

## ANNUAL GOVERNANCE STATEMENT 2015/16

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### Scope of Responsibility

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

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### The Purpose of the Governance Framework

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

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### Key Elements of the Governance Framework

#### Code of Corporate Governance

9. The principles of good governance are embedded within a comprehensive published Code of Corporate Governance. This code covers both the local authority and police authority roles, and links together a framework of policies and procedures, including:

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

- Standing Orders, which govern the conduct of the City's affairs, particularly the operation of Committees and the relationship between Members and officers;
  - Financial Regulations, which lay down rules that aim to ensure the proper management and safeguarding of the City's financial and other resources;
  - Terms of reference for each Committee;
  - A Scheme of Delegations, which defines the responsibility for decision-making and the exercise of authority;
  - A Members' Code of Conduct, which defines standards of personal behaviour; a Standards Committee whose role is to promote high standards of member behaviour and to deal with complaints made against members, and register of interests, gifts and hospitality;
  - A Code of Conduct for employees;
  - A corporate complaints procedure, operated through the Town Clerk's Department, with a separate procedure in Community and Children's Services, to comply with the relevant regulations;
  - A corporate Project Toolkit and other detailed guidance for officers, including procedures and manuals for business critical systems;
  - An anti-fraud and corruption strategy, including: anti-bribery arrangements; a social housing tenancy fraud, anti-fraud and prosecution policy; and a whistleblowing policy;
  - A Risk Management Strategy;
  - Job and person specifications for senior elected Members and the Court of Aldermen; and
  - A protocol for Member/officer relations.
10. The City's main decision making body is the Court of Common Council, which brings together all of the City's elected members. Members sit on a variety of committees which manage the organisation's different functions, and report to the Court of Common Council on progress and issues as appropriate. The Town Clerk and Chief Executive is the City's statutory head of paid service, and chairs the Chief Officers' Group, and the Summit Group, which is the primary officer decision-making body. In 2015/16 a new officer governance framework was introduced, comprising three Chief Officer Steering Groups and two Chief Officer Delivery Groups, reporting to the Summit Group. The Comptroller and City Solicitor discharges the role of monitoring officer under the Local Government and Housing Act 1989.
11. The Court of Common Council is defined as the police authority for the City of London Police area in accordance with the provisions of the City of London Police Act 1839 and the Police Act 1996.
12. The role of police authority is to ensure that the City of London Police runs an effective and efficient service by holding the Commissioner to account; to ensure value for money in the way the police is run; and set policing priorities taking into account the views of the community. These, and other key duties, are specifically delegated to the Police Committee. The Police Committee has two Sub Committees and a Board to provide enhanced oversight in specific areas of police work:
- The Professional Standards and Integrity Sub Committee has responsibility for providing detailed oversight over professional standards and integrity within the Force, and examines the casework of every single complaint recorded by the Force;
  - The Performance and Resource Management Sub Committee monitors performance against the Policing Plan and oversees management of risk, human and financial resources; and
  - The Economic Crime Board considers matters relating to the Force's national responsibilities for economic crime and fraud investigation.

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**Deleted:** The legislation that introduced Police and Crime Commissioners and Police and Crime Panels during 2012 does not apply to the City of London; the Court of Common Council, therefore, continues to be defined as the police authority for the City of London Police area.

13. Under the Localism Act 2011, the City is under a duty to promote and maintain high standards of conduct by Members and co-opted Members. In particular, the Court of Common Council must adopt and publicise a code dealing with the conduct that is expected of Members when they are acting in that capacity, and have in place a mechanism for the making and investigation of complaints. The Court approved the current Code of Conduct in October 2014, following a review by the Standards Committee.
14. The City has appropriate arrangements in place under which written allegations of a breach of the Member Code of Conduct can be investigated and decisions on those allegations taken. The Standards Committee has approved a Complaints Procedure. A Dispositions Sub Committee exists for the purposes of considering requests from Members for a dispensation to speak or vote on certain matters (where they have a disclosable pecuniary interest and are otherwise prevented from participation) being considered at Committee meetings. Elected and co-opted Members are invited to review and update their Member Declarations on an annual basis (although there is no statutory requirement to do so).
15. Under section 28 of the Localism Act, the City is required to appoint at least one Independent Person to support the new standards arrangements. In June 2012, the Court of Common Council gave support to three appointments to the position of Independent Person, and also agreed a revised constitution and terms of reference for the Standards Committee, to be adopted under section 28 of the Act.
16. The Localism Act also requires the City to prepare and publish a Pay Policy Statement each year, setting out its approach to pay for the most senior and junior members of staff. The Pay Policy Statement for 2015/16 was agreed by the Court of Common Council in March 2015 and published on the City's website.
17. To assist in meeting the City's obligations under the Bribery Act 2010, officers with decision-making powers in relation to higher risk activities are required to make an annual declaration to confirm that they have met the requirements relating to potential conflicts of interest, as set out in the Employee Code of Conduct, and to confirm that they have not engaged in any conduct which might give rise to an offence under the Act.
18. As a result of the Protection of Freedoms Act 2011-12, revisions were agreed to the City's policy and procedures in respect of the Regulation of Investigatory Powers Act 2000 (RIPA), which regulates surveillance carried out by public authorities in the conduct of their business. A report is made quarterly to the Policy and Resources Committee on the City's use of RIPA powers.

#### Standards Committee

19. The Standards Committee oversees the conduct of Members in all areas of the City of London Corporation's activities be it local authority, police authority or non-local authority functions. Its main responsibility is to promote and maintain high standards of conduct by elected Members and Members co-opted on to City of London Committees.
20. Its functions include:
- monitoring and regularly reviewing the operation of the Code of Conduct for Members and related procedures;
  - considering any alleged breaches of the Code;
  - monitoring Members' declarations to ensure compliance with both the statutory and local registration requirements;
  - regularly reviewing the complaints procedure and dispensations arrangements, and
  - submitting an annual report to the Court of Common Council.
21. During 2015/16, the Standards Committee endorsed a proposal for the adoption and implementation of a consistent approach to the management and publication of declarations of interest by the City Corporation's elected Members, each of its Co-opted members, and the Independent Persons on the Standards Committee. Amongst the other matters considered by the Committee were a revised complaints procedure and form (relating to alleged breaches of

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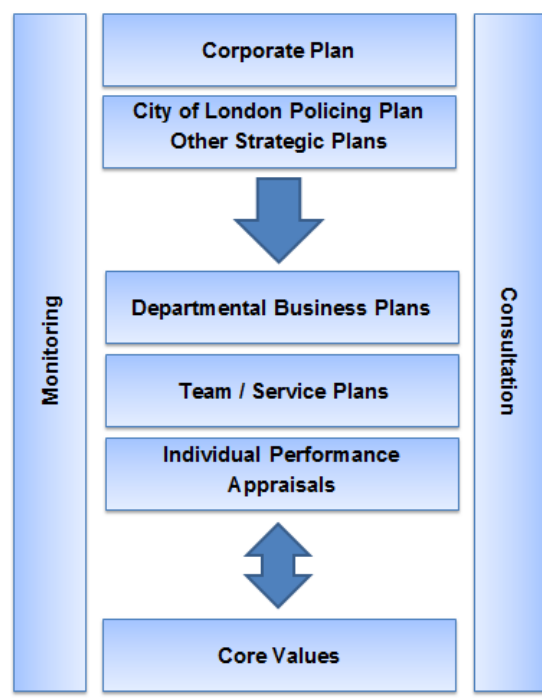
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the Members' Code of Conduct); revised guidance to Members regarding the Code of Conduct, and an annual review of the Protocol on Member/Officer Relations, including a review of the Employee Code of Conduct.

#### Business Strategy and Planning Process



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22. The City has a clear hierarchy of plans, setting out its ambitions and priorities:

- The Corporate Plan shows how the City Corporation will fulfil its role as a provider of services both inside and outside of the City boundaries. The Corporate Plan includes a statement of the City's Vision, Strategic Aims, Key Policy Priorities, Core Values and Behaviours.
- The City of London Policing Plan details the policing priorities and shows how these will be delivered over the coming year. It also contains all the measures and targets against which the Police Committee hold the City of London Police to account.
- The Communications Strategy sets out the City's plan of action over the short to medium-term for communicating its activities and managing its reputation.
- The Cultural Strategy presents a coherent view of the City's important cultural and heritage-related contributions to the life of London and the nation.
- Other corporate plans and strategies are mentioned elsewhere in this document.

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23. Plans and strategies are informed by a range of consultation arrangements, such as City-wide residents' meetings, representative user groups and surveys of stakeholders. The City has a unique franchise, giving businesses (our key constituency) a direct say in the running of the City, and a range of engagement activities, including through the Lord Mayor, Chairman of Policy and Resources Committee and the Economic Development Office. An annual consultation meeting is held for business rates and council tax payers.

24. The Health and Social Care Act 2012 transferred responsibility for health improvement of local populations to local authorities in England, with effect from 1<sup>st</sup> April 2013. The new duties included the establishment of a Health and Wellbeing Board, which provides collective leadership to improve health and wellbeing for the local area.

#### Information Management Strategy

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25. The Information Management Strategy (approved October 2009) sets out the headline approach to information management in the City. It summarises the current position, gives a vision of where we want to be and proposes a set of actions to start us on the path to that vision. The Strategy defines our approach to the other key elements for information management, in particular data security and data sharing.

26. Overall responsibility for Information Management Governance is vested in the Information Systems (IS) Sub Committee. The Information Management Governance Steering Group reports to the Strategic Resources Group and the IT Steering Group, both chaired by the Chamberlain. Both groups report to the Summit Group and the IS Sub Committee. The Chamberlain is now the Senior Information Risk Owner (SIRO) and work continues to identify Information Asset Owners (IAO) within departments and build an information asset register.

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#### Financial Management Arrangements

27. The Chamberlain of London is the officer with statutory responsibility for the proper administration of the City's financial affairs. In 2010 CIPFA issued a "*Statement on the Role of the Chief Financial Officer in Local Government*" which codifies the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The City's financial management arrangements conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.
28. The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, a system of delegation and accountability, and independent scrutiny. In particular the system includes:
- a rolling in depth survey of the City's forecast position over a five year period;
  - comprehensive budget setting processes;
  - monthly, quarterly and annual financial reports which indicate performance against budgets and forecasts;
  - access by all departmental and central finance staff to systems providing a suite of enquiries and reports to facilitate effective financial management on an ongoing basis;
  - ongoing contact and communication between central finance officers and departmental finance officers;
  - clearly defined capital expenditure guidelines;
  - formal project management disciplines;
  - the provision of high quality advice across the organisation;
  - an internal audit service combining in-house staff with external knowledge and expertise;
  - insuring against specific risks;
  - scrutiny by Members, OFSTED, CQC, HMIC, other inspectorates, External Audit and other stakeholders, and
  - requests for Members and Chief Officers to disclose related party transactions including instances where their close family have completed transactions with the City of London Corporation.
29. The City has a long-standing and in-built culture of maximising returns from its resources and seeking value for money. It assesses the scope for improvements in efficiency /value for

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money at a corporate and service level by a variety of means, including improvement priorities set by the Policy and Resources Committee through the annual resource allocation process, and internal examination and review by the Efficiency and Performance Sub Committee.

30. For non-Police services, the local government settlement in autumn 2015 was challenging but fell within the prudent assumptions included with the City's financial forecast. Agreed actions from a service based review will deliver efficiencies, savings and opportunities for additional income totalling some £11m a year by 2018/19. Subject to there being no significant adverse changes in financial planning assumptions across the period, forecasts indicate a small surplus in each of the next financial years moving close to breakeven by 2019/20. However, the economic outlook and public finances have deteriorated since the announcement of the local government settlement and there is no guarantee that government funding will be not be revised further downwards in future years. The position is being monitored on an ongoing basis.
31. The Efficiency and Performance Sub Committee has responsibility for monitoring and oversight of the delivery of the Service Based Review savings and increased income, and the cross-cutting efficiency reviews, and continues to challenge the achievement of value for money, helping to embed further a value for money culture within the City's business and planning processes.
32. City of London Police manages its budget on a ring-fenced basis. The Court of Common Council has agreed to increase the Business Rates Premium from April 2016 (the first increase for ten years) with the additional income, estimated at £1.6m a year, being allocated to the Police to cover emerging cost pressures relating to security. Nevertheless, the underlying financial position remains challenging with deficits forecast across the period and reserves exhausted during 2017/18. This is despite implementing a challenging savings plan and previous budget reductions resulting in a 14% decrease in the number of police officers and £16m removed from the budget.
33. The Force has a robust financial strategy in place to balance the budget over the period to 2018/19, which includes provision for a minimum general reserve balance for unforeseen or exceptional operational requirements. The Force and the City Corporation are also investigating areas for greater collaboration, including the development of a Joint Contact and Control Room as part of the One Safe City programme.
34. The Police Performance and Resource Management Sub Committee's responsibilities include overseeing the Force's resource management in order to maximise the efficient and effective use of resources to deliver its strategic priorities; monitoring government and other external agencies' policies and actions relating to police performance; overseeing the Force's risk management arrangements, and ensuring that the Force delivers value for money.
35. The Policy and Resources Committee determines the level of the City's own resources to be made available to finance capital projects on the basis of a recommendation from the Resource Allocation Sub Committee. Ordinarily, such projects are financed from capital rather than revenue resources, and major projects from provisions set aside in financial forecasts.
36. The City has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:
  - Financial Strategy. This provides a common base for guiding the City's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
  - Budget policy. The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers to continuously seek improved efficiency;

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**Deleted:** <#>In addition, cross-departmental reviews are being undertaken to identify further potential savings/increased incomes. The activities subject to review include:¶ <#>Grant giving, the effectiveness of hospitality; operational assets; contract management; asset management; and¶ <#>Income generation from car parking in the City; conference and business events; and the marketing of visitor attractions.¶

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- Annual resource allocation process. This is the framework within which the City makes judgements on adjustments to resource levels and ensures that these are properly implemented;
- ~~Corporate **Property** Asset Management **Strategy**. This aims to ensure that the **City's operational assets are managed effectively, efficiently and sustainably, in support of the organisation's strategic priorities and business needs**.~~
- Capital project evaluation, management and monitoring. The City has a comprehensive system of controls covering the entire life cycle of capital and major revenue projects; and
- Treasury Management and Investment Strategies. Setting out the arrangements for the management of the City's investments, cash flows, banking and money market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

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37. Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members.

38. The performance of the City's financial and property investments are monitored **and benchmarked** regularly, both in-house and independently, through **experts in the field**.

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39. The City's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy, and provide value for money.

#### Risk Management

40. In May 2014, the Audit and Risk Management Committee approved a new Risk Management Strategy which set out a new policy statement and a revised framework, which aligns with the key principles of ISO 31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The Strategy emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level. The Strategy assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives.

41. The Risk Management Group, consisting of senior managers representing all departments, including the City of London Police, meets twice annually. The group is a considerable driver in promoting the application of consistent, systematic risk management practices across the organisation. Strategic decisions on risk management are made by the **Chief Officers Summit Group on a quarterly basis**. **Oversight of corporate risk is provided by the Chief Officers' Group and the Audit and Risk Management Committee.** These arrangements have **been** strengthened with the establishment of a Chief Officer Risk Management Group. This meets quarterly to review, in depth, the corporate risk register and report their findings to the Summit Group when they consider the quarterly risk update report. In addition to receiving quarterly risk update reports, the Audit and Risk Management Committee has adopted a cycle of regular departmental risk challenge sessions, with Chief Officers and their respective Committee Chairmen, which take place prior to their meetings. The Committee has also introduced the regular reporting of top departmental risks to every Service Committee.

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42. The corporate risk register contains **eleven risks, including two new risks which have been added during the last year.**

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#### Health & Safety

43. The Health & Safety at Work Act 1974 (the Act) requires the City as an employer to ensure that it implements systems for the protection of its staff and visitors. The City's systems are aligned to HSG65, the Health and Safety Executive's guidance document on the essential philosophy of good health and safety. The City's systems will remain aligned with this

guidance, to ensure that safety becomes part of normal business by applying a practical, sensible and common sense approach.

44. A critical component of the City's management system is monitoring and review. The management system and policy were modified slightly in response to the introduction of the new officer governance framework in January 2016.
45. The compliance audits that were introduced last year have continued, and have proven useful in allowing the Health & Safety Team to drive local and corporate improvements in compliance. They have also assisted the Health & Safety Committee to monitor safety performance through the use of Key Performance Indicators.
46. An independent external audit of the Safety Management System was undertaken by the British Safety Council in November. The City Corporation was awarded a four star (out of five) rating which equates to a ranking of 'very good'. The audit evidenced that very good safety mechanisms and structures were in place corporately, and that these were being applied in the departments sampled. The auditors were particularly complimentary about the leadership being shown at the top of the organisation.
47. Top X (the City's Health & Safety risk management system) continues to be an effective safety risk management tool. Work was started in early 2015 to align this process to the City's broader risk management process. Risk assessments used for Health & Safety were successfully modified to the corporate risk matrix. This alignment has now been completed and Top X reports are being reported through the corporate risk management system. Some departments are yet to fully move onto this system, but the expectation is for this to be fully implemented by November 2016. Top X continues to support health and safety compliance and protect the organisation against any potential Corporate Manslaughter Act 2007 offences. Top X provides the Summit Group and Chief Officers' Group with a corporate strategic oversight of any safety risks by way of a regular report.

#### Business Continuity

48. The Civil Contingencies Act 2004 requires the City, as a Category 1 responder, to maintain plans to ensure that it can continue to exercise its functions in the event of an emergency. The City is required to train its staff responsible for business continuity, to exercise and test its plans, and to review these plans on a regular basis.
49. The City has an overarching Business Continuity Strategy and Framework and each department has their own business continuity arrangements. Both corporate and departmental arrangements are regularly reviewed to ensure they align with the relevant risk registers and business objectives. Officers from the different departments share best practice and validate their arrangements through the Emergency Planning and Business Continuity Steering Group, which sits on a quarterly basis. New arrangements that seek to increase the resilience of the City's technology infrastructure have been introduced and technical tests are being carried out to ensure their robustness. These arrangements seek to replace the Guildhall as a single point of failure for the City's IT provision. The move to a more resilient backbone should enhance the continuity of service for remote workers, and at other sites, even if the Guildhall is affected.
50. Programme management of the City's business continuity management system (BCMS) lies with the Resilience Planning Team, and all departments play a role in it. In 2014, the City's resilience arrangements (including its BCMS) were reviewed by peers from other Central London local authorities. This review was part of a regular assurance process linked to the Minimum Standards for London (which set out London's core resilience capabilities). The Team continues its on-going work with the IT service provider Agilisys to ensure robust business continuity plans dovetail between IT functions and critical services.
51. The City continues to experience an array of protest and demonstration, as it is a desirable location for protest groups to maximise publicity both nationally and globally. However, by working with business and emergency service partners to ensure robust Business Continuity and emergency response plans are in place, the City maintains 'business as usual', and thus its reputation of working with and supporting local communities.

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## Role of Internal Audit

52. Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit programme, with key risk areas being reviewed annually. This is reinforced by consultation with Chief Officers and departmental heads on perceived risk and by a rigorous follow-up audit and spot checks regime.
53. The internal audit process is supported, monitored and managed by the Audit and Risk Management Committee in accordance with the Public Sector Internal Audit Standards. An Audit Charter established in 2013 was updated and agreed by the Audit and Risk Management Committee in November 2014. This defines the role of internal audit, and codifies accountability, reporting lines and relationships that internal audit has with the Audit and Risk Management Committee, Town Clerk and Chief Executive, Chamberlain and Chief Officers.
54. The Internal Audit Section operates under the requirements of the Public Sector Internal Audit Standards (PSIAS). The City of London's internal audit function was peer reviewed by the Head of Governance from the London Borough of Croydon in February 2014, and assessed as "generally conforms" to the new standard. Following a number of minor changes that were made in response to observations made in the peer review, the Internal Audit Section fully conforms to the new Standards.
55. The anti-fraud and investigation function continues to be effective in identifying fraud and corruption, particularly across the City's social housing estates, whilst conducting a wide range of risk based anti-fraud and awareness activities. The Audit and Risk Management Committee is provided with six-monthly anti-fraud and investigation up-date reports which detail the anti-fraud and investigation activity undertaken by the Anti-Fraud Team and provides progress against the strategic pro-active anti-fraud plan.
56. The Audit and Risk Management Committee received an update on the mandatory fraud awareness e-learning course for all City of London employees in April 2015, with overall staff completion reported as exceeding 95%. The fraud awareness e-learning package was refreshed and up-dated by the Anti-Fraud Team in November 2015.

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## Performance Management

57. The corporate business planning framework sets out the planning cycle with clear linkages between the different levels of policy, strategy, target setting, planning and action (the "Golden Thread").
- All departments are required to produce annual departmental business plans for approval by the relevant service committee(s). These are all clearly linked to the overall Corporate Plan and show key objectives aligned with financial and staffing resources.
  - All departmental business plans are reviewed for compliance with the corporate business planning framework, and Quality Assurance meetings are held with the Corporate Performance and Development Team.
  - All departments are required to report regularly to their service committees with progress against their business plan objectives and with financial monitoring information.
  - Regular performance monitoring meetings are held by the Deputy Town Clerk with selected Chief Officers.
  - Performance and Development Appraisals are carried out for all staff, using a standard set of core behaviours. The appraisals are used to set individual objectives and targets and to identify learning and development needs that are linked to business needs. Pay progression is linked to performance assessments under the appraisal process.
58. Performance is communicated to Council Tax and Business Rate payers through the City-wide residents' meetings, the annual business ratepayers' consultation meeting and regular electronic and written publications, including an annual overview of performance, which contains a summary of the accounts.

59. The Business Planning framework has been updated to ensure consistency, transparency and best practice, including guidance on the inclusion of an annual assurance statement on data quality within year-end performance reports.

#### Audit and Risk Management Committee

60. The Audit and Risk Management Committee is an enhanced source of scrutiny and assurance over the City's governance arrangements. It considers and approves internal and external audit plans, receives reports from the Head of Audit and Risk Management, external audit and other relevant external inspectorates, including HMIC, as to the extent that the City can rely on its system of internal control. The Committee reviews the financial statements of the City prior to recommending approval by the Finance Committee and considers the formal reports, letters and recommendations of the City's external auditors. The Committee also monitors and oversees the City's Risk Management Strategy. The Committee undertakes a systematic programme of detailed reviews of each of the risks on the City's Strategic Risk Register.

61. During 2015/16, the Committee continued its schedule of departmental risk challenge sessions. The Committee reviews the risks and risk management process for each department, on a rota basis, with one or two departments being invited to each meeting. These reviews are attended by the relevant Chairman and Chief Officer, with support and challenge applied so that risks are fully understood, and clear mitigation plans are in place. The Committee has also actively promoted a process for the regular reporting of top departmental risks to Service Committees, to encourage all Members to engage with the management of risk.

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62. The Committee has strongly supported the internal audit function by setting clear performance expectations for Chief Officers in the timely implementation of audit recommendations, as well as ensuring internal audit's independence is fully recognized. It has reviewed the outcome of the Service Based Review of the internal audit function, and is overseeing the adoption of a more efficient approach to the targeting of internal audit resources.

63. The Committee has supported the management of the Information Security corporate risk, highlighting the mandatory awareness training for all staff, resulting in a significant increase in the percentage of staff fully completing this training.

64. The Committee has taken a keen interest in cyber-security risks, having received a report in April 2015 and periodic updates. The Committee remains committed to supporting the continuous development of cyber security across the City of London Corporation.

Deleted: also supported the Anti-Fraud and Corruption Strategy, and considered the CIPFA code of practice: *Managing the Risk of Fraud and Corruption* in February 2015. Having considered all the principles of the CIPFA code of practice: *managing the risk of fraud and corruption*, the Committee are satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

#### Review of Effectiveness

65. The City has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the internal auditors and managers within the authority who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates.

66. Processes that have applied in maintaining and reviewing the effectiveness of the governance framework include scrutiny primarily by the Policy and Resources, Finance, Police, Audit and Risk Management, Investment, and Standards Committees; and the Resource Allocation, Police Performance and Resource Management and Efficiency and Performance Sub Committees.

67. This review of the main elements of the City's governance framework has not identified any significant issues for reporting to senior management.

Deleted: <#>A survey of the Committee's effectiveness was conducted during 2014/15, identifying issues to be addressed in the areas of: reviewing the work of external audit; reviewing and influencing the work of internal audit; and assessing risk management and fraud/whistle-blowing arrangements across the organisation.¶

#### Head of Internal Audit's Opinion

68. The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the City of London Corporation to inform its Annual Governance Statement. The Head of Internal Audit is satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been

undertaken to allow him to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes. In his opinion, the City has adequate and effective systems of internal control in place to manage the achievement of its objectives. In giving this opinion he has noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.

69. Notwithstanding his overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures, which management has accepted and are documented in each individual audit report. Three areas of emphasis were highlighted in the internal audit opinion relating to the follow up review of the City of London Police ICT resilience and disaster recovery arrangements, the City of London Police review of invoices on hold, and the City of London Police review of supplies and services. The weaknesses identified in these areas are being addressed by management.

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### Future Developments

70. The governance framework is constantly evolving due to service and regulatory developments and assessments. Improvement plans have been compiled in response to the reports and assessments summarised above. Controls to manage principal risks are constantly monitored, in particular for services with statutory responsibilities for the safety of vulnerable people. The City proposes over the coming year to take the following steps to maintain, develop and strengthen the existing governance framework:

- Reviewing the Complaints Procedure (in respect of complaints against Members) and the Dispensations arrangements.
- Undertaking an annual update for the registration and publication of Declarations of Interest by the City's Members and Co-opted Members.
- Delivering the benefits from the programme of cross-cutting efficiency and effectiveness reviews.
- Completing a review of information security and management, leading to: the identification of Information Asset Owners; the production of an information asset register; the development of an Information Management Policy, and the implementation of an appropriate Data Classification Scheme.
- Reviewing the corporate Business Planning and Performance Management processes and framework.
- Developing an Efficiency Plan in response to the Government's offer of a four-year funding settlement to 2019-20.
- Reviewing the implications of the Government's proposals on devolution to London, including the devolution of business rates.
- Reviewing the Internal Audit Charter.

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

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This annual governance statement was approved by the City's Audit and Risk Management Committee on 14 June 2016.

Date: ▼

John Barradell  
Town Clerk and Chief Executive

Mark Boleat  
Chairman, Policy and Resources  
Committee  
Date: ▼

**Deleted:** 30<sup>th</sup> September 2015