departments to provide direct updates on the implementation of recommendations and for them to be provided automated e-mail reminders is to be piloted in the Department of Community Services Department in the remaining part of this financial year.

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. Further steps are being taken to reinforce standards in relation to the timely implementation of recommendations.

Appendices

- **Appendix 1 – Formal Audit Follow-up reviews**
- **Appendix 2 – Red and Amber actions status update**
- **Appendix 3 – Analysis of the timeliness of audit recommendation implementation by Department**
- **Appendix 4 – Audit Follow-up process and recommendation priority definitions**

Background Papers:

2013/14 Internal Audit Plan

Paul Nagle

Head of Audit & Risk Management

T: 020 7332 1277

E: Paul.Nagle@cityoflondon.gov.uk

Audit Follow-ups June to August 2013					Recommendations Agreed				Recommendations Implemented				Appendix 1
Department	Audit Review	Main Report Finalised	Follow up Date	Assurance level	R	A	G	Tot	R	A	G	Tot	Exception Comments
Town Clerks	City Bridge Trust - Grant Due Diligence review	Oct-12	Jun-13	Amber	0	6	7	13	0	4	7	11	Some further action is still required on two amber priority recommendations from this audit review, in order for all actions to be considered fully implemented. Whilst improvements have been made in the grant assessment documentation held on file (which demonstrate the extent of grant assessment work), the consistency and clarity of supporting notes on key issues from assessments could still be improved. Additional verification checks have yet to be introduced because the Trust is reviewing its approach to monitoring and evaluation, including monitoring visits, as part of its Quinquennial Review. It is now planned for revised checks to be introduced for the 2013/14 programme of monitoring visits, due to commence from September 2013. Two further amber priority recommendations although not fully implemented, have now been closed as there is considered to be sufficient mitigation of the risk through alternative controls.(further details were report to Audit & Risk Management Committee within Item 28 Update on Fraud Investigations.)
Built Environment	Enterprise Services Contract Management	Feb-13	Aug-13	Green	0	0	3	3	0	0	3	3	
Chamberlains	Council Tax - Hosted	Nov-12	Aug-13	Green	0	0	2	2	0	0	1	1	The outstanding green priority recommendation relates to the development of procedures to ensure that all sensitive papers and file documentation are secured overnight. Audit inspection on the 5th August 2013 identified that a 'clear desk policy' had not been introduced and the Council Tax Manager advised that progress had not been made in this area due to a re-scheduled move to new offices; this move is scheduled for October 2013 and it is anticipated that the issue will be addressed at that time.

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Audit Actions Status - based on Management reports - as at 23/08/13			Open Red & Amber		Comments	Open Red & Amber Actions			Revised target date compared to original date (for live reds / ambers)				Planned Implementation date		
Department	Audit Review	Main Report Finalised	R	A		On target to Orig Date	Revised Dates agreed	Revised to be agreed	1 to 3 mths	4 to 6 mths	7 to 12 mths	12 mths plus	<3 mths	3 - 6 mths	> 6 mths
Open Spaces	Chingford Golf Course	Aug-10	0	1	The outstanding recommendation, with an original implementation date of 31st March 2011, related to the need to market test the contractual relationship with Aylee Sports for management of the Golf Course to confirm that value for money is being received. The client has advised that the action is "In Progress" and the revised completion date remains "October 2013". Progress is described by the client as follows: "The Epping Forest Committee agreed on the 8th July 2013 to complete a tendering exercise for the Chingford Golf Course. This process will address the audit recommendation. Authority was delegated to the Town Clerk in consultation with the Chairman and Deputy Chairman of the spending committee to agree the evaluation criteria for the exercise".		1						1		
Community and Children's Services	Purchase of Equipment for Clients	Jun-13	0	1	The outstanding recommendation relates to agreement of the arrangements for future equipment service delivery. Due diligence checks are in progress on a Framework procured by the London Borough of Redbridge and a revised timescale of late October 2013 has been provided for their completion, representing slippage of less than 3 months.		1		1				1		
Community and Children's Services	Appointeeships and Deputyships	Jul-13	0	1	The outstanding amber priority recommendations relate to the need for the Adult Social Care division to advise finance officers of the responsibilities inherent in administering Appointeeships and Deputyships, pursuant to OPG and DWP regulations, and formulation of the policy for dealing with the accounts of deceased clients. In respect of the former we're advised that training is being devised and confirmation of the delivery date is awaited; November 2013 was the previous estimate. The latter issue is understood to have been incorporated into a procedure document and a draft circulated for comment; confirmation of approval is awaited.	1							1		
Corporate	Prioritisation of Projects	May-13	0	2	The outstanding recommendations relate to input to Project Vision. In one case, amendments of the data entry controls are recommended so that "write" access to the Priority Category Field is restricted to members of the Town Clerk's Corporate Programme Team; developments are expected to be concluded by the end of September. The data entered in the Project Vision Priority Category Field should be verified as accurate/ in agreement, with that which was reported to the Projects Sub Committee of the Policy and Resources Committee. ProjectVision Training is arranged for all Policy Officers on Monday 30th September. This will enhance the capacity of the team to ensure this field can be checked on a consistent and regular basis. Slippage on both recommendations equates to 3 months from the original agreed implementation dates.		2		1	1			2		
CLSG	Fee Income	Feb-12	0	1	A revised implementation date of 31/12/13 has been provided for the outstanding amber priority recommendation to reconcile the income system to the banking system; the frequency is understood to have been set at termly. The original implementation date was mid February 2012. The reason for delay has been escalated with the Bursar by the Head of Internal Audit. He has confirmed that termly reconciliations have been implemented followed the closure of 2012/13 accounts. Further clarity has been sought to ensure reconciliations are review end and signed off by the Bursar.		1						1		
GSMD	ICT strategy, security and operations	Apr-12	0	1	Implementation of the amber priority recommendation relating to encryption arrangements is in progress. It is understood that Sophos "Govcrypt" has been trialled and is being rolled out for portable devices, having been implemented already for non portable devices.		1			1			1		
CLS	Petty cash, CDT safe and inventory	Jun-12	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. To date 1,260 assets have been entered. It is hoped to complete this process by 31 October 2013. The new system will provide appropriate procedures for future fixed asset disposals.		1				1		1		

Audit Actions Status - based on Management reports - as at 23/08/13			Open Red & Amber			Open Red & Amber Actions			Revised target date compared to original date (for live reds / ambers)				Planned Implementation date			
DCCS	Affordable Housing	Sep-12	0	1	One amber priority recommendation is outstanding in respect of inclusion of the on-going revenue cost of additional housing units, plus estimates for rental income, within the 30-year Housing Business Plan. The Asset Management strategy is to be reported to Housing sub committee in January 2014 and will address this recommendation in full.		1				1				1	
Markets and Consumer Protection	Markets Car Parks	Apr-12	0	1	One amber priority recommendation is outstanding in respect of addressing the poor quality of management information available from the car park barrier system at Smithfield. The barrier equipment replacement is included in the procurement of the off-street car park management contract. The current contract (with APCOA) has been extended until 30 November 2014 (ratified at Court of Common Council on 16 May 2013). Therefore the replacement equipment will not now take place until 2014/15 when the new off street car park contract is let.		1					1				1
GSMD	Income	Aug-13	0	1	The outstanding recommendation is in progress, focused on improving the quality of management information submitted to the Board in respect of debt management; this is anticipated to be implemented by the end of September 2013.	1									1	
Town Clerks	City Bridge Trust Due Diligence	Oct-12	0	1	Additional verification work has been recommended. A paper on proposed changes to how monitoring visits are structured is being prepared as part of the Quinquennial Review. This includes a section on proposed compliance visits which would include additional verification checks to be introduced from October 2013.		1				1				1	
Corporate	Tendering and Due Diligence	Jun-13	0	1	The outstanding recommendation relates to ensuring that the electronic PQQ templates held on Pro Contract are updated to reflect that references may be obtained and evaluated, should firms be short-listed to tender. The CLPS Policy and Compliance team has produced a new draft PQQ which is currently out for review by the Procurement Document Working Group will fully address the audit recommendation. As this is one of several substantive revisions to the current PQQ, the review and change control process will now not be completed until 30 September 2013.		1		1						1	
DCCS	Telecare	May-13	0	1	the outstanding recommendation relates to the signing of a contract between the City and Wealden and Eastbourne (Wellbeing) for the provision of the 24hour call alarm response service. Queries have been raised in respect of number of clauses in the Terms and Conditions for low value contracts which came from Comptrollers and City Solicitors and it is anticipated that the contract will now not be signed until the end of September 2013.		1			1					1	
Total			0	14		2	12	0	3	2	3	4	12	1	1	

**Recommendations Update Report - Appendix 3
Historical Analysis of Implemented Recommendations**

Table 1 - Comparison of implementation dates to original planned implementation dates(for implemented Recommendations)

	Barbican Centre	Chamberlains	City Surveyors	COL Police	CLS	Corporate	Culture, Heritage & Libraries	DCCS	GSMD	M&CP	Open Spaces	Town Clerks	Total
<u>Analysis</u>													
1 Early or < 1 month		1					1		1			2	5
2 > 1 < 3 months	3											1	4
3 > 3 < 6 months					1								1
4 > 6 < 12 months				1					1	3			5
5 > 12 months			1		1		2	5		3	2	1	15

1) Imp date is earlier than or within 1 month of original end date = 5	5	17%
2) Imp date is more than 1 month but less than 3 months after end date = 4	4	13%
3) Imp date is more than 3 months but less than 6 months after end date = 1	1	3%
4) Imp date is more than 6 months but less than 12 months after end date = 5	5	17%
5) Imp date is more than 12 months after end date = 15	15	50%
Total*	30	

Table 2 - Comparison of actual implementation dates to revised planned implementation dates(for implemented recommendations)

	Barbican Centre	Chamberlains	City Surveyors	COL Police	CLS	Corporate	Culture, Heritage & Libraries	DCCS	GSMD	M&CP	Open Spaces	Town Clerks	Total
<u>Analysis</u>													
1 Early or < 1 month	3	1			1		3	5	1		2	3	19
2 > 1 < 3 months				1		1				1			3
3 > 3 < 6 months			1						1	4			6
4 > 6 < 12 months										1		1	2

1) Imp date is earlier than or within 1 month of revised end date = 19	19	63%
2) Imp date is more than 1 month but less than 3 months after revised end date = 3	3	10%
3) Imp date is more than 3 months but less than 6 months after revised end date = 6	6	20%
4) Imp date is more than 6 months but less than 12 months after revised end date = 2	2	7%
Total*	30	

Table 3 - Comparison of revised target dates to original end dates (for implemented recommendations)

	Barbican Centre	Chamberlains	City Surveyors	COL Police	CLS	Corporate	Culture, Heritage & Libraries	DCCS	GSMD	M&CP	Open Spaces	Town Clerks	Total
<u>Analysis</u>													
1 Early or < 1 month							1						1
2 > 1 < 3 months	3											2	5
3 > 3 < 6 months	1	1							2			1	5
4 > 6 < 12 months			1	1	1	1				3			7
5 > 12 months							2	5		3	3	2	15

1) Revised date is earlier than or within 1 month of original end date = 1	1	3%
2) Revised date is more than 1 month but less than 3 months after end date = 5	5	15%
3) Revised date is more than 3 months but less than 6 months after end date = 5	5	15%
4) Revised date is more than 6 months but less than 12 months after end date = 7	7	21%
5) Revised date is more than 12 months after end date = 15	15	45%
Total	33	

*Actual Implementation not known for 3 recommendations

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Internal Audit Recommendations Follow-up Report – Appendix 4

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. 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. The outcomes from these formal follow-up reviews are set out in **Appendix 1**.

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

Audit recommendations are prioritised and categorised as follows.

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

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Agenda Item 8

Committee:	Date:
Audit & Risk Management Committee	17 th September 2013
Subject: Internal Audit Update Report	Public
Report of: Chamberlain	For Information

Summary

This report provides an update on internal audit activity since the last Audit & Risk Management Committee on the 25th June 2013.

The outcomes from the eight main audit reviews finalised since the last audit update report are reported and significant risk issues highlighted. The Client Account Management -Appointeeships and Court of Protection Cases resulted in a Red Limited assurance opinion. This review was undertaken at the request of DCCS Management, following the significant control weaknesses identified in the management of client accounts which was reported to the June Committee. The audit review found that the City is failing to meet its obligations as both an appointee and deputy, on a number of cases due in part to the control weaknesses identified previously. Management have responded quickly to the significant issues raised by this audit review and have reported that all three Red and fourteen of the fifteen Amber priority recommendations have been implemented. Internal audit is undertaking a formal follow-up on both these areas in September 2013 to confirm implementation.

One audit review resulted in Amber assurance rating, which indicates there are significant audit findings which require mitigation and focused action by management - City Surveyors: Refurbishment of Traditional Crematorium.

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 40 auditor days, have been undertaken, and significant investigation activity is continuing with 219 days spent on this activity so far, compared to an estimated annual allocation of 239 days. Whilst good progress has been made in finalising the 2012/13 audit reviews, there is still some work to complete. The impact of the additional work in the first part of 2013/14 has been assessed and audit plans for the remainder of the year have been re-prioritised. Five larger audit reviews have been added to the audit plan for the current year, with nine lower priority reviews either cancelled or deferred from the current year's audit plan. Details of the changes are set out in Appendix 2. Additional interim senior auditor resource is being secured to maintain planned audit coverage whilst recruitment takes place.

Performance in the timely reporting and finalisation of audit reviews has dropped below target levels. This reduction in performance is being addressed through close monitoring and the introduction of a more exception-based audit report format which will require less time to write and agree with management.

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 June 2013, eight main audit reviews have been finalised. Two of these reviews resulted in Amber assurances for which the headline issues and consideration of impact is analysed in **Table 1**. Further details of these reports are provided in **Appendix 1**.

<p>Table 1 – Key Audit Report Headlines (details of recommendations in brackets)</p>
<p>Community and Children’s Services: Client Account Management - Appointeeships and Court of Protection Cases (3 Red, 15 Amber,10 Green)</p> <p>Assurance Level : RED Impact : Medium</p> <p>Materiality: Whilst the number of clients subject to Appointeeships and Court of Protection cases is very low (twelve clients at time of fieldwork), the Corporation of London has a considerable position of trust and accountability in managing the financial affairs of these vulnerable individuals.</p> <p><i>DCCS Management requested internal audit to undertake this review, following the significant control weaknesses being identified in the management of client accounts which were reported to the June Committee. Only limited assurance was provided concerning the management of appointeeships and deputyships, owing in part to control weaknesses in client account management already reported.</i></p> <p><i>In the absence of adequate supporting guidance and full understanding of requirements, this review found that the City is failing to meet its obligations as both an appointee and as a deputy on a number of cases. This poses the risk of increased OPG (Office of the Public Guardian) regulation or revocation of Deputyships and fraudulent activity not being identified.</i></p>

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

Management Response:

Management has responded quickly to the significant issues raised by this audit review. . All of the red recommendations have been implemented. Of the fifteen amber recommendations, fourteen have been fully implemented; the one outstanding recommendation has been partly implemented with the remainder due by November 2013. Eight of the ten 'green' recommendations have already been implemented; the remaining will be progressed and completed by the end of September 2013. Internal audit is undertaking a formal follow-up on the Client Accounts: Social Care audit and this Appointeeships and Court of Protection Cases audit in September 2013 to confirm implementation.

City Surveyors: Refurbishment of Traditional Crematorium (4 Amber, 1 Green)

Assurance Level : AMBER Impact : Medium

Materiality: The contract sum for the refurbishment work was £1,091,354 and the term for the works was 34 weeks. This contract project audit was used to draw out wider recommendations relating the City's Project Monitoring arrangements.

The review concluded that the procurement practices exercised on this project were in accordance with the City's guidance. Some weaknesses were noted in respect of compliance with Financial Regulation 13.4 which requires the provision of detailed information to support monthly valuations. Also Project Vision, the Corporate Project Monitoring system for projects in excess of £50,000, was not being updated in a timely manner, nor was it being sufficiently used to store project documentation. As a result, the project monitoring process was found to be overly reliant upon the verbal updating of Senior Staff in the provision of cost and time information to Members.

Management Response: A management action plan to implement all recommendations was agreed in June 2013. Management has confirmed that all actions are now completed.

Current Position

2. In addition to highlighting these key issues arising from recent internal audit work, the six 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 will be circulated separately to the Audit & Risk Management Committee and the Chairman and Deputy Chairman of the relevant Service Committee prior to the meeting. The detailed full internal audit report can be provided to members of this Committee on request.

Table 2 Green Assurance Audit Reviews	Red recs.	Amber recs.	Green recs.	Total
Barbican Centre ICT Review	-	3	3	6
Barbican Centre Stocks and Stores	-	-	17	17
Department of the Built Environment On-Street Parking Income	-	-	2	2
Open Spaces Income Checks	-	-	13	13
Corporate Tendering and Due Diligence	-	4	5	9
Guildhall School of Music and Drama Income – including fees system	-	1	8	9

Audit Work Delivery

3. Progress continues to be made on the audit reviews carried forward from the 2012/13 plan; the position, as at the end of August 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	34	1	2	9	5	17	65%
Spot Check / Mini-reviews	9	0	1	2	0	4	44%
Total	43	1	3	11	5	21	60%

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

4. Work delivery of the 2013/14 plan, as at August 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	57	44	7	4	0	1	2%
Spot Check / Mini-reviews	59	31	3	8	1	14	25%
Irregularity investigations	3	1	0	1	0	0	0%

A&I / support reviews	3	1	0	0	0	0	0%
Total	122	77	10	13	1	15	13%

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. Five larger audit reviews have been added to the audit plan for the current year, with nine lower priority reviews either cancelled or deferred from the current year's audit plan.

Main Audit Reviews added to 2013/14 Audit Work Programme

Department	Review
Various	Banking and Income spot checks
City Police	Project Office
City Surveyors	Investment Properties, settlement of claims
Department of Community and Children Services	Appointeeships & Court of Protection Cases
City Surveyor's Department, and others	Building Project Final Accounts Verification

Main Audit Reviews removed from 2013/14 Audit Work Programme

Department	Review
Barbican Centre	Value Framework (Techniques and scoring)
Built Environment	TFL Local Implementation Plan
Chamberlain's	Business Rates - Hosted
Open Spaces	Procurement & VFM
Town Clerks	Central Criminal Court – Premises Expenditure/Facilities Management
Open Spaces	Volunteer Recruiting & Vetting
Barbican Centre	Project/Contract Audit – Interim Valuations
Corporate	Contract Capital Project No1
Town Clerks	Website Strategy, Security and Operation.

6. The reasons for changes since the plan was agreed are detailed in **Appendix 2**. Audit plan changes have been agreed over the last three months, as a result of audit planning meetings with senior management and re-assessment of audit priorities, resources and suitable timing of audit work.
7. The following main reviews are at draft reporting stage and will be reported to the Committee shortly:

Department	Review
Community and Children Services	Financial Management
Corporate	Spreadsheet usage and control
Open Spaces	Fleet Management
Chamberlains Department	Investments
City Surveyor's Department	Building Repairs and Maintenance

8. Details of main audit reviews planned for the next quarter (October 2013 to December 2013) can be provided to Members on request.

Internal Audit Section Performance

9. A review of the performance of the internal audit function is provided in Appendix 3. Analysis of audit days delivered for the 2013/14 planning period is provided in **Appendix 3**.
10. In summary, the performance levels are similar to the last report. There has been a slight deterioration in two areas relating to the timely production of draft reports and issue of final reports. Whilst performance had improved in this area during 2012/13, maintaining a consistent level of performance has not been achieved and, therefore, will require further focus. The internal audit section is currently introducing an updated internal audit reporting format. This shorter, exception style of reporting will enable draft audit reports to be produced and agreed with management more quickly.

Development of the Internal Audit Section

11. Revised time recording and audit plan monitoring systems were introduced from the start of 2013/14. These have addressed the deficiencies with the time recording and monitoring functionality experienced last year with the MK audit automation software.
12. The internal audit procedures manual has now been updated for the introduction of the new Public Sector Internal Audit Standards. A review of internal audit satisfaction with Chief Officers was also completed in the Summer. A separate report on this review is also on this Committee agenda.

13. There was one senior auditor resignation in August, which will result in a vacancy from the 9th September. An external recruitment exercise has been initiated, which will seek to fill this vacancy and an additional senior auditor vacancy that is anticipated due to retirement over the next few months.

Conclusion

14. Internal audit's opinion on the City's overall internal control environment is that it remains adequate and effective. Some areas of control do need focused improvement by management, as identified in the red and amber assurance audit reports. As a result of additional investigation work, some areas of the audit plan have been re-prioritised and additional interim auditor resource is being secured to maintain planned audit coverage.

Appendices

- Appendix 1 – Audit Report Summaries
- Appendix 2 – 2013/14 Audit Plan Changes
- Appendix 3 – Review of Internal Audit Performance
- Appendix 4 – Audit Resource Analysis

Background Papers:

2013/14 Internal Audit Plan

Paul Nagle

Head of Audit & Risk Management

T: 020 7332 1277

E: Paul.Nagle@cityoflondon.gov.uk

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APPENDIX 1 – Red Limited and Amber Moderate Assurance Audit Review Outcomes

Audit: Community and Children's services: Client Account Management - Appointeeships and Court of Protection Cases – Limited Assurance (3 x Red, 15 x Amber, 10 x Green)

Audit Scope and Background:

An audit of the department's Community Care arrangements was finalised in May 2013 this resulted in a number of recommendations being made in relation to the management of client accounts, telecare service and access to phone lines. The outcome from that audit review was discussed at the June 2013 Audit & Risk Management Committee. As a result of the findings, officers within the Community & Children's Services Department requested an in-depth review of the management arrangements of for the administration of client funds via an appointeeship or deputyships (where the City has been granted a Court of Protection order due to the diminished mental capacity of an individual).

The main objectives of the audit were: to assess the extent of support provided to officers to promote compliance, efficiency and consistency; to verify that adequate controls are in place to safeguard clients' assets; to confirm that appropriate financial management is practiced for all funds held under fiduciary care; to gain assurance that payments are accurate, timely, appropriate and fully supported by documentation; to confirm that frequent and complete monitoring is conducted, and to assess the procedures in place for managing clients' finances in the event of a service user's death. A full report of these findings along with the earlier Community Care Services review was made to the Community and Children's Services Committee on the 12th July 2013 where members noted the audit findings and that a full audit follow-up was planned for September 2013.

Audit Findings:

Limited assurance was provided concerning the management of appointeeships and deputyships, owing in part to control weaknesses reported previously (please see Member Briefing issued on 4th June 2013) such as communication issues between Financial Services and Adult Social Care and a lack of formal procedures. However, it is acknowledged that the department has made significant progress to improve the level of control and management oversight since the Community Care review, with all three red priority and thirteen of the fifteen amber priority recommendations now implemented from the earlier review.

Responsibility for the management of appointeeships and deputyships is transferred from Adult Social Care to Financial Services as soon as the relevant governing body authorises the application. In the absence of adequate supporting guidance and full understanding of requirements this resulted in the City failing to meet its obligations as either an appointee or deputy on a number of cases. This poses the risk of increased OPG regulation or revocation of Deputyships and fraudulent activity not being identified.

Deputyships:

Weaknesses include failure to gain timely access to clients' bank accounts once approval (in the form of court orders) has been received (the audit noted delays of up to 18 months). Without timely access to bank accounts there is a risk that potential fraudulent activity is not identified and that adequate financial management cannot be exercised, including the City accruing debt on the client's behalf. A red recommendation was made in relation to this issue and has been fully implemented by way of the development of a new procedure following completion of audit fieldwork.

Additionally, examination of client files identified that no action has been taken to identify or cancel any active debit cards or chequebooks possessed by clients under care. This poses the risk that the City would be unable to identify if client accounts were subject to fraudulent activity. This is an area of concern given that on at least one occasion an application was made to the Court of Protection due to concerns over the abuse of clients' financial affairs. As a result of internal audit recommendations a service protocol is being developed by the Adult Social Care team in conjunction with the Financial Services Division.

Interim arrangements are in place to ensure that clients' expenses are paid for pending access to the bank accounts. The department, as at 1 May 2013, has accrued a debt of £14,335 for deputyships, which will be recovered once access to the clients' bank accounts has been gained. Arrangements have since been implemented to ensure that action to gain access to clients funds is completed more swiftly.

A number of instances were identified where the assets of clients who have passed away intestate and with no known family members has been transferred to the Adult Services' revenue accounts. This has effectively resulted in the department adopting a net surplus of over £8,500 to date, with the intention of transferring a further £24,667 currently residing on the balance sheet, instead of escheating assets to the Crown via the Treasury Solicitor as required by the Administration of Estates Act (1925). A 'red' recommendation was made in relation to this and is expected to be fully addressed by end September 2013.

Action has been taken to ensure the process operates more effectively for any new Court of Protection cases. Furthermore; the Department is taking additional action by the way of external training to consolidate knowledge held by both Social Care and Financial Services Division teams to help officers review practice. The training goes beyond the action suggested by Internal Audit and demonstrates the Departments commitment to address the issues identified during the review.

Financial management procedures could be improved by including officers within the Adult Social Care team as signatories for clients' bank accounts, and ensuring that reconciliations are conducted independently on a monthly basis.

Appointeeships:

Appointeeships may no longer be the most appropriate method of managing clients' funds as some of the balances are in excess of the minimum level required for consideration by the Court of Protection. Additionally some individuals protected by appointeeships have accrued substantial balances which may affect their benefit entitlement and may have resulted in overpayments being received from benefit providers. This is of particular concern as the City, in its capacity as an appointee, is responsible for ensuring the client receives the correct entitlement. In addition, a review of all client files highlighted a number of outstanding actions, such as notifying the OPG of a change of circumstance or notifying interested parties of the City's deputyship. These matters are in the process of being addressed by the Adult Social Care team and were due to be fully implemented by the end of August 2013.

Improvements could be made in relation to the extent to which the roles of reconciliation and payment administration are segregated as the existing arrangements do not mitigate sufficiently the risk of misappropriation of client funds; although no instances of this were identified during the review. A 'red' rated recommendation was made in relation to this and has since been implemented relating to procedures in place for both appointeeships and deputyships.

In addition, there is approximately £9,400 held on the balance sheet for charity contributions which cannot be matched to the respective expenses incurred and may have to be written off. The majority of these receipts have been held on the balance sheet for several years. The previous Director of Community and Children's Services, is still named as the deputy, which may affect the timeliness of the City's decision making powers unless responsibility is transferred to another officer.

Management Response

Internal Audit has issued three 'red', fifteen 'amber'; three of which relate to actions specific to an individual case; and ten 'green' recommendations. All of the red recommendations have been implemented since the completion of fieldwork. Of the fifteen amber recommendations, fourteen have been fully implemented; the one outstanding recommendation has been partly implemented with the remainder due by November 2013. Eight of the ten 'green' recommendations have already been implemented; the remaining will be progressed and completed by the end of September 2013.

A number of the recommendations are reliant upon the successful implementation of the new Social Care Records Management System (Framework) which will enhance the overall control framework in place for the management of client accounts. Internal audit intends to conduct a full follow up of both the Community Care and Appointeeships and Deputyships reviews in September.

Audit: City Surveyors: Refurbishment of Traditional Crematorium  (0 x Red, 4 x Amber, 1 x Green)

Audit Scope

Internal Audit has undertaken the above review as part of its planned programme of Construction Project audits for 2012/13. The contract sum for the refurbishment work was £1,091,354 and the term for the works was 34 weeks. This Internal Audit review focused on the procurement approach, control over the scope of work, adequacy of contract documents in respect of late payments, and the effectiveness of payment valuation and monitoring processes.

Audit Findings

This review concluded that the procurement practices exercised on this project were in accordance with the City's guidance, and that the contract conditions used did ensure compliance with the "Late Payment" legislation that was in force when this contract was let. Some weaknesses were noted in respect of compliance with Financial Regulation 13.4 which requires the provision of detailed information to support monthly valuations. Further, this review found that Project Vision, the Corporate Project Monitoring system for projects in excess of £50,000, was not being updated in a timely manner, nor was it being sufficiently used to store project documentation. As a result, the project monitoring process was found to be overly reliant upon the verbal updating of Senior Staff in the progression of cost and time information to Members.

Four amber and one green priority recommendations were made. The amber recommendations were made to facilitate the checking of payment calculations for errors, to improve the speed, accuracy and completeness of cost and progress information held along with supporting documentation, and to lessen the historic over-reliance placed upon a limited number of staff and Senior Officers. The green recommendation was made to improve the provision of detailed cost information so as to reduce the scope for misinterpretation.

The implementation of these recommendations will better facilitate good governance by mitigating the risk of decisions based upon inaccurate or incomplete information. Further, implementation will lessen the risk of erroneous payments being progressed without challenge, and improve the experience and knowledge of project management staff, while increasing the resilience of the project management system overall.

Management Response

Fieldwork for this review was completed in February 2013 with the draft report issued that same month. The management action plan was agreed at the end of May 2013 to implement all recommendations by July 2013. Management have subsequently confirmed that all recommendations arising from this review have now been implemented.

2013/14 Audit Plan Changes since March 2013

1 – Additional Work

Department	Review	Priority	Days	Reason
Various	Cash Checks	High	40	Chamberlain request for additional assurance
City Police	Project Office	Medium	10	Request of Assistant Police Commissioner
City Surveyors	Investment Properties, settlement of claims	Medium	15 (tbc)	Review of controls and authorisation process, request of City Surveyor
DCCS	Appointeeships - (Client Accounts)	High	20	Follow on from Client Account audit,
City Police	Assurance Mapping	Medium	5	Required to inform audit planning and provide more effective assurance to Senior Management and Members
City Surveyors Department, and others	Project Final Accounts Verification	Medium	25	Assurance over compliance with revised procedures operating in Department and within Financial Services Division.

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













2 –Reviews Cancelled/Deferred

Department	Main Review	Days	Deferred/ Cancelled	Reason
Barbican	Value Frame Work (Techniques and Scoring)	20	Deferred to 14/15	Re-prioritisation of resources to enable higher priority work to be completed, significant audit coverage in this area recently
Built Environment	TFL Local Implementation Plan	15	Deferred	Re-prioritisation of resources to enable higher priority work to be completed. Need for review to be re-assessed.
Chamberlain's	Business Rates – Hosted	10	Cancelled	Review of limited value, following decision to re-configure service from October 2014
Community and Children's Services	SJC School – Procurement	5	Deferred	Re-prioritisation of resources to enable higher priority work to be completed. Significant recent audit coverage, management assurance to be discussed with Director of DCCS
Community and Children's Services	SJC Catering	5	Deferred	Re-prioritisation of resources to enable higher priority work to be completed. Significant recent audit coverage, management assurance to be discussed with Director of DCCS
Open Spaces	Procurement & VFM	10	Deferred	Re-prioritisation of resources to enable higher priority work to be completed. To be discussed with Director of OS
Town Clerks	Central Criminal Court – Premises Expenditure/Facilities Management	10	Deferred to 14/15	Re-prioritisation of resources to enable higher priority work to be completed
Open Spaces	Volunteer Recruitment & Vetting	10	Deferred to 14/15	Re-prioritisation of resources to enable higher priority work to be completed. To be discussed with Director of OS
Open Spaces	Golders Zoo	5	Deferred	Re-prioritisation of resources to enable higher priority work to be completed. Materiality low
Barbican Centre	CSA - Interim Valuations (Barbican Centre)	15	Deferred to Qtr 1 14/15	re-prioritisation of resources to enable higher priority work to be completed, significant audit coverage in area recently
Corporate	Contract - Capital Project review	20	Cancelled	re-prioritisation of resources to enable higher priority work to be completed
Town Clerks	Website Strategy, Security and Operation	20	Cancelled	re-prioritisation of resources to enable higher priority work to be completed, responsibility now with Agilysis

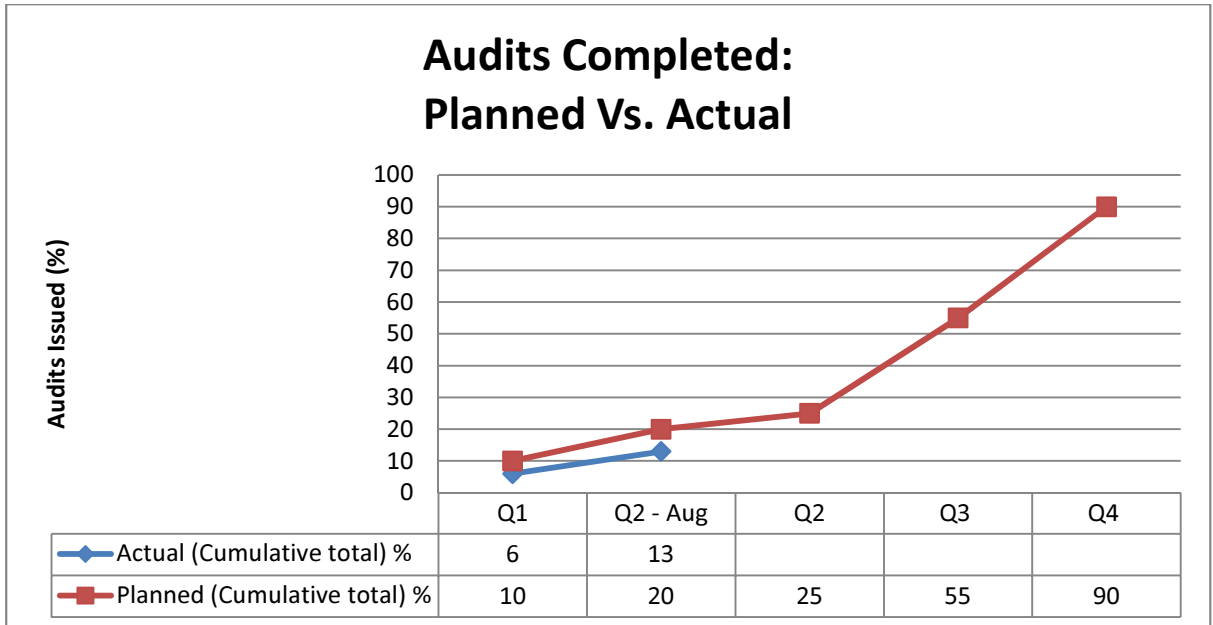
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Review of Internal Audit Performance – August 2013

1. 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	Sept 13	Jun 13
Completion of audit plan	90% of planned audits completed to draft report stage by end of plan review period (31 st March 2014)	13% - below target due to resources allocated to on-going investigation work		
% recommendations confirmed fully implemented at time of formal follow-up	Overall – 75% Red – 100% Amber – 80% Green – 70%	Overall – 66% Red – 100% Amber – 67% Green – 64%		
Timely production of draft report	80% of draft reports issued within 4 weeks of end of fieldwork	70% - below target		
Timely agreement and issue of final report	80% of final reports (including agreed management action plan) issued within 5 weeks of issue of draft report	65% - below target for period		
Customer satisfaction	Through key question on post audit surveys – target 90%	100% (plus see separate Committee report)		
% of audit section staff with relevant professional qualification	- target 75%	79%		

2. **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 (at August 2013) which is 13%.



3. There has been a small reduction in audit resource availability because of a vacancy from the 1st April until the 17th June which has been filled with an audit apprentice. There was a larger than anticipated carry forward of audit work from 2012/13 due to one auditor vacancy, a higher level of investigation work and some audit reviews taking longer than their planned day allocations. Additional unplanned cash checks, taking an additional 40 auditor days, have been undertaken at a number of departments in the first part of 2013/14, and significant investigation activity is continuing with 219 days spent on this activity so far, only 5 months into the financial year compared to an estimated annual allocation of 239 days.
4. Whilst satisfactory progress has been made in finalising the 2012/13 audit reviews, there is still some work to complete. The impact of the additional work in the first part of 2013/14 has been assessed and audit plans for the remainder of the year have been re-prioritised in some areas.
5. Due to the impact of additional investigation work on delivery of the planned audit programme, an interim senior auditor will be recruited for an initial six month period to assist with the completion of planned internal audit work. The current internal audit plan was reviewed in August and a number of lower priority reviews identified for deferment or cancellation. Details of these are provided in **Appendix 2**.
6. **Implementation of Recommendations** – Overall implementation of audit recommendations as measured by formal follow-up reviews undertaken over the last year is currently at 62%. The Audit and Risk Management Committee has set out clear expectations that the timeliness of recommendation implementation needs to be improved. Further analysis of performance in this area is provided in the separate audit recommendations follow-up report along with action being taken to reinforce this performance expectation with chief officers.
7. **Timely production of draft report** – performance in issuing draft reports within four weeks of end of fieldwork is below target at 70%; this area will be subject to increased monitoring to ensure the level of performance improves.

8. **Timely agreement and issue of final report** – performance in finalising Internal Audit work has dropped below the target level. Although in the vast majority of the cases the delay beyond the target day is not excessive, this area will be closely monitored.
9. The timely reporting and agreement of audit reports are areas where the Committee has commented on the need to improve performance previously. Whilst performance had improved in this area during 2012/13, maintaining a consistent level of performance has not been achieved and therefore will require further focus. The internal audit section is currently introducing an updated internal audit reporting format. This shorter, exception style of reporting will enable draft audit reports to be produced and agreed with management more quickly.

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Appendix 4 – Internal Audit Resource Analysis (1st April 2013 to 4th August 2013)

	Original Plan Budget (Days)	Expected to Date (Days)	Actual to Date (Days)
Gross Days	3861	1337	1337
Uncontrollable Days			
Bank Holidays	106	48	31
Annual Leave	456	158	171
Net Available Days	3299	1131	1135
Days available for direct audits and support work Available for Projects			
Main Reviews/Spot Checks	1400	435	191
Follow-up's	100	35	14
2011 Plan C/fwd	180	180	212
	1877	650	418
Risk Management			
Corporate Risk Management	148	51	50
Ad hoc on-demand support/advice (risks & controls)	128	44	46
Chamberlain Business Continuity Support	5	2	2
Anti-Fraud & Corruption			
Fraud Investigations	239	83	219
Pro-active fraud & prevention	74	26	11
Audit Planning & Reporting			
Audit Planning & Reporting	49	17	30
Audit Plan progress reporting	51	18	13
External Audit Liaison/Co-ordination	10	3	7
Efficiency & Performance Review			
Support to Efficiency Board/EPSC	35	12	19
Officer Groups (Information management, Information Liaison, Transport Groups)	17	6	5
Audit Development			
Continuous Improvement	64	22	4
Audit policy, research and development	56	19	12
Audit intranet	3	1	2
Member Support			
COL Audit & Risk Management Committee	28	10	23
GSMD Audit & Risk Management Committee	6	2	1
London Councils - Audit Committee	6	2	2
Museum of London - Audit Committee	6	2	2
Police Performance & VFM Committee	3	1	2
Barbican Centre Risk/Finance Committee	6	2	2
	934	323	451

Admin Support

General (e.g. time recording/staff meetings/staff monitoring)	236	164	119
MK Audit Automation Software	15	5	0
Other Absences*	104	36	49
Audit Training	80	28	33
Corporate Training	18	6	2
CIPFA & IIA Training	35	12	16

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

Agenda Item 9

Committee(s):	Date(s):
Audit and Risk Management Committee	17 th September 2013
Subject: Anti-Fraud and Investigation Up-date Report	Public
Report of: Chamberlain	For Information
Summary <p>This report provides Members with an up-date of our investigation activity since last Committee, along with details of anti-fraud work currently being undertaken. A non-public appendix to this report details a recent Open Spaces investigation where specialist Investigation support was provided by Internal Audit.</p> <p>The employment of a contract Fraud Investigator has resulted in an increased output of investigated cases. Fraud investigations are now completed in a shorter time scale, with the number of housing benefit Cautions, Administrative Penalties and files referred for prosecution rising, and the number of social housing tenancies recovered increasing, as a direct result of this additional resource. An analysis of housing benefit and housing teancy fraud activity, compared to the same period last year, shows that an additional 11 cases have resulted in successful outcomes,</p> <p>A tailored Fraud Awareness e-learning course, developed in-house, went live in June 2013 for completion by all City Corporation employees. The training has currently been completed by 40% of City Corporation staff, with the aim that all staff have completed the training by 1st October 2013.</p> <p>A pro-active anti-fraud exercise has commenced with an external partner, designed to identify fraudulent misuse of City Corporation social housing stock. This exercise matches City Corporation social housing tenant data against credit reference agency data, in order to indicate where tenants may be sub-letting their properties, by linking them to adresses elsewhere, and by linking unknown individuals to City Corporation properties.</p> Recommendations Members are asked to note: <ul style="list-style-type: none">• The roll-out of the corporate wide Fraud Awareness e-learning training package,• The commencement of a pro-active anti-fraud exercise to identify fraudulent misuse of City Corporation social housing stock; and• The outcomes of investigations undertaken since the last update report.	

Main Report

Background

1. Corporate fraud investigations and pro-active anti-fraud services are provided and co-ordinated by the City's Internal Audit team. Whilst each Internal Audit review considers fraud risk, as part of its scope, matters that require specialist investigation are undertaken on a corporate wide scale, by professionally qualified Counter Fraud Investigation staff.
2. Members were provided with a detailed report at this Committee on June 25th 2013, detailing our anti-fraud activity in the previous reporting year, along with our plan of pro-active anti-fraud work for the current reporting year. This report provides Members with an up-date of our investigation activity since last Committee, along with details of anti-fraud work currently being undertaken.

Investigation Activity Summary

3. 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 the investigation caseload over the past two reporting years for comparison, along with a summary of live cases currently under investigation from previous years.

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	12	18	15	52	43
Housing Fraud	10	12	13	9	21	21
Corporate Fraud:						
Theft	5	3	7	1	13	3
Cheque Fraud	0	0	0	0	0	2
Employee Conduct	2	2	3	1	6	6
Total	38¹	29	41	26	92	75
Notes: ¹ Of the total number of cases brought forward from the previous year, 26 have now been closed						

4. Members have historically been provided with detailed appendices concerning Housing Benefit and Housing Tenancy Fraud caseloads. These are still

maintained, although, they will longer be attached as apendices to this paper, but can be made available upon Members request.

5. The employment of a contract Fraud Investigator since January 2013 has resulted in an increased output of investigated cases. Investigations are now completed in a shorter period of time, with the number of Cautions, Administrative Penalties and files referred for prosecution actions rising and the number of social housing tenancies recovered increasing as a direct result of this additional resource. An analysis of housing benefit and housing teancy fraud investigations, compared to the same period last year, shows that an additional 11 cases have resulted in successful outcomes. Most notably in relation to housing tenancy fraud investigations, where successful possession as a direct result of Internal Audit investigation has increased from one property to seven.
6. A sensitive investigation was undertaken by the City's Open Spaces Department, with Internal Audit providing specialist investigation support. This investigation is now complete and Members are provided with full details in the form of a confidential appendix to this report.

Proactive Anti-Fraud Activity

7. Fraud Awareness E-learning – A tailored fraud awareness e-learning course, developed in-house by the Senior Investigator; was rolled out to all City Corporation employees in June this year. The target date for completion by all staff is 1st October 2013; at the time of writing this report, the training has been completed by 40% of the City's employees with positive feedback received. Regular reminders will be issued to those staff who have not yet undertaken the training from the beginning of September, including e-mails and articles on the City's Intranet. This training course will form a mandatory part of the corporate induction for new starters.
8. Social Housing Fraud Data-Matching Exercise – The Chamberlain's Department has recently funded a pro-active fraud exercise in partnership with Experian – a credit reference agency.. This exercise is designed to identify City Corporation tenants who may have obtained their tenancies by deception or who may be using their social housing for unlawful gain by sub-letting. Similar exercises have been undertaken by other Local Authorities across London with very positive outcomes. Internal Audit will publicise, where possible, successful outcomes from this exercise.

City of London Police Liaison arrangements

9. Our liaison with the City Police continues in a positive fashion. Partnership working on recent fraud investigation cases has improved the knowledge and understanding by both organisations, whilst quarterly liaison meetings continue to provide value to the relationship between Internal Audit and the Economic Crime Directorate.

Conclusion

10. Internal Audit continues to provide a specialist fraud investigation service across the City Corporation; the recruitment of additional fraud investigation personnel has resulted in a positive increase in the number of cases investigated, and successful outcomes obtained.
11. Key anti-fraud training has been rolled-out across the City Corporation, providing our staff with increased skills and anti-fraud knowledge.
12. The Chamberlain's Department is committed to identifying fraud across the City's sought after housing stock, and has allocated funding for a pro-active exercise with an external partner, designed to identify fraudulent misuse of City Corporation social housing stock.

Background Papers:

Appendices

Appendix 1: Confidential Open Spaces Investigation outcomes

Contact:
Chris Keesing | Chris.keesing@cityoflondon.gov.uk | 020 7332 1278

Agenda Item 10

Committee(s):	Date(s):
Audit and Risk Management Committee	17th September 2013
Subject: Risk management update	Public
Report of: Chamberlain	For Decision
Summary <p>This report presents the Audit and Risk Management Committee with an update on the strategic risk register and the progress to date on the Risk Management Improvement plan</p> <p>In accordance with the rolling review of risk, two strategic risks are considered in detail at this meeting of the Committee. These are SR1: Failure to respond to Terrorism and SR13: Public Order and Protest which are the subject of separate reports.</p> <p>As part of the risk management improvement plan, Members are asked to review and comment on the proposals to amend the current risk matrix, to introduce an opportunity risk matrix and to introduce a more structured approach in describing risks, using the cause, risk and effect model. If agreed, the intention would be to introduce the new approach by April 2014.</p> <p>An online risk management system is currently being investigated which would assist in the recording, management, and dynamic reporting of risks. The benefits of such a system include greater transparency, real time information with clear audit trail and better business intelligence regarding risk data.</p> <p>The improvements that are being proposed as part of the improvement plan will result in the revised risk management handbook, containing greater clarity about the way in which the City Corporation is managing risks both at the strategic and departmental level.</p> <p>The independent review of risk management is being undertaken by Zurich Municipal. The findings will be reported at the Audit and Risk Management Committee in October. Any recommendations from that review will be incorporated into the revised Risk Management Handbook.</p> Recommendations Members are asked to: <ul style="list-style-type: none">• review the revised risk matrix for scoring likelihood and impact (Para 7);• review the revised structured approach to describe risks (Para 8);• note the development around introducing a risk management information system (Para 9).	

Main Report

Background

1. The strategic risk register was last reviewed by the Audit and Risk Management Committee on 25th June 2013, by the Strategic Risk Management Group on 19th June 2013 and by the Chief Officer Summit Group on 8th July 2013.
2. Each risk has been reviewed and updated by the responsible risk owner, in accordance with the established risk management framework. The latest strategic risk register contains 13 Strategic risks and is appended to this report for review (Appendix 1).

Current Position

3. Following Members' recommendation, all strategic risks have control owners. The Risk Management Handbook has also been updated to define control owners as those officers responsible for coordinating the activity involved in managing the risk.
4. Updates to the Strategic risks, since last reported, are summarised below:
 - 4.1. SR1 (Failure to respond to a Terrorist Attack) and SR13 (Public Order and Protest): Additional controls have been added to capture the full extent of activities being undertaken to mitigate and control the risks, including the thematic workshops focusing on the potential impacts of civil disorder in the Square Mile. As a result, the Net Risk for SR13 has reduced to Green because of the reduction of its Impact score from 4 to 3. Both SR1 and SR13 are scheduled for review at this Committee in accordance with the rolling review of Strategic risks.
 - 4.2. SR11 (Pond Embankment Failure): Good progress is being made to manage this risk. Testing of the Telemetry system with the emergency plan and Hampstead Heath staff has been successful. The Ponds' Project Stakeholder Group continues to meet regularly to enable key groups to contribute to the detailed design of the scheme, working with the Strategic Landscape Architect appointed to champion the landscape. This risk, however, still remains at Red due to no changes in its Likelihood or Impact scores.
 - 4.3. SR14 (Longer term Financial Uncertainty): With the announcement of the 2015/16 funding settlement, which indicates an 8.2% reduction on non-police services, the Gross Impact score has increased from 3 to 4. Service based reviews are being undertaken to address the 2016/17 forecasting deficit and the Net Impact score has been increased from 2 to 3. The risk, however, still remains at Amber. SR3 and SR14 are being re-written in light of the DCLG technical consultation on the financial settlement 2014/15 and 2015/16.

5. To illustrate the current risk profile, the strategic risks have been plotted on the City's risk matrix, in accordance with the net scores from the impact and likelihood assessments (Appendix 1).
6. The risk management framework continues to help in identifying strategic risks, in accordance with the definition established in the Risk Management Handbook:

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

One or more of the following four criteria must apply:

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

Risk Management Improvement Plan

7. Revised risk matrix

7.1. Risk matrices are typically of arithmetical form with the risk scores being determined from the likelihood and impact scores. Although the current model has helped in establishing the initial risk framework, it is not in line with the typical industry formats.

7.2. The proposal to revise the risk matrix is shown below:

		Impact				
		Minor (1)	Significant (2)	Serious (4)	Major (8)	Extreme (16)
Likelihood	X					
	Very Likely (5)	5	10	20	40	80
	Likely (4)	4	8	16	32	64
	Possible (3)	3	6	12	24	48
	Unlikely (2)	2	4	8	16	32
Rare (1)	1	2	4	8	16	

- 7.3. This revised version determines the risk score using the multiple of the likelihood and impact scores, with the impact scores going up in factors of 2, resulting in a more logical framework to group and score risks. The revised matrix now distributes the risk scores more proportionally as the amount of red and amber blocks are equally distributed compared to the current version which has more emphasis on the Amber blocks. Other minor changes include the change in Likelihood risk descriptors from 'Insignificant' to 'Rare' and from 'Almost Certain' to 'Extreme'.
- 7.4. We are also investigating a web based risk management system to record, monitor and report risks. By using the revised risk matrix, which is more in-line with industry norms, we will also be more compliant towards the specifications of risk software providers. Thus expanding our options of providers to choose from and reducing our need to develop a costly bespoke system. Progress on system selection is noted in Para 9.
- 7.5. The revised matrix has also been used to derive an Opportunity risk matrix for the scoring of Opportunity risks. Opportunity risks are defined as uncertain events which could have a favourable impact on objectives or benefits (as defined by the Office of Government Commerce and the BSI ISO 31000:2009). Apart from the colour scheme (Gold, Silver and Bronze), the Opportunity risk matrix is used in the same manner as the revised risk matrix.

		Impact				
		Minor (1)	Significant (2)	Serious (4)	Major (8)	Extreme (16)
Likelihood	X					
	Very Likely (5)	5	10	20	40	80
	Likely (4)	4	8	16	32	64
	Possible (3)	3	6	12	24	48
	Unlikely (2)	2	4	8	16	32
Rare (1)	1	2	4	8	16	

- 7.6. Opportunity risk management is becoming an emerging element within the general risk management environment, as greater understanding has led to recognition that not all risks are bad. By adapting this model in our processes it will help to establish the City Corporation as one of the exemplars in risk management.

7.7. Members are asked to review the new risk matrices and provide feedback about its suitability. It is envisaged this new approach will be adopted by April 2014.

8. Revised structured approach to describing risks

8.1. This proposal is to introduce a three-part structured statement in the form of a cause, risk and effect model which will be used for the recording of both threats and opportunities.

8.2. Below, we provide a breakdown of the two new terms

- *Causes* are definite events or sets of events which give rise to uncertainty. Examples include the need to use an unproven new technology or the lack of skilled personnel. Causes themselves are not uncertain since they are facts or requirements, so they are not the main focus of the risk management process;
- *Effects* are unplanned variations from the objectives, either positive or negative, which would arise as a result of risks occurring. Examples include exceeding the authorised budget, or failing to meet contractually agreed performance targets. Effects are unplanned potential future variations which will not occur unless risks happen. As effects do not yet exist, and indeed they may never exist, they cannot be managed directly through the risk management process.

8.3. There are a number of benefits of this approach;

- It will help in clearly identifying the actual genuine risk, ensuring that attention is given where it is mostly likely to be effective;
- It assists in determining the types of controls required to manage the risks, either to stop the causes or reduce the effects;
- Better clarity is achieved relating to the appropriate risk and control owners; and
- A more consistent framework for recording risks at the departmental and project level.

8.4. Members are asked to review the revised approach to describing risks and provide feedback about its suitability. If adopted, this approach will be put in place by April 2014 using the new risk management information system.

9. Risk management information system

- 9.1. As departments are becoming more familiar with risk management, greater focus is being placed on the risk registers, which is resulting in an unavoidable administrative burden because the registers are currently collated manually, albeit with the use of spreadsheets. As a result, work has started to investigate various risk management information systems to reduce the burden, improve consistency and significantly improve the ability to provide dynamic reporting.
- 9.2. Further benefits that can be achieved from a risk management system include;
- Clearer oversight of strategic and operational risks;
 - Greater transparency and visibility of risk management;
 - Assurance that risk portfolios are actively managed and that risk management is robust;
 - Improving data quality and saving time (and expense) in administering risk registers;
 - Behaviour changes from gathering information to interpreting what it says and improving the ability to provide business intelligence for decision making;
 - Easier to share and communicate risk information;
 - Improved reporting of risk information and usage in other areas, e.g. risk-based audits; and
 - Real time information with clear audit trail.
- 9.3. In addition to the above, a risk system assists in capturing consistent data and can be adapted to work with the matrices for opportunities and threats. The system will also allow customised reports to be produced which can focus on specific areas of interest, for example, producing a report for the top financial risks of the City Corporation. This cannot be currently achieved due to the independent nature of the current risk registers on MS Excel.
- 9.4. Members are asked to note this development and will be informed of further progress in December.

Independent Review of Risk Management

10. Zurich Municipal have been commissioned to undertake a review of the effectiveness of our risk management arrangements. Interviews are currently being undertaken with select Members and officers to capture different perspectives on our current framework.
11. It is expected that all interviews will be completed by the end of August 2013 with Zurich Municipal presenting the final report to the Audit and Risk Management Committee October 2013.
12. Any recommendations from that review will be incorporated into the revised Risk Management Handbook.

Cyclical Review of Strategic Risks

13. A structured approach to reviewing the City's strategic risks has been adopted, in order to promote full coverage and review. The schedule of reviews for the Audit and Risk Management Committee is shown below:

Forthcoming reviews:		Date
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	28 th January 2014
SR14	Longer term Financial Viability	28 th January 2014
SR4	Planning Policy	5 th March 2014
SR5	Flooding in the City	5 th March 2014
SR2	Supporting the Business City	13 th May 2014
SR6	Project Risk	13 th May 2014

Previous reviews:		Date
SR9	Health and Safety Risk	25 th June 2013
SR11	Pond Embankment Failure	25 th June 2013
SR16	Data Protection Risk	25 th June 2013
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

Conclusion

14. 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.
15. The proposal to include the revised approach to describing risks, the revised risk matrices, and the risk management information system will ensure our procedures remain ahead of current industry standards, by being at the forefront of changes within the risk management environment.

Appendices

- Appendix 1 – Strategic Risk Register

Sabir Ali

Risk and Assurance Manager

T: 0207 332 1297

E: Sabir.Ali@cityoflondon.gov.uk

City of London Corporation

Strategic Risk Register

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SR9	Health and Safety Risk	14
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Closed Risks (detailed extracts not included)		
SR7	Major IS Failure	- Managed operationally by Chamberlain
SR12	Industrial Action	- Oversight maintained by Director of Corporate HR
SR15	Barbican Art Gallery	- Exhibition closed, therefore risk closed.

City Corporation Strategic Risk Register	Owned By	Chief Officers' Group	Version	2013 - 09
	Administered By	Sabir Ali	Date	17/09/2013

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	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	3	G ↓	Monitor and review in light of lessons learned from recent issues.	G
SR14	Further reductions in the 2013 Spending Review for 2015/16 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	4	Chamberlain	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	3	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	A: Existing controls require improvement/Mitigating controls identified but not yet implemented fully
*Direction relates to change in assessment since last review (up/down/no change)						G: Robust mitigating controls are in place with positive assurance as to their effectiveness

Summary Risk Register

Risk No.	Risk	Gross Risk		Risk Owner / Lead Officer	Existing Controls	Net Risk			Planned Action	Control Evaluation
		Likelihood	Impact			Likelihood	Impact	Risk Status & Direction		
SR15	<i>Works in high value loan exhibitions at Barbican Art Gallery are stolen or damaged.</i>	<i>Risk Closed 25/06/2013 Exhibition closed therefore risk closed</i>								
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

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.		
Issues	Controls		
<ul style="list-style-type: none"> * 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) 	<ul style="list-style-type: none"> * Iconic sites within the City have been assessed by the Security Services and plans concerning these are regularly exercised (Head of Resilience and Community Safety and relevant Chief Officers) * Generic Emergency Management Plan and Corporate and Departmental Business Continuity arrangements are in place and are regularly exercised (Head of Resilience and Community Safety and all Chief Officers) * Disaster Recovery and backups are in place and are regularly tested (Chief Technical Officer and relevant Chief Officers) * Guidance and support is provided to businesses and residents on how they can better prepare for the potential impacts of terrorism (Head of Resilience and Community Safety) * The City Corporation leads on the multiagency forum for the Square Mile and plays an active role in the Central London sub-Regional Resilience Forum and other pan-London bodies (Town Clerk and Head of Resilience and Community Safety) * The City Corporation conducts and takes part in multiagency exercises focusing on the key threats.(Head of Resilience and Community Safety) <p>Other relevant controls:</p> <ul style="list-style-type: none"> * The City Corporation has also held a thematic workshop focusing on the potential impacts of a terrorist attack on the Square Mile's business community(Head of Resilience and Community Safety) * Building safety and evacuation/invacuation plans are in place for City of London Corporation's corporate premises (Head of Resilience and Community Safety, City Surveyor and relevant Chief Officers) 		

Summary

* 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 are tested regularly and a programme of local and pan-London tests and exercises ensures the City Corporation remains able to respond appropriately to a terrorist attack.

* The City of London Corporation, along with the Police undertakes a range of activities with other agencies (Met Police, Home Office, MI5) to prevent and prepare for terrorist activity. The Current Threat Level for the United Kingdom is at Substantial (meaning a terrorist attack is a strong possibility) therefore it is essential that the City Corporation maintains a high a level of preparedness to ensure that, together with its partner agencies, it is ready to respond to and lead the recovery phase of the emergency response to an incident.

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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Issues	Controls
<ul style="list-style-type: none"> * 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. * Issues which pose a major threat to the City's reputation e.g. response to LIBOR crisis, migration/access to skilled workers. 	<ul style="list-style-type: none"> * 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. (Assistant Director, City, EU, International Affairs) * 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. (Director, Economic Development) * Programme to coordinate and promote diverse initiatives under way to improve governance, professionalism and business culture across the financial services industry, in response to the Parliamentary Commission on Banking Standards, under the umbrella of the Lord Mayor's 'Trust and Values – Investing in Integrity' initiative. (Director, Economic Development) * Robust policy, media and political response to industry developments affecting public perceptions of the City as a whole. (Both Assistant Directors, Economic Development) * Role of the Lord Mayor as an ambassador for the Business City. (Assistant Director, City, EU, International Affairs) * Role of the Policy and Resources Committee Chairman in promoting the City. (Assistant Director, City, EU, International Affairs)

Summary 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

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 in the current comprehensive spending period and economic climate, the organisation is 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 in the next comprehensive spending review period (2015/16 onwards).
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Issues n/a	Controls <ul style="list-style-type: none"> * Medium term financial planning. (Financial Services Director) * Scrutiny of efficiency proposals by the Efficiency Board and Efficiency and Performance Sub-Committee. (The Chamberlain) * Work with London Councils and direct engagement with Central Government. (Financial Services Director) * Independent assurance work undertaken by Internal Audit regarding efficiency proposals. (Head of Internal Audit)
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Summary 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 in the next spending review period. 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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<p>Issues</p> <p>* Relaxation of national rules relating to change of use from offices, hotels or retail to residential and relating to temporary change of use without the need for specific planning permission.</p> <p>* Listed building status - further designations could restrict the ability to redevelop key areas of the city.</p>	<p>Controls</p> <p>* Early engagement with policy makers before formal consultation and as part of the consultation process. (Policy & Performance Director)</p> <p>* Representation at London Councils' member and officer meetings. (Deputy Chairman Policy & Resources; Policy & Performance Director)</p> <p>* Responding to new proposals from Ministers or the Mayor and seeking changes or local exemptions where needed. (Policy & Performance Director)</p> <p>* Publication of research evidence to make the City's case that it is strategically important and locally distinctive. (Policy & Performance Director)</p> <p>* Revision of City's development plan policies as needed to mitigate the local effects of national policy changes. (Policy & Performance Director)</p> <p>* 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 (Planning Services & Development Director)</p>
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Summary The effect of any one of the above issues as an isolated occurrence 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 are robust and on-going as the 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.

<u>Issues</u>	<u>Controls</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. (Environment Agency and riparian owners)
* 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. (Policy & Performance Director)
* Inadequate response to flooding unlikely (2) impact moderate (3)	* 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. (Head of Resilience & Community Safety)

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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Issues	Controls
<ul style="list-style-type: none"> * 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. 	<ul style="list-style-type: none"> * 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. (Assistant Town Clerk) * Designation of Senior Responsible Officers and establishing individual project boards where appropriate to provide scrutiny and oversight. (Corporate Programme Manager) * 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. (Corporate Programme Manager)

Summary * 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. * <u>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.</u> * 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: 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	<p>This risk may materialise as a result external factors or failure to manage risk within the operations of the organisation. There will always be an inherent risk around reputation, but the specific threats present at any one time will vary depending on the nature of key projects, internal and external developments or factors. A shortlist of the most significant issues is maintained, updated by the Director of Public Relations on a quarterly basis using information gained from on-going liaison with departments and, in future as risk management becomes embedded, through examination of departmental risk registers. In addition to the shortlist below, there is a broad risk in relation to negative publicity or adverse media comment following failure of service delivery. The likelihood and impact of this is very much dependent upon the circumstances and outcome of the failure.</p>
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<p>Issues</p> <p>n/a Page 87</p>	<p>Controls</p> <ul style="list-style-type: none"> * Communications strategy in place (<i>Director of Public Relations</i>) * Experienced media/communication team with the right skills to handle reputation issues (<i>Director of Public Relations</i>) * Regular liaison with Committees and departments including through Departmental (<i>Director of Public Relations</i>) * Communication Representative Meetings etc., aiming to ensure the overall reputation of the organisation is kept under close review during all policy deliberations (<i>Director of Public Relations</i>) * PR Tool kit prepared for departmental communications representatives (<i>Director of Public Relations</i>) * Examination of departmental risk registers to identify emerging issues (on-going) (<i>Director of Public Relations</i>) * Working with PR Consultants to improve City Corporation's ability to respond to PR challenges (<i>Director of Public Relations</i>)
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Summary	Likelihood	Impact	Net Risk	A
* Hampstead Heath Hydrology and related issues	2	5	Likelihood	Impact
* London Living Wage	5	3		
* Debate around the transparency and accountability for City's Cash	5	3	3	4
* Adverse comment or publicity on the role, purpose and governance of the City Corporation	3	3	Control Evaluation	
* 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.	1	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.	Gross Risk	R
		Likelihood	Impact
		4	4
Links to: Strategic Aims SA2 & SA3 and Key Policy Priority KPP2			

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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<p>Issues</p> <p>Management of Contractors.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 88</p>	<p>Controls</p> <ul style="list-style-type: none"> * Policy in place to meet legal requirement (Director of HR) * Corporate Training is in place and effective (Director of HR) * Health & Safety working groups in operation (All Chief Officers) * Top X being reported – further work on content improvement planned (All Chief Officers - coordinated by Corporate Health & Safety Manager) * Accidents reported and investigated via a new system (Reactive system) (All Chief Officers) * Departmental Competencies Improved and departmental H&S committees being monitored (Corporate Health & Safety Manager)
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Summary The Action plan is making good progress in reviewing the H&S systems across the Corporation of London to ensure H&S Compliance against the enhanced Policy, which was approved by the Establishment Committee on 18th April. The Town Clerk has signed the new statement and has begun chairing the Corporate Safety committee. 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. Member training on the impacts of Health & Safety and decision making started 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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<p>Issues</p> <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>Mitigating Actions</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. (Remembrancer)</p>
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Summary 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	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>		
Issues	<p>Controls</p> <ul style="list-style-type: none"> * Insufficient warning given of flooding * Inadequate response to dam overtopping * Sensitivities of the local community regarding the natural aspect of the Heath 		
	<ul style="list-style-type: none"> * 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. Successful testing of this with the emergency plan and Hampstead staff has happened. (City Surveyor/Director of Open Spaces) * Emergency Action Plan for on-site response is 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) * The City continues to undertake extensive consultation with local stakeholders about why this public safety project is required. The established Ponds Project Stakeholder Group continues to meet regularly to enable key groups to contribute to the detailed design of the scheme working with the Strategic Landscape Architect appointed to champion the landscape. Both the statutory Consultative and Management Committees have met regularly to develop their understanding of the project and responded to documents provided by the design team. (City Surveyor) * 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>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>		

<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 are preparing a number of options to mitigate this risk for consideration by the CoL. The final agreed option will form the basis of a planning application planned for June 2014. The 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 June 2014 and subject to consents, site works to commence early 2015. 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 if the dams are breached the water normally stored in the ponds will also be released and combine with the flood water – very quickly and in a completely uncontrolled way – with risk to life and property downstream. 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 lies with the Director of Open Spaces.</p>	<p>Net Risk</p>	<p>R</p>
	<p>Likelihood</p>	<p>Impact</p>
	<p>3</p>	<p>5</p>
	<p>Control Evaluation</p>	
	<p>A</p>	

Risk Supporting Statement: SR13

Risk Owner: 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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Issues	Controls
<ul style="list-style-type: none"> * Planned protest marches in or near the City that, although peaceful, interrupt the daily life of the City by their presence. * 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. * 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. * 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. 	<ul style="list-style-type: none"> * Systems in place to warn and inform the community (visitors, residents and businesses) (Head of Resilience and Director of Public Relations) * Regular testing of Generic Emergency Management Plan and Corporate and Departmental Business Continuity arrangements (Head of Resilience and Community Safety and all Chief Officers) * Procedures reviewed incorporating lessons learned during the past year (2012), enabling greater coordination of the City's response. (Head of Resilience and Community Safety and relevant Chief Officers) * Thematic workshop held, focusing on potential impacts of civil disorder on the Square Mile business community. Strategic level seminar to be held in September 2013. Results of both events will be made available to City firms and will also inform our engagement with City residents. (Head of Resilience and Community Safety and relevant Chief Officers) * Guidance and support provided to businesses and residents (Head of Resilience and Community Safety) * Leads on multiagency forum for the Square Mile, and active in the Central London sub-Regional Resilience * Forum and other pan-London bodies (Town Clerk and Head of Resilience and Community Safety) * On-going assessments through multiagency exercises focusing on the key threats. (Head of Resilience and Community Safety) <p>Other relevant controls:</p> <ul style="list-style-type: none"> * Building safety and evacuation/invacuation plans are in place for City of London Corporation's corporate premises (Head of Resilience and Community Safety, City Surveyor and relevant Chief Officers)

Summary

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

Net Risk	G
Likelihood	Impact
1	3
Control Evaluation	
G	

Risk Supporting Statement: SR14

Risk Owner: Chamberlain

Risk	<p>Further reductions in the 2013 Spending Review for 2015/16 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.</p> <p>Links to: Strategic Aim SA2 and Key Policy Priority KPP2</p>	Gross Risk	R
		Likelihood	Impact
		4	4
Detail	<p>This risk is already headlined in the medium term financial strategy approved by the Court of Common Council in March 2013. The financial strategy last year was to make further efficiencies to generate small surpluses for the next two years. These surpluses were to bolster our reserves, allowing time to plan for future government spending cuts. The 2013 Spending Review announced an 8.2% cash reduction for 2015/16 for non-police services. This headline rate actually translates to a cash reduction of 15.5% for the City, increasing the forecast deficit to £5.6m in 2015/16.</p> <p>Further cuts are likely in future spending rounds and coupled with the financial impact of other pressures such as our share of the likely appeals losses under the new Business rates system and the progressive adoption of the London Living Wage, the 2016/17 forecast deficit is likely to exceed the £5.1m anticipated in March 2013. However we have sufficient reserves to allow us to plan for managed savings once the magnitude of any reduction is known.</p>		
Issues Page 94	Controls <ul style="list-style-type: none"> * Manageable within current reserves (Financial Services Director) * 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. (Town Clerk, Chamberlain and Financial Services Director) * Maintaining prudent management of City Fund finances and using current financial planning to build up reserves. (Financial Services Director) * Direct engagement with central government on grant formula (Financial Services Director) * Scrutiny of savings and income generation proposals by the Efficiency Board and Efficiency and Performance Sub-Committee. (Financial Services Director) 		
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.</p> <p>* The financial strategy already addresses this risk in making additional savings and efficiencies to not only balance the budget, but to generate surpluses to offer some protection. We can't remove the risk that the financial position will deteriorate, but we are already well on our way to mitigate it. Further actions 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	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.
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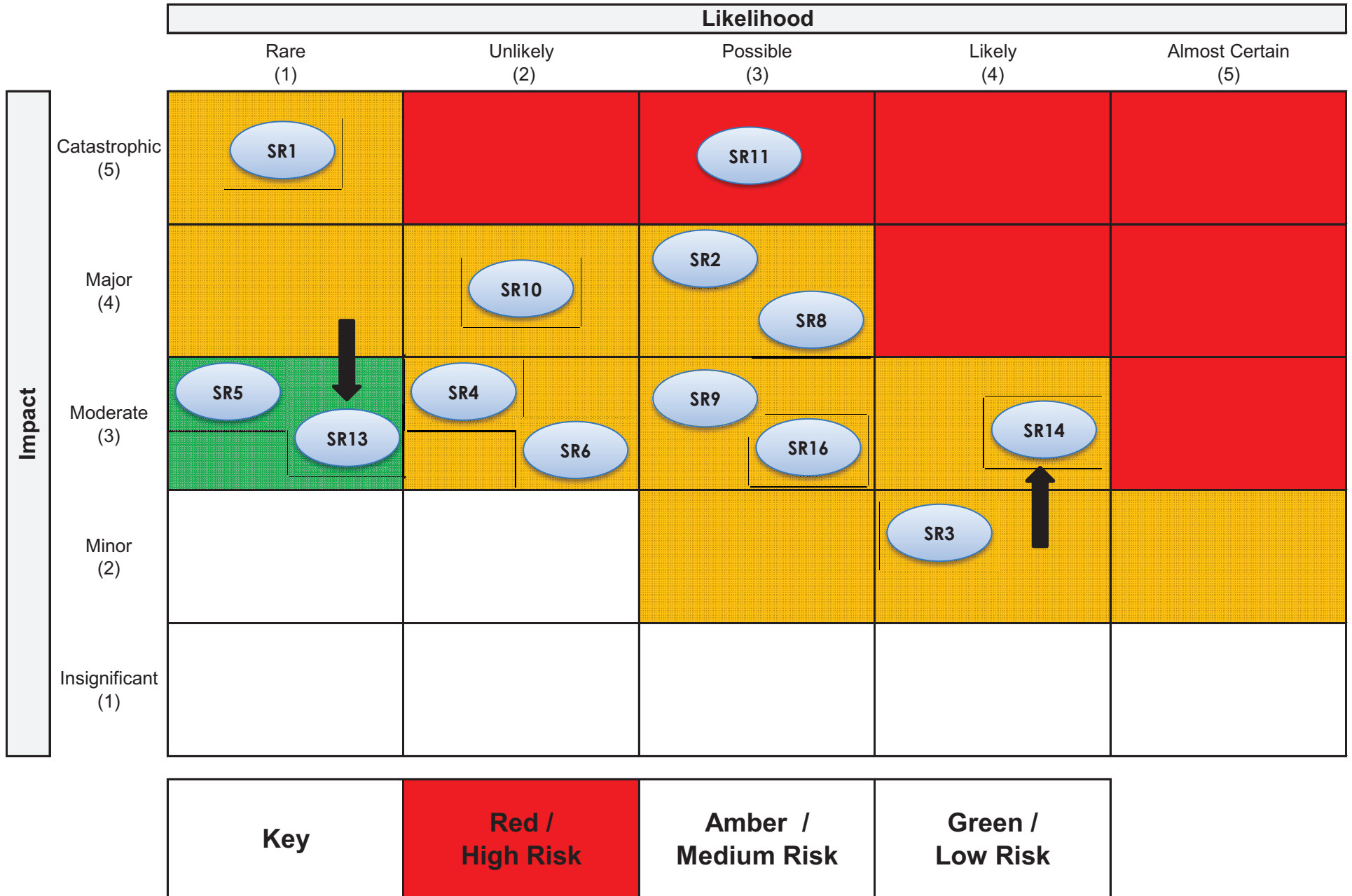
<p>Issues</p> <ul style="list-style-type: none"> * Lack of Member and staff awareness of, and engagement with, the DPA. * Office moves/relocations increase the possibility of losing or misplacing personal information. * Transferring personal information to third parties, e.g. when contracting out services. * 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. 	<p>Controls</p> <ul style="list-style-type: none"> * Central monitoring & issuing of guidance exists (since 2003), along with nominated senior officer responsibility (Deputy Town Clerk) * Access to Information network established, with reps across all departments (Information Officer) * DP awareness written into corporate employee policies as a requirement (Director of HR) * Employee Data Protection Policy requirement to complete the corporate DPA e-learning course (Director of HR) * Rolling program of tailored DPA training presentations for all staff and Members (Information Officer) * Record of all presentation attendees and e-learning sign-offs kept for audit purposes (Information Officer) * Awareness emails sent biannually to all staff (Information Officer) * Other awareness raising tools used when highlighting key issues (Information Officer) * Some monitoring of data processor contracts to ensure DPA compliance (Chief Officers of All Departments where Data Processors Operate)
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Summary	Net Risk	A
	Likelihood	Impact
	3	3
	Control Evaluation	
	A	

* 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.
 * The risk owner for SR16 is the Deputy Town Clerk. However, every Department has a responsibility for the personal information it processes, and therefore all Chief Officers must assume responsibility to ensure compliance with the Data Protection Act within their departments.

Strategic Risk Profile

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Guidance Notes

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

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

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

Guidance Notes

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

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

Audit and Risk Management Work Programme 2013/14

(Please note - no additions since the last meeting)

Date	Items
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 • Audited 2012/13 City's Cash and City's Cash Trust Funds Financial Statements together with Deloitte's report thereon
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 • Risk Management Update

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Audit and Risk Management Work Programme 2014

Date	Items
28 January	<ul style="list-style-type: none"> • Strategic Risk Review - SR3 Financial Stability • Strategic Risk Review - SR14 Longer term financial viability • Strategic Risk Review – SR11 Pond Flood Risk • Committee Effectiveness Review – annual update
4 March	<ul style="list-style-type: none"> • 2014/15 Internal audit plan • Internal Audit Progress Report • Internal audit recommendations follow-up report • Investigation Update report • Risk Management Update • Strategic Risk Review - SR4 Planning Policy • Strategic Risk Review - SR5 Flooding in the City • Annual Governance Statement - methodology
13 May	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update • Strategic Risk Review - SR2 Supporting the Business City • Strategic Risk Review - SR6 Project Risk • Head of Internal Audit Opinion and Annual report • HMIC Police Inspections Summary report • Annual Governance Statement – 2013/14 • Private Member meeting with Head of Internal Audit
22 July	<ul style="list-style-type: none"> • Audited 2013/14 City Fund and Pension Fund Financial Statements together with Deloitte's report thereon • Audited 2013/14 Bridge House Estates and Sundry Trusts Financial Statements together with Deloitte's report thereon • Audited 2013/14 City's Cash and City's Cash Trust Funds Financial Statements together with Moore Stephens report thereon

9 September	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Investigations Update report • Risk Management Update • 2 Strategic Risk Reviews – tbc
4 November	<ul style="list-style-type: none"> • Internal Audit Planning for 2014/15 • 2 Strategic Risk Reviews – tbc
8 December	<ul style="list-style-type: none"> • Deloitte's Annual Audit Letter on the City Fund and Pension Fund Financial Statements <ul style="list-style-type: none"> • 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 • Moore Stephens - annual audit plan for the Non Local Authority Funds including agreement of the audit fee • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update

Agenda Item 15

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 16

By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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