# Audit Committee

## 22 June 2016: 10:30am

London Councils offices are wheelchair accessible

**Location:** Meeting Room 1, London Councils, 59½ Southwark Street, London SE1 0AL

**Contact Officer:** Alan Edwards

**Telephone:** 020 7934 9911 **Email:** Alan.e@londoncouncils.gov.uk

## Agenda items

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**\* Declarations of Interests**

If you are present at a meeting of London Councils' or any of its associated joint committees or their sub-committees and you have a disclosable pecuniary interest* relating to any business that is or will be considered at the meeting you must not:

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- participate in any vote taken on the matter at the meeting.

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It is a matter for each member to decide whether they should leave the room while an item that they have an interest in is being discussed.  In arriving at a decision as to whether to leave the room they may wish to have regard to their home authority's code of conduct and/or the Seven (Nolan) Principles of Public Life.

*as defined by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012


If you have any queries regarding this agenda or are unable to attend this meeting, please contact:

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# Minutes of the Meeting of the Audit Committee
# 24 March 2016

Cllr Roger Ramsey was in the Chair

**Members Present:**

Cllr Roger Ramsey (LB Havering)
Cllr Stephen Alambritis (LB Merton)

**In Attendance:**

Philip Johnstone, Director, KPMG
Stephen Lucas, Senior Manager, KPMG
Anna Simmonds, Internal Auditor, City of London

London Councils' officers were in attendance.


## 1.      Declarations of Interest

There were no declarations of interest.


## 2.      Apologies for Absence

An apology for absence was received from Councillor Simon Wales (LB Sutton).


## 3.      Minutes of the Audit Committee meeting held on 24 September 2015

It was agreed that there would no longer be an "Any Other Business" item on future Audit Committee agendas.

The minutes of the Audit Committee meeting held on 24 September 2015 were agreed as being an accurate record.


## 4.      Internal Audit Plan 2016/17

The Audit Committee received a report of the draft internal audit plan for 2016/17, as proposed by the City of London's Internal Audit section under terms of the service level agreement for financial and payroll services. The report also provided details of the proposed rolling five-year programme covering the period up to 2020/21.

David Sanni, Head of Financial Accounting, London Councils, introduced the report and asked members to approve the 2016/17 internal audit programme, and the rolling five-year programme. There were six reviews proposed for 2016/17, as outlined in the report. Frank Smith, Director of Corporate Resources, London Councils, confirmed that regular reviews continued to be carried out on the Grants Programme. Future reviews will look at  funded organisations to ensure that they were delivering the required outcomes (this was an area under continuous review). Frank Smith said that, under the current monitoring arrangement, payments would be stopped if  any irregularities or omissions were found when checking outcomes/accounts. Councillor Alambritis said that he was pleased with the robust checks that were carried out on the organisations that received grants from London Councils.

The Audit Committee approved the internal audit programme for 2016/17 and the rolling five-year programme, as proposed by the City of London's Internal Audit Service and detailed in Appendix A of the report.

## 5.     External Audit Plan 2015/16

The Audit Committee considered a report that presented the draft external audit plan for 2015/16 prepared by London Councils' new external auditor, KPMG. The draft audit plan informed the Audit Committee of the scope of the external audit of London Councils' accounts for 2015/16.

Philip Johnstone, Director, KPMG, introduced the audit plan. He said the audit team would be led by Stephen Lucas, the Senior Manager from KPMG. He ran through the contents of the plan highlighting the outcome of their assessment of the reporting risks and the materiality levels that had been set for the audit ("Materiality" - page 19 of the report). He said that any changes to the materiality levels during the course of the audit would be reported to the Audit Committee. He said that London Councils was a well-run organisation and a smooth audit was envisaged. The Chair said that he looked forward to future external audit reports from KPMG in due course.

The Audit Committee approved the draft audit plan for 2015/16, as detailed in Appendix A of the report.

## 6.     Internal Audit Reviews

The Audit Committee received a report that provided members with an update of the internal audit reviews completed by the City of London's Internal Auditor section since the last meeting held on 24 September 2015.

David Sanni introduced the report and said that the City of London's internal audit report for the Key Financial Controls could be found at page 28. He said the review concluded that there was a sound control environment in place but also highlighted that the inventory listing should be updated to comply with the financial regulations.

David Sanni informed members that three of the 18 recommendations from the ICT strategy were still outstanding. The delay in implementation was due to complications with the technical solutions applied by the IT contractor. The Chair asked what the timescale was to implement the outstanding IT recommendations. Roy Stanley confirmed that this would take place in the next two to three months. Frank Smith said that the length of time it was taking to resolve these specific IT issues was frustrating as the system, in general, was reasonably secure. He confirmed that the revised Business Continuity Plan would be presented to the Audit Committee on 22nd June 2016.

The Audit Committee:

- Considered and commented on the contents of the internal audit report attached at Appendix A;

- Noted the position on outstanding internal audit recommendations detailed in the log attached at Appendix B; and

- Noted that there were no significant control weaknesses identified in the review completed during the period.

## 7.     Risk Management – Policy and Public Affairs Risk Register

The Audit Committee received a report that presented the current Policy and Public Affairs (P&PA) directorate risk register.

Doug Flight, Head of Strategic Policy Group, London Councils, introduced the P&PA report to members. He said that the main risks centred around lobbying, media and communications. Doug Flight said that the only financial risk was P&PA number 11 (potential legal/editorial costs). He confirmed that there were no significant changes from the previous P&PA risk register. Frank Smith said that London Councils had standard libel insurance cover. David Sanni confirmed that the same insurance excess level applied to members and officers.

The Audit Committee noted the current Policy and Public Affairs directorate risk register.


## 8.      Treasury Management Update

The Audit Committee received a report that provided members with an update on London Councils' treasury management strategy. London Councils' cash balances are held by the City of London under the service level agreement for the provision of financial support services. The investment of London Councils' cash balances is covered by the City of London's treasury management strategy, as they are aggregated with the City of London's funds for investment purposes. It was agreed by the Audit Committee in September 2009 that the Committee would receive annual reports on the City of London's treasury management activities.

The Audit Committee noted the City of London's Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17, which could be found at Appendix A of the report.


**The meeting finished at 10.55am**

# Audit Committee

## Internal Audit Reviews

## Item no: 04

| | | | | |
|---|---|---|---|---|
| **Report by:** | David Sanni | **Job title:** | Head of Financial Accounting | |
| **Date:** | 22 June 2016 | | | |
| **Contact Officer:** | David Sanni | | | |
| **Telephone:** | 020 7934 9704 | **Email:** | david.sanni@londoncouncils.gov.uk | |

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**Summary**      This report provides the Audit Committee with an update of the internal audit reviews completed by the City of London's Internal Audit section since the last meeting held in March 2016.

**Recommendations**      The Audit Committee is asked:

- To consider and comment on the contents of the internal audit reports attached at Appendix A and B;

- To note the position on outstanding internal audit recommendations detailed in the log attached at Appendix C; and

- To note that there were no significant control weaknesses identified in the reviews completed during the period.

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**Introduction**

1. At its meeting on 19 March 2015 the Audit Committee approved the internal audit plan for 2015/16 that was proposed by the City of London's Internal Audit section under the terms of the service level agreement for financial support services.

2. The status of the 2015/16 plan is presented below:

| Planned Audits | Days | Status |
|---|---|---|
| Grants | 15 | Draft report issued and awaiting management response. |
| ICT – IT Strategy | 5 | Completed |
| ICT – Information Governance | 10 | Review deferred to 2016/17 following the completion of current management review of existing Information Management and Security Policies |
| Key Finance Controls | 10 | Completed |
| Risk Management - Business Continuity Arrangements | 5 | Completed |

3. The internal audit reviews included in this report are the IT Strategy review and Risk Management and Business Continuity Planning Review.

**Internal Audit Review**

**IT Strategy**

4. The objective of the review was to establish and evaluate the adequacy of the updated IT Strategy. The review revealed that progress has been since the previous review into ICT Strategy, Security and Operational Control was completed in 2014. There were three areas of improvement identified in relation to disaster recovery testing, documentation of disk storage thresholds and verification of third party compliance. The report on the IT Strategy review can be found at Appendix A.

**Risk Management and Business Continuity Planning**

5. The objective of the review was to ensure that the Risk Management Framework is firmly embedded and that an adequate and effective Business Continuity Plan is in operation to ensure the continuation of organisation processes. The review revealed that there was an adequate control framework in place but there were areas of improvement in relation to the frequency of framework reviews, the reporting of the results of business continuity testing and the contents of the Business Continuity Plan. The report on the Risk Management and Business Continuity Planning review can be found at Appendix B.

**Internal Audit Recommendations Log**

6. A record of internal audit recommendations from previous reviews which still have outstanding recommendations can be found at Appendix C. The log provides an update on the action taken to implement the recommendations. The log includes recommendations that arose from the review of London Councils ICT strategy, security, operations and business continuity completed in February 2014, the Key Controls Review

completed in December 2015 as well as recommendations from the two reviews attached to this report.

7. The log shows that three of the eighteen ICT recommendations have not been fully implemented. One of the three outstanding recommendations has an amber risk rating. The City of London and Agilisys, its IT contractor, will jointly redesign the technical solutions required to implement the outstanding recommendations. Representatives from the City of London and Agilisys will attend the Committee meeting to provide an update on the work they intend to carry out.

8. The Audit Committee is asked to note the updated position on the outstanding internal audit recommendations detailed in the log attached at Appendix C.

## Conclusion

9. The review of the internal audit report has not revealed any significant control weaknesses.

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**Financial Implications for London Councils**

None

**Legal Implications for London Councils**

None

**Equalities Implications for London Councils**

None

**Appendices**

Appendix A:     Internal audit report on IT Strategy
Appendix B:     Internal audit report on Risk Management and Business Continuity Planning
Appendix C      Internal audit recommendation log

**Background Papers**

Audit Committee report on Internal Audit Planned Work 2015/16 dated 19 March 2015
Internal audit work file 2015/16

CITY OF LONDON

CHAMBERLAIN'S DEPARTMENT

**LONDON COUNCILS**
**ICT STRATEGY**

**FINAL REPORT**

INTERNAL AUDIT SECTION



Date Issued: 18 May 2016

Issued to:  Frank Smith        - Programme Director Corporate Resources
            Roy Stanley        - ICT and Facilities Manager
            Simon Woods        - City of London Head of IT
            Eugene O'Driscoll  - Agilisys

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## SECTION A : EXECUTIVE SUMMARY

### Introduction

This review has been undertaken as part of the 2015-16 Internal Audit plan.

London Councils (LC) is a cross-party organisation, funded and run by London member authorities comprising of 32 London boroughs and the City of London.   The Mayor's Office and the London Fire and Emergency Planning Authority are also in membership.

London Councils helps London boroughs improve the services they deliver as well as running a range of services itself, all designed to make life better for Londoners.

In 2011 City of London (CoL) took over the IT support function for London Councils and in 2013 Agilisys supplemented IT service provision as part of the CoL/Agilisys partnership agreement.

An audit review in February 2014 established that an Information and Communications Technology (ICT) strategy needed to be formalised and documented in line with the business requirements, the London Councils ICT strategy was finalised in April 2015.

The objectives of the audit exercise were to establish and evaluate the adequacy of the ICT strategy in respect of the following:

- Alignment of the ICT strategy to LC business goals for provision of an effective ICT function, ensuring long term aims and objectives of the business are considered and documented as per good practice.

- Arrangements for IT related risk management.

- Technology life cycles have been considered for proactive business continuity management.

- Future growth management is addressed with, and mechanisms are in operation for assessing increasing network/systems utilisation.

- Performance and monitoring mechanisms are in operation to address business requirements through Service Level Agreements (SLA).

- There is a clear specification of IT compliance regulations and expected standards.

## Assurance Statement

| Assurance Level | Description |
|---|---|
| **Moderate** | An adequate control framework is in place but there are weaknesses and/or a lack of compliance with recognised practices and standards which may put some system objectives at risk. |

| Recommendations | Red | Amber | Green | Total |
|---|---|---|---|---|
| Number Made: | 0 | 1 | 2 | 3 |
| Number Accepted: | 0 | 1 | 2 | 3 |

## Key Conclusions

1. **On the basis of testing performed, progress has been made since the 2014 Internal Audit review of ICT Strategy and a number of examples of good practice evidenced. The ICT strategy document has been developed with input from relevant parties and has been appropriately ratified. Testing confirmed that there are adequate arrangements for strategy review to ensure continued alignment with business goals.**

2. **Arrangements for IT related risk management were found to be generally well-controlled with a clear strategy and framework in operation. Testing confirmed that high level IT risks are clearly documented in the corporate risk register and the framework provides an escalation process to escalate low level risks to corporate level where necessary. Lower level IT risks are managed by CoL/Agilisys on behalf of London Councils and at the time of fieldwork there was limited visibility in this respect. A recommendation has not been made on the basis that Internal Audit were advised that risk review arrangements would be formalised with effect from March 2016, post audit testing.**

3. **Audit testing indicated that technology review arrangements for proactive business continuity management are generally adequate. Technology life cycle review is undertaken as part of the ICT strategy three year plan and quarterly service review meetings. Lines of responsibility for technology are clearly defined in the ICT Strategy and it is evident that several improvements have been made to overcome aged and poorly**

performing technology since the 2013 report on London Councils' IT infrastructure, for example the desktop and LAN refreshes. A recommendation has been made to undertake Disaster Recovery (DR) testing, however, to provide assurance that IT business continuity arrangements are sufficiently robust.

4. Testing confirmed that reporting is in operation on utilisation and growth management. Relevant information is communicated to interested parties on a regular basis and arrangements are in place to increase capacity. It is understood that a ten percent threshold is operated for disk utilisation this was not found to be formally documented and a recommendation has been made accordingly.

5. Performance and monitoring mechanisms are in operation to address business requirements through Service Level Agreements (SLAs). Evidence was obtained of regular engagement between Agilisys, CoL and London Councils based on relevant management information.

6. There is a clear specification of IT compliance regulations and expected standards and audit testing indicated that there are adequate measures in place internally to ensure on-going adherence. A recommendation was made in the 2014 audit review to implement an appropriate programme of training in line with industry guidelines which included compliance with DPA and FOI standards. Evidence was obtained during the current review to confirm implementation. However, a recommendation has been made in relation to arrangements for confirming third party compliance.

# SECTION B : AUDIT FINDINGS

<u>Alignment of Strategy with Business Goals</u>

7. The ICT strategy, dated April 2015, was found to be owned by the Corporate Management Board (CMB) with the support of the London Councils IT function.  It was noted that the Strategy was developed with input from senior management and other relevant parties and considers both the short and long term view to 2018.

8. Testing confirmed that business objectives and associated key services are clearly represented within the ICT strategy document and there is clear specification of the different work streams as presented by each directorate and division.   The 'strategic next steps' section highlights the mechanisms for on-going ICT development and assurance of business processes fit for purpose with the production of an ICT Technical roadmap and improvement programme.

9. The strategy documentation was found to be current to April 2015 with suitable review mechanisms to maintain the content.  Evidence was obtained of quarterly Strategy Review Group (SRG) scrutiny of Strategy deliverables.  It may be beneficial for the Strategy documentation to make reference to the role of the strategy review meetings to clarify their scope and frequency.

<u>IT Risk Management</u>

10. In general, risk management activity was found to be regulated by the Risk Management Strategy and associated framework, as approved in 2012.  A current corporate level risk register was made available and was found to clearly identify high level IT risks which are the subject of quarterly review.

11. A risk register was not available for IT risks below corporate level which are managed by the City of London via Agilisys.   It is understood from discussion with key staff at the time of audit fieldwork that review of London Councils entries in the Agilisys risk register will be included as an agenda item in the monthly service review meetings.

<u>Technology Life Cycle</u>

12. The technology life cycle for London Councils refers to renewal cycles for existing network, hardware and software systems for provision of the appropriate technical solution to meet the business objectives. Satisfactory measures are in operation to manage technology and infrastructure upgrade requirements and modernisation, including clear lines of responsibility. The technology life cycle review is undertaken as part of the ICT strategy and the quarterly service review meetings assess the adequacy of current arrangements.

13. In 2013 the CoL produced a report on London Councils infrastructure and identified opportunities for improvement. Several solution proposal documents have been drafted following the 2013 report which aim to address the risk and include business continuity considerations, as evidenced in the Local Area Network (LAN) refresh project. An example of a completed project is the rollout of the Office365 email system and it is understood that this solution provides greater robustness and business continuity due to its implementation in the cloud.

14. It is understood that the current network is in urgent need of modernisation and a solution proposal has been drafted which is anticipated to provide greater resilience. Consideration should be given to requesting further system/ network utilisation information from CoL/Agilisys once the LAN refresh project has been completed and Solarwinds monitoring tool has been implemented.

15. Testing indicated an area of weakness in relation to the Disaster Recovery (DR) element of the business continuity process. Internal Audit have been advised that DR testing will commence once the IaaS platform and an upgraded network connection is in place as part of the LAN refresh project. A recommendation has been made on the basis that assurance cannot be provided that key services will be available in the event of a disaster.

| Priority | Issue | Risk |
|---|---|---|
| Amber | No evidence was obtained of Disaster Recovery test exercises having been performed. | Assurance cannot be provided that the IT element of Business Continuity will ensure availability of key services in the event of a disaster. |
| Recommendation 1:<br>Disaster Recovery test exercises should be scheduled at the earliest opportunity to ensure continuity. | | |

| Management Response and Action Plan |
| --- |
| Recommendation accepted. London Councils have added a comprehensive testing plan to be carried out in conjunction with the City of London and Agilisys. The test plan along has been ratified by London Councils CMB and will reside in the current Business Continuity Plan (Appendix A, page 62-63) activity to commence April 2016. Testing results will be available in the quarterly updates of the BCP plan next due in July 2016. This will be implemented by August 2016<br><br>Responsibility: London Councils<br>Target Implementation Date: 31 August 2016<br><br>* Where recommendation not accepted indicate alternative action that will be taken to mitigate risk or reasoning for accepting risk exposure to be provided |

Growth Management

16. For determination of growth management two areas were reviewed: the network utilisation and disk storage.  A LAN refresh project is understood to be underway to overcome current deficiencies and assessment of network utilisation is a consideration for the future once the new LAN has been implemented.   Currently awareness of increasing network utilisation is noticeable through system slowness and the reporting of incidents rather than monitoring reports.  A recommendation has not been made as Internal Audit have been informed on completion of the LAN project, Solarwinds will be introduced to enable network monitoring.

17. Discussion with key staff determined that Agilisys apply the same criteria for disk/storage management as that in operation for the CoL however this is not formally documented.  The process is understood to be the trigger based resulting in the generation of automatic system alerts when available disk space falls below ten percent of the total disk space.  Whilst this is considered to be an adequate mechanism, on-going utilisation reports may be of benefit as disk utilisation patterns and growth history can be analysed for unusual/unexpected increases.

| Priority | Issue | Risk |
| --- | --- | --- |
| Green | Disk storage thresholds are not documented. Additionally historical growth charts have not | Without formally documented arrangements LC cannot be sure the thresholds are as expected and potentially lower thresholds can result in system unavailability. |

| | been provided to London Councils. | |
|---|---|---|

| Recommendation 2: |
|---|
| Usage criteria should be formalised and regular review of storage utilisation considered by management. |

| **Management Response and Action Plan** |
|---|
| Recommendation accepted. The activity will be carried out by Agilisys and reviewed at our monthly SLA meetings between CoL and Agilisys and commence during second quarter 2016/17 meetings.<br><br>Responsibility: London Councils<br>Target Implementation Date: 31 August 2016<br><br>* Where recommendation not accepted indicate alternative action that will be taken to mitigate risk or reasoning for accepting risk exposure to be provided |

Performance and Monitoring

18. Suitable mechanisms are in place for performance monitoring and reporting.  The SLA between London Councils and CoL/Agilisys includes fix targets and Agilisys is tasked with the responsibility for performance and monitoring and reporting against these.  Minutes of liaison meetings were reviewed as part of audit testing to confirm regular engagement.   It was noted that the main source of information is the monthly service review report which provides statistics of:

- Month on month reported incidents and service requests;
- The number of outstanding  priority 1 and 2 with associated outage;
- Progress reports on various IT areas
- The number of calls unresolved against a range of times.

All of the above provides performance trend information and facilitates analysis against business requirements.

Compliance and Standards

19. Compliance arrangements are documented in the ICT strategy though these extend to requirements extend to third parties through software

systems, for example the Lorry Control Scheme which requires Payment Card Industry (PCIDSS) compliance.  Audit testing determined that verification is not sought by London Councils of third party compliance and consideration should be given to performing periodic checks to provide on-going assurance in this respect.

| Priority | Issue | Risk |
|---|---|---|
| Green | Checks are not performed to ensure third party compliance. | Without periodic checks and provision of evidence such as compliance certificates it cannot be guaranteed that London Councils' interests are adequately safeguarded. |
| Recommendation 3<br>Where compliance is the responsibility of a third party an annual compliance certificate should be obtained. | | |
| **Management Response and Action Plan**<br><br>Recommendation accepted. Most if not all our principle third part contracts such as Lorry Control and ESP are up for renewal this year. London Councils will ensure these checks and evidence of compliance certificates are made available and incorporated into the requirements for renewal or into the new contracts. This will be actioned by September 2016<br><br>Responsibility: London Councils<br>Target Implementation Date: 30th September 2016<br><br>* Where recommendation not accepted indicate alternative action that will be taken to mitigate risk or reasoning for accepting risk exposure to be provided | | |

# APPENDIX 1: AUDIT DEFINTIONS & RESPONSIBILITIES

Assurance levels

| Category | Definition |
|---|---|
| **Nil Assurance 'Dark Red'** | There are fundamental weaknesses in the control environment which jeopardise the achievement of system objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered. |
| **Limited Assurance 'Red'** | There are a number of significant control weaknesses and/or a lack of compliance which could put the achievement of system objectives at risk and result in error, fraud, loss or reputational damage. |
| **Moderate Assurance 'Amber'** | An adequate control framework is in place but there are weaknesses and/or a lack of compliance which may put some system objectives at risk. |
| **Substantial Assurance 'Green'** | There is a sound control environment with risks to system objectives being reasonably managed. Any deficiencies identified are not cause for major concern. |

Recommendation Categorisations

| Priority | Definition | Timescale for taking action |
|---|---|---|
| **Red - 1** | 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 | Less than 1 month or more urgently as appropriate |
| **Amber - 2** | 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 - 3** | An issue where action is desirable and should help to strengthen the overall control environment and mitigate risk. | Less than 6 months |

Note:- These 'overall assurance level' and 'recommendation risk ratings' will be based upon auditor judgement at the conclusion of auditor fieldwork. They can be adjusted

downwards where clear additional audit evidence is provided by management of controls operating up until the point of issuing the draft report.

<u>Any Questions?</u>

If you have any questions about the audit report or any aspect of the audit process please contact Nirupa Gardner Senior Auditor on Ext 1298

CITY OF LONDON

CHAMBERLAIN'S DEPARTMENT

INTERNAL AUDIT SECTION

**LONDON COUNCILS**

**Risk Management and Business Continuity Planning (2015-16)**

**FINAL REPORT**

Date Issued:     May 2016

Issued to:       Christiane Jenkins, Director of Corporate Governance
                 Frank Smith, Director of Corporate Resources
                 David Sanni, Head of Financial Accounting

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|---|---|
| Audit Fieldwork completed | 17 March 2016 |
| Draft Report Issued | 22 March 2016 |
| Management Response Received Agreeing Recommendations | 11 April 2016 |
| Final Report Issued | 13 May 2016 |

## SECTION A: EXECUTIVE SUMMARY

**Introduction**

This review was undertaken as part of the agreed internal audit plan for 2015-16.

London Councils is a cross-party organisation, funded by London member authorities comprising of 32 London boroughs and the City of London.

At the time of the audit the Draft Business Continuity Plan (BCP) had been reviewed by Corporate Management Board (CMB) and was due to be finalised in March 2016.

The Risk Management Strategy & Framework was last updated and approved in May 2012.

| Assurance Level | Description |
|---|---|
| **Moderate Assurance 'Amber'** | An adequate control framework is in place but there are weaknesses and/or a lack of compliance which may put some system objectives at risk. |

| Recommendations | Red | Amber | Green | Total |
|---|---|---|---|---|
| Number Made: | 0 | 1 | 2 | 3 |
| Number Accepted: | 0 | 1 | 2 | 3 |

## SECTION B – AUDIT FINDINGS

**Key Findings:**

**Risk Management Strategy & Framework**

London Councils has developed a formal risk management process for the management of intrinsic, long term and service delivery risks, providing assurance that the organisation is able to function effectively and achieve its aims.

The Risk Management Strategy & Framework contains the following information:

- Identifying risks
- Assessing and scoring risks
- Risk Scores
- Mitigating Risks
- Reviewing the Risk Register
- Roles and Responsibilities

The Risk Management Strategy & Framework was last reviewed and updated, as presented to the London Councils' Audit Committee in 2012. In the absence of regular review of the Risk Management Strategy & Framework, it may not be reflective of current organisational processes and in alignment with the Business Plan 2015-16. **(Recommendation 1)**

**Links between Business Plan, Risk Registers and Business Continuity Plan**

London Councils' Business Plan 2015-16 sets out the five broad, over-arching themes for the year. It describes the ways in which London Councils goes about its operations with members, member authorities and others.

The directorate programmes detail the range of operations and work that will support the overall objectives, all of which relate in some way to the over-arching themes of resourcing London, securing devolution and localism, supporting London and organisational change.

On review of the risk registers and the Business Continuity Plan (BCP) we noted that they are clearly linked to the Business Plan and escalation processes are in place to ensure that organisational change is reflected in the BCP and risk registers.

**Assurance that controls are operating effectively**

Each Directorate or division is required to maintain a risk register relating to their work. We selected two risks from the Services risk register to ensure that assurance is provided

that controls in place are operating effectively. The risks selected were as follows:

A5 - Breaches in data protection and security that leads to the mishandling or misplacing of commercial, sensitive and/or personal data
B3 - Taxicard applications for in-house processing not assessed on time.

During discussions with the Chief Contracts Officer and Head of Community Services and Grants, we verified that assurances have been identified and can be evidenced to show that controls are operating effectively.

The following documentation was reviewed to evidence the controls in place:

- Act Now – Data Protection and Risk Management Training
- Data Protection and Security Agreement
- London Councils Grant Scheme 2013-15 Project Handbook
- London Councils Grants Team Manual
- Taxicard Key Performance Indicators

## **Reporting of Risk Management**

London Councils' Risk Management Strategy & Framework states that the Corporate Risk Register will be presented to the Audit Committee on an annual basis. We verified that the Audit Committee had been presented with an annual report from the Director, Corporate Governance on risk management, which includes the current versions of the directorate and Corporate Risk Registers.

In September 2011 the Audit Committee requested that the directorate risk registers were presented to the committee in rotation, one at each meeting. We obtained the following directorate risk registers and verified that they had been presented to the Audit Committee:

- Chief Executive – March 15
- Services – June 15
- CRR – September 15

The Directorate, Divisional and Corporate Risk Registers are reviewed half-yearly by London Councils' Corporate Management Board (CMB), as set out in the agreed Risk Management Strategy & Framework.  This review process ensures that the risk registers continue to reflect London Councils' corporate priorities and can be updated to take account of any threats or opportunities.

We obtained the last two risk register update reports that were presented to CMB in February 2016 and August 2015.

We noted that the Risk Register update reports include information on the following:

- Current position
- Presentation to Audit Committee
- Corporate Risk Register
- Chief Executive's Directorate Risk Registers
- Policy and Public Affairs Directorate Risk Register
- Services Directorate Risk Register
- Implications

## Business Continuity Plan Roles and Responsibilities

A draft BCP has been produced (January 2016) to provide managers and staff with up to date information and step-by-step guidance on how best to respond to a range of disruptive situations that would, if not addressed, lead to the failure of the service.

The plan contains details of Directorate key functions, staff, resources and essential contact numbers for use in a situation likely to disrupt business. The Plan is intended as a guide to provide a basis for informed decision-making in dealing with a range of abnormal situations.

The draft BCP contains the following information:

- Plan Management
- Critical Function Priority List
- Roles and responsibilities
- Business Impact Analysis
- Types of business continuity incidents and recommended actions
- Resource and access to service
- Plan supplements
- Third party arrangements

Roles and responsibilities are detailed within the BCP. Roles and responsibilities have been designated to teams:

- Gold
- Silver
- Bronze

Each team has its own roles and responsibilities to ensure that the BCP is effective in the event of a disaster. Team members have been stated within the BCP along with their contact details and role/responsibility.

## Reporting of the Business Continuity Plan

The BCP does not contain a reporting mechanism for the BCP test results to the Audit Committee. In the absence of a full disaster recovery report of results, the Audit Committee does not have assurance that the Business Continuity processes in place are sufficient to protect London Councils from potential disruption. **(Recommendation 2)**

## Testing of the Business Continuity Plan

A testing timetable forms part of the BCP. On review of the timetable we noted that only certain aspects of the BCP have been scheduled for testing e.g. Remote Access Service capacity testing (post 2FA upgrade). The types of potential business continuity incidents listed had not yet been included for testing. In the absence of full BCP testing, London Councils do not have assurance that business continuity arrangements in place are effective at continuing business operations in the event of an incident. **(Recommendation 3)**

## Business Impact Assessments and Content of the Draft BCP

The Silver and Bronze teams have identified their own key tasks where necessary in order of priority by completing the Service Impact Analysis. This is used to determine urgent and non-urgent tasks within their service area. On review of the Business Impact Assessments we noted that 10 business impact assessments had not yet been completed. The ICT & Facilities Manager provided a timetable of when the business impact assessments will be completed.

However we noted that at present the BCP does not state how often the business impact assessments will be reviewed and updated by directorates. In the absence of regular review, London Councils may be at risk of not updating the BCP to reflect organisational change which impacts the effectiveness of the BCP.

Additionally on review of the draft BCP we noted that the following information is not stated:

- Review and approval process of the Business Continuity Plan
- Scenario testing timetable
- Reporting results of scenario testing
- Business Impact Analysis review and update timetable
- Roles and responsibilities of City of London, Agilisys and London Councils
- Critical systems and associated Recovery Time Objective (RT0)
- Relevant stakeholders

**(Recommendation 3)**

## Risk Management Strategy & Framework

| Priority | Issue | Risk |
|----------|-------|------|
| **Green** | The Risk Management Strategy & Framework was last formally reviewed and approved by the Audit Committee in May 2012. | The Risk Management Strategy & Framework is not reflective of current organisational processes. Risk Management Strategy & Framework not in alignment with the Business Plan 2015-16. |
| **Recommendation 1:** The Risk Management Strategy & Framework should be scheduled for review and update every three years to ensure that it is reflective of current organisational processes and subsequently approved by the Audit Committee. | | |
| **Management Response and Action Plan** Management is happy for a recommendation to be made to the Audit Committee when this Internal Audit Report is reported, that the Risk Management Strategy & Framework is formally reviewed during the course of 2016/17 and any proposed changes are reported to Audit Committee for approval and that it is then reviewed on a periodic basis. Responsibility: Christiane Jenkins, Director, Corporate Governance Target Implementation Date: September 2016 * Where recommendation not accepted indicate alternative action that will be taken to mitigate risk or reasoning for accepting risk exposure to be provided | | |

## Reporting of the Business Continuity Plan

| Priority | Issue | Risk |
|----------|-------|------|
| **Green** | Test results of the Business Continuity Plan are not scheduled to be presented to Audit Committee. | Business Continuity processes in place are insufficient to protect London Councils from potential disruption. |
| **Recommendation 2:** When the Business Continuity Plan is tested, the results should be recorded and presented to Audit Committee. This requirement should be updated in the Business Continuity Plan. | | |
| **Management Response and Action Plan** The results of the Business Continuity Plan (BCP) tests will be recorded and reported to | | |

the Audit Committee.  The BCP will be updated to reflect this.

Responsibility: Roy Stanley, Information & communications technology and facilities manager

Target Implementation Date: Completed

\* Where recommendation not accepted indicate alternative action that will be taken to mitigate risk or reasoning for accepting risk exposure to be provided

## Business Impact Assessments and Content of the Draft BCP

| Priority | Issue | Risk |
|---|---|---|
| **Amber** | The draft Business Continuity Plan does not contain information to enable effective business continuity arrangements to be undertaken | The Business Continuity Plan is not effective in the event of an incident. |

**Recommendation 3:**

Prior to the finalisation of the Draft Business Continuity Plan the following should be considered for inclusion:

- Review and approval process of the Business Continuity Plan
- Scenario testing timetable
- Reporting results of scenario testing
- Business Impact Analysis review and update timetable
- Roles and responsibilities of City of London, Agilisys and London Councils
- Identification of critical systems and associated recovery time objective (RTO)
- Relevant stakeholders

**Management Response and Action Plan**

The recommendation is accepted and the listed items have been considered and incorporated as follows:

Review and approval process of the Business Continuity Plan – The plan is scheduled for review every three months by the ICT and Facilities Manager (the Core Plan Owner) and any relevant information such as structure charts and contact details updated. Any significant changes to the plan layouts will be referred to CMB for approval.

Scenario testing timetable – This timetable will be included within Appendix A which has been redrafted. It will be split into quarterly projected tasks over the next twelve months.

Reporting results of scenario testing – A third column will be added to Appendix A outlining the test results.

Business Impact Analysis (BIA) review and update timetable – This will be the

responsibility of each of the BIA plan owners and the overall responsibility of the Silver Team leads as outlined in Sections 2 and 4 of the plan.

Roles and responsibilities of City of London, Agilisys and London Councils – This level of detail will be outlined within the 'Critical Systems and Associated RTO' document, currently being drafted, which will hold the more technical details to the plan. Their roles and responsibilities are also outlined in section 4 of the current ICT Strategy 2015-18 documents.

Identification of critical systems and associated recovery time objective (RTO) – This level of detail will also be outlined within the 'Critical Systems and Associated RTO' document which will hold the more technical details to the plan.

Relevant stakeholders – This is detailed within the current ICT Strategy 2015-18 document."

Responsibility: Roy Stanley, Information & communications technology and facilities manager

Target Implementation Date: Completed

* Where recommendation not accepted indicate alternative action that will be taken to mitigate risk or reasoning for accepting risk exposure to be provided

## APPENDIX 1: AUDIT DEFINITIONS AND RESPONSIBILITIES

Assurance levels

| Category | Definition |
|---|---|
| **Nil Assurance 'Dark Red'** | There are fundamental weaknesses in the control environment which jeopardise the achievement of system objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered. |
| **Limited Assurance 'Red'** | There are a number of significant control weaknesses and/or a lack of compliance which could put the achievement of system objectives at risk and result in error, fraud, loss or reputational damage. |
| **Moderate Assurance 'Amber'** | An adequate control framework is in place but there are weaknesses and/or a lack of compliance which may put some system objectives at risk. |
| **Substantial Assurance 'Green'** | There is a sound control environment with risks to system objectives being reasonably managed. Any deficiencies identified are not cause for major concern. |

Recommendation Categorisations

| Priority | Definition | Timescale for taking action |
|---|---|---|
| **Red - 1** | 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 | Less than 1 month or more urgently as appropriate |
| **Amber - 2** | 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 - 3** | An issue where action is desirable and should help to strengthen the overall control environment and mitigate risk. | Less than 6 months |

Note:- These 'overall assurance level' and 'recommendation risk ratings' will be based upon auditor judgement at the conclusion of auditor fieldwork. They can be adjusted downwards where clear additional audit evidence is provided by management of controls operating up until the point of issuing the draft report.

## APPENDIX 2 – SCOPE AND EXCLUSIONS

SCOPE OF THE REVIEW

Internal Audit examined evidence that:

- A Risk Management Framework was in place and made available to all staff;
- Links were clearly seen between the London Councils' business plan, risks in the risk register and Draft Business Continuity Plan;
- Assurances have been identified and can be evidenced to show that controls are operating effectively;
- Risk management was regularly reported to Corporate Management Board and Audit Committee;
- The Draft Business Continuity plan clearly sets out roles and responsibilities and resources required to invoke such plans;
- The Draft Business continuity plan has been scheduled for regular testing. Testing has been undertaken prior to the implementation of the revised Business Continuity Plan;
- Reporting of the Business Continuity Plan once implemented to provide assurance that the Business Continuity was effective in continuing business operations;
- Business impact assessments have been undertaken to feed into the Business Continuity Plan;

EXCLUSIONS

- Our findings did not provide assurance that every risk on the risk register is being effectively controlled at an operational level
- We did not comment on the organisation's risk appetite definition but confirmed if it has been defined and clearly communicated
- We did not provide an opinion in relation to the risk strategies and policies
- We did not independently test the Business Continuity Plan
- Testing was focused on the Draft Business Continuity Plan
- This audit did not review or comment on the disaster recovery arrangements in place.
- Any testing undertaken as part of this audit was compliance based and sample testing only.

**Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.**

What Happens Now?

Internal audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The ongoing progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit & Risk Management Committee.

Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact Pat Stothard, Head of Audit & Risk Management via email to pat.stothard@cityoflondon.gov.uk.

**ICT Review (February 2014)**

| Risk rating | Recommendations | Accepted | Implemented | Outstanding |
|---|---|---|---|---|
| <span style="background-color:red">Red</span> | 0 | 0 | 0 | 0 |
| <span style="background-color:yellow">Amber</span> | 7 | 7 | 6 | 1 |
| <span style="background-color:green">Green</span> | 12 | 11 | 9 | 2 |
| | **19** | **18** | **15** | **3** |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 1**<br><br>Issue:<br>A current ICT strategy does not exist.<br><br>Risk:<br>The lack of a current ICT strategy and therefore lack of planning can result in risk of failure to achieve business objectives.<br><br>Risk rating: <span style="background-color:yellow">Amber</span><br><br>Recommendation:<br>Formalise and document the ICT strategy in line with the business requirements. | The current ICT Strategy was ratified in June 2005 so is due for revision. The Corporate Management Board has agreed that the revised strategy will be consulted upon and produced post April 2014. This will give the organisation sufficient time to instigate and complete critical mail, server and infrastructure improvement projects by March 2014.<br><br>Responsibility: Frank Smith, Director, Corporate Resources<br><br>Target Implementation Date: August 2014<br><br>Progress note (September 2014):<br>The critical projects led by the City of London ICT and Agilisys had been delayed hence the delay in completion of the task.   The mail migration project and server tasks noted were finally were only delivered early September 2014 with a revised date proposed of October 2014 for the infrastructure recommendations. Revised date for strategy completion, January 2015. | Recommendation implemented |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 2**<br><br>Issue:<br>A staff data security and sensitive data awareness training programme does not exist thus staff potentially unaware of the data security aspects related to their environment.<br><br>Risk:<br>Data loss due to insufficient training with a potential for loss of reputation.<br><br>Risk rating: Green<br><br>Recommendation:<br>LC are recommended implement an appropriate programme of training in line with industry guidelines. | London Councils has been trying to implement an appropriate programme of training in line with what the City of London does for some time. However, the on-line/e-learning courses on protecting Information and Data Security which City of London employees are required to complete is only now available to London Councils staff. The DPA and FOI modules are not.<br><br>A training package will be developed which combines what is available on-line via the e-portal with a bespoke London Councils element, which will be delivered to all staff at Southwark Street/Angel Square.<br><br>Responsibility: Christiane Jenkins, Director, Corporate Governance<br><br>Target Implementation Date: August 2014 | Recommendation implemented |
| **Recommendation 3**<br><br>Issue:<br>Computer room does not conform to best practice guidelines and generally needs improving such as suitable preventative measures in place.  For example the cooling mechanism needs an approved permanent solution, computer cables need labelling and tidying, etc.<br>Audit is aware there is an on-going improvement programme underway in this area as part of the LC report by CoL and most parts are being already being dealt with.<br><br>Risk:<br>Partial or total loss of the computer room and/or services thus adversely affecting the business with a potential for loss of reputation. | All redundant kit and cabling has already been removed from the computer room and as exiting server hosts are being virtualised remaining redundant hardware will be decommissioned. The mail server hosts will be decommissioned post the Office365 migration in April/May 2014.  A UPS has also been installed to support the new virtual server environment. The remaining phone and PBX servers will also be virtualised.<br><br>A second permanent air cooling unit was commissioned and installed in January 2014 providing the required air cooling temperature throughout this space. | Recommendation implemented |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| Risk rating: <mark>Amber</mark><br><br>Recommendation:<br>LC are recommended to review all aspects of the computer room and improve/align them with industry best practice guidelines. | Any other required improvements are building works changes. As the building is owned by the City of London Corporation, it is suggested that the City Surveyors provide costs for these improvements, as a refurbishment of the server room together with any 3rd party equipment should be completed as a single project.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: January 2015<br><br>Progress note (September 2014)<br><br>Activities met February to August 20014;<br>• Avaya PBX upgraded alongside associated patch cabling and voice networking<br>• Three additional physical data and production servers have now been virtualised, with only one server (DOCSERVER) remaining on-site scheduled for migration to new virtual platform post the Office 365 migration September 2014. BlackBerry (BBERRY)server now decommissioned (hosted within Office 365 cloud service) and old telephone server (PHONESERVER) decommissioned and new admin and voicemail server for new Avaya phone platform rebuilt as a virtual Windows 2008 server<br><br>• Activities to be completed post September 2014;<br>• Destruction and removal of all redundant server data on decommissioned physical servers hardware and safe collection and disposal organised | |

| Issue, Risk & Recommendation ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| | • As part of the London Councils PATAS (parking & Traffic Appeals Service) service tender a Lot has been incorporated for the provision of a full managed ICT services at London Councils from June 2015. This would include the management and hosting of the complete London Councils server infrastructure into IaaS platform which means the Southwark Street site would become infrastructure free from June 2015. We will know more regarding the award of this lot once contract has been awarded in November 2014 | |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 4**<br><br>Issue:<br>Email is running on outdated fragile hardware. Email software is two versions out of date and on extended support until April 2014.<br><br>Email is critical to LC for performing the daily business operations.<br><br>Risk:<br>Email service failure or Email is unsupported.<br><br>Risk rating: <mark>Amber</mark><br><br>Recommendation:<br>LC and CoL are aware of the risks (from the LC technology report) of the current software and timescales. A project to replace the Email system (implementation scheduled for first quarter of 2014) with the cloud based Office 365 is underway, however delays are already occurring. The project and the interdependencies need to be carefully and regularly monitored to ensure delays are minimised otherwise an interim solution should be investigated and implemented prior to the expiry of the extended support date. | These issues will be resolved with migration of LCs email stores to cloud storage (Office 365). This project is has been scoped in conjunction with CoL and cloud consultants Content & Code. Progress and project plan is reviewed weekly with controls in place. Tests will begin with a testing group during February 2014 with full roll-out projected to be completed early April 2014.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: April 2014 | Recommendation implemented |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 5**<br><br>Issue:<br>The IP network at the Southwark Street currently utilises a public IP range.<br><br>The use of a public IP range is not considered best practice and can cause issues with a network that has connection to the Internet.<br><br>Risk:<br>Future IP conflicts are possible with the reallocation of the IP range.  LC systems using this range will become unusable.<br><br>Risk rating: <mark>Green</mark><br><br>Recommendation<br>The London Councils Reports highlighted this issue however a proposed solution has not been confirmed yet. Consider implementation of a proper IP subnet to improve security and conform to best practice standards to avoid future problems. | The London Councils network in its present topology could support multiple subnets however additional or replacement networking equipment would be required to achieve this. Agilisys, the City of London's ICT contractor can provide London Councils with a proposal for this network infrastructure upgrade and the project plan for migrating to a new IP addressing scheme. This would be a new service request that would need to be further scoped. City estimates are at present around £40,000 for this piece of work.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: January 2015<br><br>Progress note (September 2014)<br>Cost estimates and network proposals from City of London ICT and Agilisys quoted to accomplish this activity have not altered. As an element of the London Councils PATAS service we have requested the tenders to propose options for the networking infrastructure piece so it may be prudent to explore the models and solutions being proposed by the managed service tenders if contract is awarded to another ICT provider. The tenderers on the Lot 3 shortlist have proposed solutions which we would then work on in detail post contract award in November 2014. | In conjunction with City of London ICT and Agilisys partners, the technical solutions for this activity has been recrafted to incorporate the corporate project LAN and network upgrade/refresh and the two factor authentication project with a revised and combined delivery date of 29th July 2016. |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 6**<br><br>Issue:<br>Password security standards for LC does not exist therefore security within a number of systems is probably less than best practice.<br><br>Risk:<br>Risk of unauthorised access to systems and sensitive data.<br><br>Risk rating: <mark>Green</mark><br><br>Recommendation:<br>Establish and implement LC password security standard in line with industry best practice and apply to all systems. | London Councils Active Directory domain logons follow a best practice password policy adopted from the City of London. London Councils will carry out a further scoping exercise of all our existing systems that do not meet best practice password policies and this can be managed as separate project.<br><br>All staff are issued with a password and all the Internet/Email/Telephone Policy states:<br><br>"individuals are required to follow the necessary security disciplines and to keep their passwords totally confidential".<br><br>London Councils will periodically remind staff that this is the case.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: January 2015 | Recommendation implemented |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 7**<br><br>Issue:<br>Remote Access is permitted requiring only the computer IP, username and password to gain access.  Additional security verification is not enforced with use of a security fob or similar.<br><br>Risk:<br>The system is less secure and vulnerable to malicious access by allowing an easier entry point to the LC systems and data.<br><br>Risk rating: <mark>Green</mark><br><br>Recommendation:<br>Install suitable access measures which include two factor authentication which requires the current user logon and password, and additionally a security fob or similar. | London Councils are in the process of migrating their remote access solution onto a server farm built on Windows Server 2008. Staff will now be required to access the remote service using a secure desktop icon which contains additional security and gateway data. The IP address gateway access will be switched off in March 2014.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: March 2014<br><br>Progress note (September 2014)<br>The above activity was completed in February 2014 and is in full use by the business.<br><br>However, a remote access security breach in September 2014 has resulted in reconsideration of the level of risk acceptance of this area by London Councils. A scoping and costing exercise for 2FA has been requested from the CoL IS department as a matter of urgency. | In conjunction with City of London ICT and Agilisys partners, the technical solutions for this activity has been recrafted to incorporate the corporate project LAN and network upgrade/refresh and the two factor authentication project with a revised and combined delivery date of 29th July 2016. |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 8**<br><br>Issue:<br>Lack of recording and monitoring of LC network logins.<br><br>Risk:<br>Invalid and potentially malicious access attempts going undetected and unreported.<br><br>Risk rating: <span style="background-color:#00FF00">Green</span><br><br>Recommendation:<br>LC are recommended to implement a procedure to include logging, monitoring and reporting to allow assessment of the data for corrective action. | Agilysis and the City of London have been asked to provide a proposal for additional security for the monitoring of network logons, which will be reviewed by the ICT and Facilities Manager.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: January 2015<br><br>Progress notes (September 2014)<br>Still awaiting costs and proposals from City of London and Agilisys. | Recommendation implemented |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 9**<br><br>Issue:<br>Internet access is almost unrestricted thus allowing access to unsuitable sites and social media sites.<br><br>Risk:<br>Inappropriate use of the internet and possibility of download of malware as well as wastage of staff time.<br><br>Risk rating: <mark>Amber</mark><br><br>Recommendation:<br>Create an responsible internet access policy and disseminate to staff. | London Councils has a well-documented and intranet accessible Internet/Email/telephone Policy which clearly sets out what is acceptable/not acceptable. Access to unacceptable sites was blocked in 2010 and allowable access was discussed at length by London Councils Corporate Management Board and as a consequence the Internet/Email/telephone Policy alongside the equally accessible Social Media Guidelines are considered adequate for London Councils.<br><br>The current Ironport web proxy and URL filtering system is currently not filtering due to a fault. The implementation of Webroot would allow London councils to enforce its internet access policy. Webroot testing is due to start in February with implementation later that month.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: February 2014<br><br>Progress notes (September 2014)<br>After a detailed review of projects March 2014 in particular our key infrastructure projects and deliverables being managed by the City of London and Agilisys, it was agreed that there would be reduced risk if this activity was completed post Office 365 mail migration and tenancy project. As the Office365 project only completed in September 2014 and implications for the new London Councils website and intranet portals that go live during October, deployment of Webroot across the organisation has now been rescheduled for late October 2014. | Recommendation implemented |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 10**<br><br>Issue:<br>Hardware such as CD drives and USB ports are unsecured thus data can be copied onto portable devices.<br><br>Risk:<br>Sensitive data may be copied and carried off the premises thus risking data breach.<br><br>Risk rating: <mark>Amber</mark><br><br>Recommendation:<br>Consider restricting access to administration users only and locking down PC's  so data cannot be easily copied and additionally implement a process to enable data copy requests with suitable controls. | Agilysis have been asked to provide a proposal for installing appropriate software to make the use of portable media more secure. The proposal will be considered by the ICT and Facilities Manager.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: July 2014<br><br>Progress notes (September 2014)<br>This task has not commenced. In conjunction with CoL and Agilisys rescheduled for completion January 2015. | Recommendation implemented |
| **Recommendation 11**<br><br>Issue:<br>Inadequate monitoring and management of storage capacity for the email system.<br><br>Risk:<br>System downtime.<br><br>Risk rating: <mark>Amber</mark><br><br>Recommendation:<br>Implement suitable controls for monitoring and management of disk capacity for the email system and other critical systems. | Daily checks are in place monitored by the City ICT team for LCCOMMS as this server has had some disk space issues. Further work is due to be carried out to reduce mailbox database sizes prior to migration to the cloud services. Mutiny alert software is currently used on all systems to alert on disk usage over 80%.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: May 2014 | Recommendation implemented |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 12**<br><br>Issue:<br>The existence of an FTP server. The exact use and user restrictions are unknown and until recently it was in an unrestricted area. FTP data transfer is still possible.<br><br>Risk:<br>Transfer of data in an unsecure manner.<br><br>Risk rating: Green<br><br>Recommendation:<br>The LC are aware of this issue from the report produced by CoL which resulted in the move of the FTP server into more secure area, however, further improvements are recommended.<br><br>As a minimum modify the server to only allow only secure data transfer using Secure File Transfer Protocol (SFTP) as opposed to FTP.<br>Implement a process for assessing and authorising use of this facility and document user and data transfer information. | This server is now decommissioned and only secure data transfer will now be permitted.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: December 2013 | Recommendation implemented |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 13**<br><br>Issue:<br>The percentage of support calls completed within SLA targets is lower than expected (65-80%).<br><br>Risk:<br>The support provided is inadequate.<br><br>Risk rating: <span style="background-color:#00FF00">Green</span><br><br>Recommendation:<br>A monthly review of support calls that exceed SLA is advised with a view to identifying problem areas and acceptable delays for a more accurate assessment of the level of service provided. | Since January 2014 Agilisys have now have implemented a new service management tool Hornbill which will be available to provide more accurate information on SLA and areas where call resolution is not meeting targets. The ICT & Facilities Manager, who is responsible for the client-side management of the ICT service provided by the City, now has access to the City's call logging portal so is now able to monitor all logged and breached incidents and service requests.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: February 2014 | Recommendation implemented |
| **Recommendation 14**<br><br>Issue:<br>A single source of information on ICT contracts and agreements information does not exist. This can result in critical renewal dates being missed.<br><br>Risk:<br>Possible interruption of service or potentially a poorer service.<br><br>Risk rating: <span style="background-color:#00FF00">Green</span><br><br>Recommendation:<br>Consolidate important information into a ICT contracts register with a procedure to regularly review and update the contents. | Contract data is being compiled and will be held in a single contracts register. | Recommendation implemented |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 15**<br><br>Issue:<br>Security is not enforced for voicemail on telephones.<br><br>Risk:<br>Private and sensitive voicemails are accessible by all LC staff.<br><br>Risk rating: <mark>Green</mark><br><br>Recommendation:<br>Enforce voicemail pin code functionality which is already available. | London Councils currently manage telephony and voicemail system. All telephones are accessible for all staff to use and to monitor and pick-up and to ensure any voicemail messages are dealt with.<br><br>London Councils does not consider that a voicemail pin code is necessary – this will mitigate staff being able to cover for one another and provide a proper service to our customers/stakeholders. | Recommendation not accepted. |
| **Recommendation 16**:<br><br>Issue:<br>The database for the LC GIFTS system not patched to latest security level.<br><br>Risk:<br>The systems are exposed to known and fixable vulnerabilities.<br><br>Risk rating: <mark>Green</mark><br><br>Recommendation:<br>Install latest security patches and implement a procedure to regularly patch all systems. | An SCCM server is currently in place and will be configured to automate the MS Windows Server patching.<br><br>MS SQL servers are not patched automatically due to the complexity and impact of patches across a MS SQL server hosting multiple databases. A review of existing 3rd party database application will be carried and the MS SQL server patches will be applied<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: Already in place | Recommendation implemented |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 17**<br><br>Issue:<br>There is a lack of resilience, for example, only a single firewall in place at both LC and CoL sites.<br><br>Risk:<br>Single points of failure would result in service interruption.<br><br>Risk rating: <mark>Amber</mark><br><br>Recommendation:<br>Investigate infrastructure for all points of failure and initiate a project to improve resilience otherwise include reasons for risk acceptance.<br>In the meantime ensure the firewall configuration is backed up regularly. | The City of London site is the DR site for London Councils and the need for dual firewalls at this site may not be cost effective. The London Councils site firewall is managed by a third party (BIS) who provide backups of the firewall configuration and an SLA for hardware faults.<br><br>The existing Virgin media Internet link currently has an SLA call out target of 8 hours.<br><br>Aglisys have estimated an additional annual cost of £10,000 for a fully resilient internet fail-over connection.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: July 2014<br><br>Progress notes (September 2014)<br>Cost estimates and design architecture proposed by the City of London ICT and Agilisys have not changed. As part of the London Councils PATAS service retender we have requested the tenders propose options for a fully managed or infrastructure free service for London Councils and a managed service DR site therefore it may be prudent to explore those models proposed if contract is awarded to another ICT provider. The service providers on the Lot 3 shortlist have proposed solutions which include IaaS which we would then work into detail post contract award in November 2014. | In conjunction with City of London ICT and Agilisys partners, the technical solutions for this activity has been recrafted to incorporate the corporate project LAN and network upgrade/refresh and the two factor authentication project with a revised and combined delivery date of 29th July 2016. |

| Issue, Risk & Recommendation<br>ICT Review (February 2014) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 18**<br><br>Issue:<br>LC BCP plan last updated 16 months ago.<br>The Angel Square site BCP is more current but needs updating to reflect latest changes (eg staff changes).<br><br>Risk:<br>The plan is out of date and may jeopardise business continuity in a disaster.<br><br>Risk rating: <mark>Green</mark><br><br>Recommendation:<br>Update the current BCP plans and regularly review (at least annually). | Both documents for 59½ Southwark Street and Angel Square are in the process of consultation and review. This will be conducted in conjunction with Recommendation 19.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: June 2014<br><br>Progress notes (September 2014)<br>This activity has not started due to delays and additional work required to complete Office 365 and server decommissioning projects. Revised date February 2015. The lease on Angel Square comes to an end in July 2015 therefore a new plan will be constructed for the new PATAS service, location yet to be finalised. | Recommendation implemented<br><br>. |
| **Recommendation 19**<br><br>Issue:<br>A single comprehensive DR plan does not exist although some individual systems undergo DR.<br><br>Risk:<br>DR is inadequate or not possible thus recovery could be severely delayed.<br><br>Risk rating: <mark>Green</mark><br><br>Recommendation:<br>Produce a comprehensive DR plan inclusive of testing. | In conjunction with Recommendation 18 a single comprehensive DR with test plan will be devised. A test of the DR plan will be undertaken post the Office365 implementation.<br><br>Responsibility: Roy Stanley, ICT & Facilities Manager<br><br>Target Implementation Date: June 2014<br><br>Progress notes (September 2014)<br>This activity has not started due to delays and additional work required to complete Office 365 and server decommissioning projects. Revised date February 2015. | Recommendation implemented |

**Key Financial Controls (December 2015)**

| Risk rating | Recommendations | Accepted | Implemented | Outstanding |
|---|---|---|---|---|
| Red | 0 | 0 | 0 | 0 |
| Amber | 1 | 1 | 0 | 1 |
| Green | 0 | 0 | 0 | 0 |
| | **1** | **1** | **0** | **1** |

| Issue, Risk & Recommendation Key Financial Controls (December 2015) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 1**<br><br>Issue:<br>The inventory record is not fully compliant with Financial Regulation paragraph 14.9 related to the control of assets.<br><br>Risk:<br>Non-compliance with Financial Regulations. Insurance arrangements may be compromised by poor/incomplete information related to assets. Assets cannot easily be accounted for due to poor / incomplete management information.<br><br>Risk rating: Amber<br><br>Recommendation:<br>Inventory maintenance should be undertaken in accordance with Financial Regulation 14.9. | The omitted information will be incorporated into the inventory listing if available. There are instances where items such as the date and cost of purchase are unavailable due to the age of the items some of which were acquired prior to the creation of the organisation in its current form. However, an estimated replacement value will be assigned to each item for insurance purposes.<br><br>Responsibility: Roy Stanley, ICT and Facilities Manager<br><br>Target Implementation Date: February 2016 | **Partially implemented** - All items included on the inventory list have been assigned a replacement value in accordance with the financial regulations. New and recent purchases also have the date and cost of purchase included on each record. However, there is an ongoing exercise to identify information that relates to more historic purchases. |

**Risk Management and Business Continuity Planning (May 2016)**

| Risk rating | Recommendations | Accepted | Implemented | Outstanding |
|---|---|---|---|---|
| Red | 0 | 0 | 0 | 0 |
| Amber | 1 | 1 | 1 | 0 |
| Green | 2 | 2 | 1 | 1 |
| | 3 | 3 | 2 | 1 |

| Issue, Risk & Recommendation<br>**Risk Management and Business Continuity Planning**<br>**(May 2016)** | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 1**<br><br>Issue:<br>The Risk Management Strategy & Framework was last formally reviewed and approved by the Audit Committee in May 2012.<br><br>Risk:<br>The Risk Management Strategy & Framework is not reflective of current organisational processes. Risk Management Strategy & Framework not in alignment with the Business Plan 2015-16.<br><br>Risk rating: Green<br><br>Recommendation:<br>The Risk Management Strategy & Framework should be scheduled for review and update every three years to ensure that it is reflective of current organisational processes and subsequently approved by the Audit Committee. | Management is happy for a recommendation to be made to the Audit Committee when this Internal Audit Report is reported, that the Risk Management Strategy & Framework is formally reviewed during the course of 2016/17 and any proposed changes are reported to Audit Committee for approval and that it is then reviewed on a periodic basis.<br><br>Responsibility: Christiane Jenkins, Director, Corporate Governance<br><br>Target Implementation Date: September 2016 | Recommendation to be implemented by September 2016. |

| Issue, Risk & Recommendation<br>Risk Management and Business Continuity Planning<br>(May 2016) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 2**<br><br>Issue:<br>Test results of the Business Continuity Plan are not scheduled to be presented to Audit Committee.<br><br>Risk:<br>Business Continuity processes in place are insufficient to protect London Councils from potential disruption.<br><br>Risk rating: Green<br><br>Recommendation:<br>When the Business Continuity Plan is tested, the results should be recorded and presented to Audit Committee. This requirement should be updated in the Business Continuity Plan. | The results of the Business Continuity Plan (BCP) tests will be recorded and reported to the Audit Committee. The BCP will be updated to reflect this.<br><br>Responsibility: Roy Stanley, Information & communications technology and facilities manager<br><br>Target Implementation Date: Completed | Recommendation implemented. |
| **Recommendation 3**<br><br>Issue:<br>The draft Business Continuity Plan does not contain information to enable effective business continuity arrangements to be undertaken.<br><br>Risk:<br>The Business Continuity Plan is not effective in the event of an incident.<br><br>Risk rating: Amber<br><br>Recommendation:<br>Prior to the finalisation of the Draft Business Continuity Plan the following should be considered for inclusion:<br>• Review and approval process of the Business Continuity Plan | The recommendation is accepted and the listed items have been considered and incorporated as follows:<br>• Review and approval process of the Business Continuity Plan – The plan is scheduled for review every three months by the ICT and Facilities Manager (the Core Plan Owner) and any relevant information such as structure charts and contact details updated. Any significant changes to the plan layouts will be referred to CMB for approval.<br>• Scenario testing timetable – This timetable will be included within Appendix A which has been redrafted. It will be split into quarterly projected tasks over the next twelve months.<br>• Reporting results of scenario testing – A third | Recommendation implemented. |

| Issue, Risk & Recommendation<br>Risk Management and Business Continuity Planning<br>(May 2016) | Management Response | Current Position at June 2016 |
|---|---|---|
| • Scenario testing timetable<br>• Reporting results of scenario testing<br>• Business Impact Analysis review and update timetable<br>• Roles and responsibilities of City of London, Agilisys and London Councils<br>• Identification of critical systems and associated recovery time objective (RTO)<br>• Relevant stakeholders | column will be added to Appendix A outlining the test results.<br>• Business Impact Analysis (BIA) review and update timetable – This will be the responsibility of each of the BIA plan owners and the overall responsibility of the Silver Team leads as outlined in Sections 2 and 4 of the plan.<br>• Roles and responsibilities of City of London, Agilisys and London Councils – This level of detail will be outlined within the 'Critical Systems and Associated RTO' document, currently being drafted, which will hold the more technical details to the plan. Their roles and responsibilities are also outlined in section 4 of the current ICT Strategy 2015-18 documents.<br>• Identification of critical systems and associated recovery time objective (RTO) – This level of detail will also be outlined within the 'Critical Systems and Associated RTO' document which will hold the more technical details to the plan.<br>• Relevant stakeholders – This is detailed within the current ICT Strategy 2015-18 document.<br><br>Responsibility: Roy Stanley, Information & communications technology and facilities manager<br><br>Target Implementation Date: Completed | |

**ICT Strategy (May 2016)**

| Risk rating | Recommendations | Accepted | Implemented | Outstanding |
|---|---|---|---|---|
| Red | 0 | 0 | 0 | 0 |
| Amber | 1 | 1 | 0 | 0 |
| Green | 2 | 2 | 0 | 0 |
| | **3** | **3** | **0** | **0** |

| Issue, Risk & Recommendation ICT Strategy (May 2016) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 1**<br><br>Issue:<br>No evidence was obtained of Disaster Recovery test exercises having been performed.<br><br>Risk:<br>Assurance cannot be provided that the IT element of Business Continuity will ensure availability of key services in the event of a disaster.<br><br>Risk rating: Amber<br><br>Recommendation:<br>Disaster Recovery test exercises should be scheduled at the earliest opportunity to ensure continuity. | Recommendation accepted. London Councils have added a comprehensive testing plan to be carried out in conjunction with the City of London and Agilisys. The test plan along has been ratified by London Councils CMB and will reside in the current Business Continuity Plan (Appendix A, page 62-63) activity to commence April 2016. Testing results will be available in the quarterly updates of the BCP plan next due in July 2016. This will be implemented by August 2016.<br><br>Responsibility: Roy Stanley, ICT and facilities manager<br><br>Target Implementation Date: August 2016 | Recommendation to be implemented by August 2016. |

| Issue, Risk & Recommendation<br>ICT Strategy<br>(May 2016) | Management Response | Current Position at June 2016 |
|---|---|---|
| **Recommendation 2**<br><br>Issue:<br>Disk storage thresholds are not documented. Additionally historical growth charts have not been provided to London Councils.<br><br>Risk:<br>Without formally documented arrangements LC cannot be sure the thresholds are as expected and potentially lower thresholds can result in system unavailability.<br><br>Risk rating: <mark>Green</mark><br><br>Recommendation:<br>Usage criteria should be formalised and regular review of storage utilisation considered by management. | Recommendation accepted. The activity will be carried out by Agilisys and reviewed at our monthly SLA meetings between CoL and Agilisys and commence during second quarter 2016/17 meetings.<br><br>Responsibility: Roy Stanley, Roy Stanley, ICT and facilities manager<br><br>Target Implementation Date: August 2016 | Recommendation to be implemented by August 2016. |
| **Recommendation 3**<br><br>Issue:<br>Checks are not performed to ensure third party compliance.<br><br>Risk:<br>Without periodic checks and provision of evidence such as compliance certificates it cannot be guaranteed that London Councils' interests are adequately safeguarded.<br><br>Risk rating: <mark>Green</mark><br><br>Recommendation:<br>Where compliance is the responsibility of a third party an annual compliance certificate should be obtained. | Recommendation accepted. Most if not all our principle third part contracts such as Lorry Control and ESP are up for renewal this year. London Councils will ensure these checks and evidence of compliance certificates are made available and incorporated into the requirements for renewal or into the new contracts. This will be actioned by September 2016<br><br>Responsibility: Roy Stanley, Roy Stanley, ICT and facilities manager<br><br>Target Implementation Date: September 2016 | Recommendation to be implemented by September 2016. |

**Priority risk rating key:**

Green:          Low risk and/or weakness already been addressed
Amber:          Medium risk requiring mitigation and prompt action
Red             High risk, urgent action required

# Audit Committee

## Review of the Annual Governance Statement

Item no: 05

| | | | |
|---|---|---|---|
| **Report by:** | David Sanni | **Job title:** | Head of Financial Accounting |
| **Date:** | 22 June 2016 | | |
| **Contact Officer:** | David Sanni | | |
| **Telephone:** | 020 7934 9704 | **Email:** | david.sanni@londoncouncils.gov.uk |

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**Summary**

This report:

- Reviews each element of the current Annual Governance Statement (AGS);

- Highlights any continuing and potentially new areas for development (and those from previous years that have been addressed); and

- Makes recommendations for revisions that will be contained in the AGS to be included in the audited accounts for 2015/16.

**Recommendations**

The Audit Committee is asked:

- To note the summary of the internal audit reviews undertaken during 2015/16 and the opinion of the Head of Audit and Risk Management at the City of London on the overall control environment, as detailed in Appendix B; and

- To approve the recommended changes to the AGS for 2014/15, as detailed in Appendix A, to produce the AGS for 2015/16 for inclusion in London Councils' accounts for 2015/16, as detailed in Appendix C.

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**Introduction**

1. At its meeting on 19 March 2015, the Committee agreed that London Councils should continue to prepare its accounts in accordance with the Local Authority Accounting Code of Practice. English local authorities are required to prepare and publish an Annual Governance Statement (AGS) in accordance with the *CIPFA/SOLACE Framework – Delivering Good Governance in Local Government* (the framework) to comply with the Accounts and Audit Regulations. An AGS will be included in London Councils' accounts for 2015/16 in order to be consistent with the approach used by English local authorities,. The regulations require authorities to conduct a review at least once a year of the effectiveness of their system of internal control and to approve an AGS, prepared in accordance with proper practices.

2. The framework also requires at least an annual review of the governance framework which should be reported to the Audit Committee. The AGS for 2014/15 was approved at the Audit Committee meeting on 18 June 2015.

3. This report will therefore:

   - Review each element of the current AGS;
   - Highlight any continuing and potentially new areas for development (and those from previous years that have been addressed) and how these will be addressed; and
   - Make recommendations for revisions that will be contained in the AGS to be included in the audited accounts for 2015/16.

4. As well as drawing on evidence from the internal audit work that has been undertaken by the City of London during the course of the year, this review will also draw on the feedback provided by London Councils' external auditors, KPMG following the conclusion of their interim audit in March 2016.

5. Appendix A to this report details the AGS that was contained in the audited Statutory Accounts for 2014/15 with recommended changes shown in red using the tracked changes function on MS word.

**Scope of Responsibility (paragraphs 1 to 3)**

6. It is recommended that the sentence at the end of paragraph three is changed to reflect the accounts and audit regulations do not apply to London Councils.

**The Purpose of the Governance Framework (paragraphs 4 to 6)**

7. It is recommended that the wording of this section as contained within the existing AGS should remain the same; with the exception of the date contained in paragraph 6 which should be amended from 31 March 2015 to 31 March 2016.

**The Governance Framework (paragraph 7 with 20 bullet points)**

8. There are recommended changes to this section to reflect the latest review and approval dates of London Councils' scheme of delegation, standing orders, financial regulations, corporate risk register and policies.

9. There are recommended changes to the wording of the seventh bullet point to reflect the outcome of the internal audit review into risk management and business continuity planning included in the 2015/16 internal audit plan.

10. There are recommended changes to the wording of the 12th bullet point to provide a more accurate description of London Councils alternative arrangements for the monitoring officer function.

11. There are recommended changes to the wording of the 14th bullet point to reflect the revision to the Audit Committee's Terms of Reference to include the responsibility to make a recommendation to Leaders' Committee on the appointment, reappointment and removal of the external auditor.

## Review of Effectiveness (paragraph 8 with 3 bullet points)

12. There is a recommended change to the second bullet point to update the reference to the financial year from 2014/15 to 2015/16.

## Areas for Development (paragraph 9)

13. There is a recommended change to update the reference to the next financial year from 2015/16 to 2016/17.

## Areas for Development – ICT Strategy, Security and Operational Control (paragraph 10)

14. It is recommended that this area for development is updated to reflect that the implementation of some of the internal audit recommendations from the 2014 review will be completed during 2016/17. An additional paragraph has been added to reflect the outcome of the 2015/16 internal audit review into the ICT Strategy.

## Areas for Development – Inventory (paragraph 11)

15. It is recommended that this area for development is updated to reflect that the internal audit review of key financial controls carried out in 2015/16 revealed that the information included in the updated inventory list was not fully compliant with the requirements of London Councils' financial regulations. Whilst a significant part of the missing information was included on the listing by 31 March 2016, there still remains information to be incorporated in 2016/17.

## Areas for Development – Reviews undertaken during 2015/16

16. The City of London's internal audit team has undertaken three separate pieces of work during 2015/16; namely:

- Key Financial Controls;
- Risk Management and Business Continuity Planning; and
- ICT Strategy.

17. A summary of the results of these reviews are detailed at Appendix B.

18. Following the review of the internal audit work carried out over the past year it is recommended that an additional area for development is included in the AGS for 2015/16

with regard to Risk management and Business Continuity Planning in addition to the revisions to the ICT Strategy, Security and Operational Control (paragraph 10) and Inventory (paragraph 11) mentioned above.

## Areas for Development (paragraph 12)

19. It is recommended that the wording of this paragraph as contained within the existing AGS remains the same.

## Significant Governance Issues (paragraph 13)

20. It is recommended that the wording of this paragraph as contained within the existing AGS remains the same.

21. KPMG will comment on the robustness of the AGS when they undertake the external audit of the 2015/16 accounts during July/August and reference will be made to this in the annual audit report that will be issued to members by 30 September 2016. A situation could arise whereby KPMG consider some of the issues classed as "Areas for Development" to be significant, and could, therefore, make recommendations in the audit report that these be raised to Significant Governance Issues.

## Draft Annual Governance Statement for 2015/16

22. The recommended changes to the AGS for 2014/15, as detailed in this report at Appendix A, have been incorporated into the draft AGS for 2015/16, which, if approved by the Committee, should be incorporated into London Councils' accounts for 2015/16. The draft AGS for 2015/16 is detailed at Appendix C.

**Financial Implications**

None

**Legal Implications**

None

**Equalities Implications**

None

**Appendices**

Appendix A – Recommended Changes to AGS for 2014/15 with tracked changes
Appendix B – Summary of Internal Audit Reviews for 2015/16 and the Head of Audit and Risk Management's Opinion
Appendix C – Draft AGS for 2015/16

**Background papers**

Final Accounts working files for 2015/16
Internal Audit working files for 2015/16

**ANNUAL GOVERNANCE STATEMENT**

**Scope of responsibility**

London Councils (the Committee) is responsible for ensuring that its business is conducted in accordance with the law, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Committee is also responsible for securing continuous improvement in the way its functions are exercised.

In discharging this overall responsibility, the Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

London Councils has approved and adopted a code of corporate governance in the form of a framework, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of London Councils Corporate Governance Framework can be obtained from the Director of Corporate Governance at 59½ Southwark Street, London SE1 0AL. This statement explains how London Councils has applied this code. and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

**The purpose of the governance framework**

The governance framework comprises the systems, processes, culture and values by which the Committee is directed and controlled and such activities through which it accounts to, and engages with, its stakeholders. It enables the organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at London Councils for the year ended 31 March 2015 2016 and up to the date of approval of the statement of accounts.

**The governance framework**

The key elements of the Committee's governance framework include:

- **Identifying and communicating the Committee's vision of its purpose** – The Committee produces an annual Corporate Business Plan which sets out the organisation's priorities for the year. This is informed by on-going liaison with key borough stakeholders and specifically by a programme of meetings between the Chair and all Executive portfolio holders. The Corporate Business Plan is submitted to the Leaders' Committee.  There are a number of ways in which the Committee communicates with relevant stakeholders which include member briefings, committee and other meetings and events such as the London Councils' Summit.

- **Reviewing the Committee's vision** - The Committee produces an Annual Review at the end of each financial year. The review provides a summary of the key activities over the last year and highlights the key achievements.

- **Measuring the quality of services** - Data collected during the year feeds into the production of a key achievements report at the year end. London Councils Corporate Management Board (CMB), the London Councils Executive and the Grants and Transport and Environment Committees receive regular financial management reports that monitor actual income and expenditure trends against approved budgets. London Councils operates a complaints procedure which provides an opportunity to put things right if an error is made and assists in the search to improve the quality of services to member authorities and to Londoners. There are also a number of internal management mechanisms, such as 1:1 review meetings and a fully embedded performance appraisal framework which monitor on-going progress against objectives.

- **Defining and documenting roles and responsibilities –** The London Councils Agreement sets out the main functions and obligations of London Councils and its member authorities. The Agreement includes the standing orders and financial regulations which provide details of the delegation arrangements in place. There is a scheme of delegation in place which was last reviewed, updated and approved by the Leaders' Committee at its Annual General Meeting on ~~15 July 2014~~2 June 2015. There is an established protocol which provides guidance on the working relationships between elected members and officers. Additional information on the roles and responsibilities of London Councils Leaders' Committee, Executive, Grants Committee and Transport and Environment Committee are documented in their individual Terms of Reference. All London Councils officers are issued with a job description which confirms their duties within the organisation.

- **Developing, communicating and embedding codes of conduct** – All London Councils Staff have been made aware of the staff handbook which is located on the intranet site. The staff handbook sign posts staff to London Councils policies and procedures which are on the intranet. All staff are encouraged to refer to the intranet when they require guidance on London Councils policies and procedures. Reference to the staff handbook is also included in the induction training of all new staff joining London Councils with their attention specifically drawn to the financial regulations, the code of conduct, data protection and London Councils whistle blowing policy.

- **Reviewing the effectiveness of the Committee's decision-making framework -** The standing orders and financial regulations are included within the London Councils Agreement. The standing orders were last reviewed and the changes  approved by Leaders' Committee on ~~15 July 2014~~2 June 2015. The financial regulations were also reviewed and the changes approved by the ~~Executive in February 2009~~Leaders Committee on 2 June 2015. Minutes of Committee meetings are posted on London Councils website and provide an official record of decisions made.

- **Identifying and managing risks** - London Councils Risk Management Strategy and Framework was reviewed and updated in 2011/12 and approved by the Audit Committee in March 2012. London Councils Corporate Risk Register is primarily compiled from the Risk Registers for each of London Councils three Directorates. The Corporate Risk

Register is reviewed in accordance with London Councils Risk Management Framework which includes an annual review by the Audit Committee and was last reviewed in September ~~2014~~2015. The Directorate Risk Registers are reviewed by the Audit Committee ~~each financial year~~on a rolling basis. London Councils' Corporate Management Board ensures that the risk registers, both Directorate and Corporate, continue to support London Councils' corporate priorities, which provides members with assurance on how the risks identified are being managed. An internal audit review of London Councils risk management arrangements was carried out during ~~2011/12~~2015/16. The review established that an effective risk management framework is ~~an embedded governance control and there were no recommended improvements to the arrangements~~in place and recommended that a formal review of the framework should be carried out every three years.

- **Anti-fraud and anti-corruption arrangements** – London Councils is committed to having an effective Anti-Fraud and Anti-Corruption strategy designed to promote standards of honest and fair conduct, prevent fraud and corruption, detect and investigate fraud and corruption, prosecute offenders, recover losses and maintain strong systems of internal control. There are two separate policies in place London Councils Whistle Blowing Policy which was last updated in November 2013 and London Councils Policy to Combat Fraud, Bribery and Corruption, which was agreed by London Councils Audit Committee in March 2014. Both were reviewed in February 2016 and ~~both~~ are available on London Councils' intranet and website.

- **Effective management of change and transformation** – London Councils has a framework for managing organisational change which is available to all staff on the intranet. The framework provides guidance on the statutory elements of managing change and issues that should be considered when implementing changes.

- **Financial management arrangements** – London Councils' financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.

- **Assurance arrangements** – London Councils' internal audit function is carried out by the City of London's internal audit team under a service level agreement for financial support services. These arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit in public service organisations and Public Sector Internal Audit Standards.

- **Discharge of the monitoring officer function –** • London Councils does not actually have a monitoring officer, which is a statutory post under s.4 of the Local Government and Housing Act 1989 (which does not apply to London Councils), and the Comptroller and City Solicitor of the City of London Corporation does not have the statutory powers and duties as monitoring officer for London Councils. However, the City of London Corporation as a member authority of the London Councils' joint committees (including TEC) provides legal advice and support to London Councils including governance advice and support which in a local authority would generally be provided by the borough solicitor and monitoring officer.~~The monitoring officer is a statutory whistleblowing role. The monitoring officer has a duty to present a report to the relevant body depending on the function, where he or she considers that the authority has acted or is about to act unlawfully or where there has been a finding of~~

~~maladministration by the ombudsman against the authority.  This role is undertaken by the appropriate officer at London Councils depending on the circumstances and would be one of: Chief Executive; Corporate Director of Services; Corporate Director of Policy & Public Affairs; Director of Corporate Resources; Director of Corporate Governance all of whom are issued with a job description which confirm their duties within the organisation. These posts are subject to London Councils appraisal arrangements which assess performance against agreed objectives.~~

- **Discharge of the head of paid service function** – London Councils' Chief Executive is the head of paid service. As with all Committee officers, the Chief Executive is issued with a job description which confirms his duties within the organisation. He is subject to appraisal arrangements with Group Leaders who assess his performance against agreed objectives.

- **Audit Committee** – London Councils' Audit Committee has its own comprehensive Terms of Reference. The Terms of Reference were reviewed by the Audit Committee on 24 September 2010. On 19 March 2015, the Audit Committee considered a revision to its Terms of Reference to include the responsibility to make a recommendation to Leaders' Committee on the appointment, reappointment and removal of the external auditor. The Audit Committee meets three times a year and is chaired by a leading member from a borough who can be a member of the Executive. The members of the Audit Committee will normally, but not necessarily, be members of London Councils Leaders' Committee and with the exception of its chair, are not members of the Executive.

- **Compliance with relevant laws and regulations** - London Councils has comprehensive financial regulations and a comprehensive set of human resources policies and procedures which are reviewed on a regular basis. These arrangements ensure compliance with all applicable statutes, regulations and other relevant statements of best practice in order to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively and in accordance with the statutory and other authorities that govern their use.

- **Whistle-blowing** – London Councils has a whistle-blowing policy which is available to all staff on the intranet. The policy aims to encourage staff and others to feel confident in raising serious concerns by providing clear avenues through which those concerns can be raised and reassuring staff who raise concerns that they will not be victimised if they have a reasonable belief and the disclosure was made in good faith. It is also on the website and staff are encouraged to bring this policy and the policy to combat fraud, bribery and corruption to the attention of contractors and third parties.

- **Identifying the development needs of members and officers** – London Councils has access to a programme of training and development, which is available to all staff and can be found on the intranet. The aim of the programme is to assist in the achievement of the organisation's aims and objectives by providing opportunities for staff to gain the necessary skills and knowledge required to perform their tasks and duties effectively. London Councils also has a performance appraisal scheme which provides all staff with regular assessments of their performance and development needs in relation to their work objectives. Members have access to training in their own authorities. There is a

member only section on London Councils' website which provides them with useful information, regular briefings in specific policy areas and a forum for information exchange.

- **Establishing clear channels of communication** – London Councils actively engages with relevant stakeholders when developing its vision and strategies. All Committee meetings are open to the public and consultations are undertaken where relevant. London Councils issues member briefings and arranges a number of events, conferences and seminars that also provide opportunities for stakeholder engagement. London Councils produces an Annual Review which provides a summary of the key achievements over the last year and annual statutory financial statements. Information on consultations, minutes of committee meetings and publications are posted on London Councils website www.londoncouncils.gov.uk.  London Councils consults with Chief Officer groupings across boroughs in the development of its work.

- **Enhancing the accountability for service delivery and effectiveness of public service providers** - All working arrangements with public service providers are subject to signed agreements/contracts which set out the terms of the service provided. All agreements/contracts are reviewed to ensure that the roles and responsibilities of the parties involved are clearly defined and the terms are beneficial to London Councils and its member authorities. Key performance indicators are incorporated into agreements where appropriate and monitored regularly. Nominated officers are responsible for managing the outcomes of the service and establishing clear lines of communication with providers.

- **Partnership arrangements** – London Councils has a set protocol for staff to follow when working in partnership with outside bodies. A checklist is to be completed for each new partnership or project. Partnership arrangements are also subject to signed agreements which include objectives, roles and responsibilities. The performance of partnerships are monitored in the same manner as other service providers.  London Councils does not currently have any material partnership arrangements.

**Review of effectiveness**

London Councils 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 London Councils Corporate Management Board which has responsibility for the development and maintenance of the governance environment, the internal audit annual report and also by comments made by the external auditors in their annual audit letter and other reports. The review of the effectiveness of the governance framework includes:

- The work of Internal Audit, undertaken by the City of London under a service level agreement, and the annual opinion of the Head of Audit & Risk Management at the City of London.  Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit of all auditable areas within a five-year planning cycle, – with key areas being reviewed annually. This is reinforced by consultation with London Councils Corporate Management Board and London Councils' Audit Committee on perceived risk and by a rigorous follow-up audit regime. The Internal Audit Section of the City of London operates, in all aspects, in accordance

with the CIPFA Code of Practice and Public Sector Internal Audit Standards. An internal audit review of governance arrangements was carried out during 2012/13 with the outcome reported to the Audit Committee in March 2013.

- The Audit Committee's review of the governance arrangements in place during 2014/152015/16.

- London Councils Corporate Management Board considers an annual report on Corporate Governance, which includes work completed during the current year and highlights work planned for the following year.

**Areas for development during 2015/162016/17**

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2015/162016/17:

**ICT Strategy, Security & Operational Control**

A review of the Committee's ICT strategy, security and operational control was undertaken during 2013/14. The review revealed that whilst an adequate control framework was in place, there were a number of areas that required improved controls. Management has already taking action to address a number of the issues that were raised but there are still improvements to be made in areas such as system security and infrastructure during 2015/162016/17.

A separate review to establish and evaluate the adequacy of the updated ICT strategy was undertaken in 2015/16. It identified areas for improvement in respect of disaster recovery testing, documentation of disk storage thresholds and verification of third party compliance. These improvements will be carried out during 2016/17.

**Inventory**

An internal audit spot check of petty cash, creditor payments, safe contents and inventory listsA review of the Committee's key finance controls was carried out during 2013/142015/16. The objective of the review was to ascertain and evaluate the adequacy of controls in relation to income and expenditurecheck included an examination of procedures over the petty cash imprest, safe access and security, inventory and a creditor depth test for a sample of transactions. The review revealed that there was a sound control environment in place with risks to system objectives reasonably managed. However, it also revealed that the information held on the inventory list for furniture and equipment had not been updated on a regular basiswas not fully compliant with the requirements of London Councils' financial regulations. The recommendation included in the spot check report will be implementedAn exercise to update the inventory list will be completed during 2015/162016/17.

**Risk Management and Business Continuity**

An internal audit review of risk management and business continuity was undertaken in 2015/16. The review revealed that there was an adequate control framework in place but there were areas of improvement in relation to the frequency of reviews of the risk management framework, the reporting of the results of business continuity tests and the contents of the Business Continuity Plan. These improvements will be carried out during 2016/17.

London Councils will take adequate steps over the coming year to address the above matters in order to further enhance its governance arrangements. London Councils is satisfied that these steps will address the improvement needs identified in the effectiveness review. London Councils will monitor their implementation and operation as part of our next annual review.

**Significant governance issues**

There are no significant governance issues.

John O'Brien                                     September ~~2015~~2016
Chief Executive

Mayor Jules Pipe                                 September ~~2015~~ 2016
Chair of London Councils

**London Councils – AUDIT COMMITTEE**

**Internal Audit Reviews for the Twelve Months to 31<sup>st</sup> March 2016**

**Introduction**

The purpose of this report is to provide details of the work undertaken at London Councils by the City of London Corporation's Internal Audit Section during the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016. There were three full assurance reviews undertaken during the year. The total number of audit days was 20. A further 15 day planned review of Grants was postponed to April 2016 at the request of the Grants Manager. A further five days, two in respect of follow-up reviews and three days for contingency were also carried forward to be used in 2016-17. Three Amber rated recommendations and four Green rated recommendations were made.

| Audit | Assurance Opinion | Recommendations | | | |
|---|---|---|---|---|---|
| | | Red | Amber | Green | Total |
| Key Financial Controls | GREEN | 0 | 1 | 0 | 1 |
| Risk Management | AMBER | 0 | 1 | 2 | 3 |
| ICT IT Strategy | AMBER | 0 | 1 | 2 | 3 |
| **Total** | | **0** | **3** | **4** | **7** |

**System Reviews Completed 2015-16**

**Key Financial Controls (10 days)**

Based on testing performed, adequate key financial controls are operated by London Councils' to control and safeguard income and expenditure, and therefore, reducing the risk of fraud and error.  Financial activities are regulated by current Financial Regulations, with additional guidance to staff in the form of standard operating procedures. Sample testing confirmed compliance for those areas within the scope of this review.  An amber priority recommendation was been made in terms of the absence of information captured on the inventory records.

**Risk Management (5 days)**

It was established that an adequate risk management framework was in place. The Risk Management Strategy & Framework, however, was last formally reviewed and approved by the Audit Committee in May 2012. Whilst Business Continuity Plan testing is undertaken on a regular basis, the results of the test are not scheduled to be presented to Audit Committee. In addition, the draft revised Business Continuity Plan did not contain information to enable effective business continuity arrangements to be undertaken.

**ICT – IT Strategy (5 days)**

On the basis of testing performed, progress has been made since the 2014 Internal Audit review of ICT Strategy and a number of examples of good practice evidenced. The ICT strategy document has been developed with input from relevant parties and has been appropriately ratified. Testing confirmed that there are adequate arrangements for strategy review to ensure continued alignment with business goals.

The following areas for improvement were identified:

- No evidence was obtained of Disaster Recovery test exercises having been performed.
- It is understood that a ten percent threshold is operated for disk utilisation this was not found to be formally documented.
- There is a clear specification of IT compliance regulations and expected standards and audit testing indicated that there are adequate measures in place internally to ensure on-going adherence. However, a recommendation was made in relation to arrangements for confirming third party compliance.

**Role of Internal Audit and Opinion on the Overall Internal Control Environment**

Internal Audit plays a role in providing the required assurance on risk, governance and control through its comprehensive risk-based audit of all auditable areas within the five-year planning cycle. This is reinforced by consultation with the Audit Committee, the Director of Corporate Resources and management team on perceived risk, any areas of concern and a follow-up audit regime.

Throughout the year the Audit Committee receives reports from the Head of Audit and Risk on individual areas reviewed of the extent that London Councils can rely on its system of internal control and to provide reasonable assurance that the objectives of London Councils will be achieved efficiently. The outcomes of these reviews are used to produce the annual Head of Internal Audit opinion. They also inform the planned work for the following year, the Five Year Strategic Plan and the scope of audit coverage across all aspects of London Councils' operations.

Each project in the Five Year Plan has been carefully considered, taking into account risk, significance, and the resources required to produce a professional product. The Five Year Plan represents a minimum level of cover, across London Council's activities, ensuring each significant area of operational risk is examined at least once every five years and consideration is given to new risks emerging during each financial year.

The principles of risk management have been applied throughout the planning process in the allocation of resources to each audit and were carefully considered against the assessed likelihood, frequency and severity of potential loss resulting from realisation of individual risks.

London Councils' main accounting and payroll systems are provided by the City of London Corporation (CBIS and CityPeople). These systems are subject to annual

review by the Internal Audit Section and are considered by both Internal Audit and the City's External Auditors to provide a high level of internal control.

It is the Head of Audit and Risk's opinion that the systems of internal control operated within London Councils are generally robust and can be reasonably relied upon to ensure that objectives are achieved efficiently. Overall, Internal Audit work shows that service managers generally take appropriate action to manage and mitigate risk. In giving this opinion it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.

The system of internal audit provided to London Councils is considered to be working satisfactorily. This conclusion is based on the review undertaken against the Code of Conduct for Internal Audit in Local Government (the CIPFA Code), the CIPFA Statement on The Role of The Head of Internal Audit in Local Government, and Public Sector Internal Audit Standards (PSIAS). The work of Internal Audit is relied upon by London Councils' External Auditors (KPMG).

**Pat Stothard**
**Head of Internal Audit, CPFA**
**City of London Corporation**
**22 June 2016**

**ANNUAL GOVERNANCE STATEMENT**

**Scope of responsibility**

London Councils (the Committee) is responsible for ensuring that its business is conducted in accordance with the law, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Committee is also responsible for securing continuous improvement in the way its functions are exercised.

In discharging this overall responsibility, the Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

London Councils has approved and adopted a code of corporate governance in the form of a framework, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of London Councils Corporate Governance Framework can be obtained from the Director of Corporate Governance at 59½ Southwark Street, London SE1 0AL. This statement explains how London Councils has applied this code.

**The purpose of the governance framework**

The governance framework comprises the systems, processes, culture and values by which the Committee is directed and controlled and such activities through which it accounts to, and engages with, its stakeholders. It enables the organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at London Councils for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

**The governance framework**

The key elements of the Committee's governance framework include:

- **Identifying and communicating the Committee's vision of its purpose** – The Committee produces an annual Corporate Business Plan which sets out the organisation's priorities for the year. This is informed by on-going liaison with key borough stakeholders and specifically by a programme of meetings between the Chair and all Executive portfolio holders. The Corporate Business Plan is submitted to the Leaders' Committee.  There are a number of ways in which the Committee communicates with relevant stakeholders which include member briefings, committee and other meetings and events such as the London Councils' Summit.

- **Reviewing the Committee's vision** - The Committee produces an Annual Review at the end of each financial year. The review provides a summary of the key activities over the last year and highlights the key achievements.

- **Measuring the quality of services** - Data collected during the year feeds into the production of a key achievements report at the year end. London Councils Corporate Management Board (CMB), the London Councils Executive and the Grants and Transport and Environment Committees receive regular financial management reports that monitor actual income and expenditure trends against approved budgets. London Councils operates a complaints procedure which provides an opportunity to put things right if an error is made and assists in the search to improve the quality of services to member authorities and to Londoners. There are also a number of internal management mechanisms, such as 1:1 review meetings and a fully embedded performance appraisal framework which monitor on-going progress against objectives.

- **Defining and documenting roles and responsibilities –** The London Councils Agreement sets out the main functions and obligations of London Councils and its member authorities. The Agreement includes the standing orders and financial regulations which provide details of the delegation arrangements in place. There is a scheme of delegation in place which was last reviewed, updated and approved by the Leaders' Committee at its Annual General Meeting on 2 June 2015. There is an established protocol which provides guidance on the working relationships between elected members and officers. Additional information on the roles and responsibilities of London Councils Leaders' Committee, Executive, Grants Committee and Transport and Environment Committee are documented in their individual Terms of Reference. All London Councils officers are issued with a job description which confirms their duties within the organisation.

- **Developing, communicating and embedding codes of conduct** – All London Councils Staff have been made aware of the staff handbook which is located on the intranet site. The staff handbook sign posts staff to London Councils policies and procedures which are on the intranet. All staff are encouraged to refer to the intranet when they require guidance on London Councils policies and procedures. Reference to the staff handbook is also included in the induction training of all new staff joining London Councils with their attention specifically drawn to the financial regulations, the code of conduct, data protection and London Councils whistle blowing policy.

- **Reviewing the effectiveness of the Committee's decision-making framework -** The standing orders and financial regulations are included within the London Councils Agreement. The standing orders were last reviewed and the changes approved by Leaders' Committee on 2 June 2015. The financial regulations were also reviewed and the changes approved by the Leaders Committee on 2 June 2015. Minutes of Committee meetings are posted on London Councils website and provide an official record of decisions made.

- **Identifying and managing risks** - London Councils Risk Management Strategy and Framework was reviewed and updated in 2011/12 and approved by the Audit Committee in March 2012. London Councils Corporate Risk Register is primarily compiled from the Risk Registers for each of London Councils three Directorates. The Corporate Risk Register is reviewed in accordance with London Councils Risk Management Framework

which includes an annual review by the Audit Committee and was last reviewed in September 2015. The Directorate Risk Registers are reviewed by the Audit Committee on a rolling basis. London Councils' Corporate Management Board ensures that the risk registers, both Directorate and Corporate, continue to support London Councils' corporate priorities, which provides members with assurance on how the risks identified are being managed. An internal audit review of London Councils risk management arrangements was carried out during 2015/16. The review established that an effective risk management framework is in place and recommended that a formal review of the framework should be carried out every three years.

- **Anti-fraud and anti-corruption arrangements** – London Councils is committed to having an effective Anti-Fraud and Anti-Corruption strategy designed to promote standards of honest and fair conduct, prevent fraud and corruption, detect and investigate fraud and corruption, prosecute offenders, recover losses and maintain strong systems of internal control. There are two separate policies in place London Councils Whistle Blowing Policy which was last updated in November 2013 and London Councils Policy to Combat Fraud, Bribery and Corruption, which was agreed by London Councils Audit Committee in March 2014. Both were reviewed in February 2016 and are available on London Councils' intranet and website.

- **Effective management of change and transformation** – London Councils has a framework for managing organisational change which is available to all staff on the intranet. The framework provides guidance on the statutory elements of managing change and issues that should be considered when implementing changes.

- **Financial management arrangements** – London Councils' financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.

- **Assurance arrangements** – London Councils' internal audit function is carried out by the City of London's internal audit team under a service level agreement for financial support services. These arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit in public service organisations and Public Sector Internal Audit Standards.

- **Discharge of the monitoring officer function –** • London Councils does not actually have a monitoring officer, which is a statutory post under s.4 of the Local Government and Housing Act 1989 (which does not apply to London Councils), and the Comptroller and City Solicitor of the City of London Corporation does not have the statutory powers and duties as monitoring officer for London Councils. However, the City of London Corporation as a member authority of the London Councils' joint committees (including TEC) provides legal advice and support to London Councils including governance advice and support which in a local authority would generally be provided by the borough solicitor and monitoring officer.

- **Discharge of the head of paid service function** – London Councils' Chief Executive is the head of paid service. As with all Committee officers, the Chief Executive is issued with a job description which confirms his duties within the organisation. He is subject to appraisal arrangements with Group Leaders who assess his performance against agreed objectives.

- **Audit Committee –** London Councils' Audit Committee has its own comprehensive Terms of Reference. The Terms of Reference were reviewed by the Audit Committee on 24 September 2010. On 19 March 2015, the Audit Committee considered a revision to its Terms of Reference to include the responsibility to make a recommendation to Leaders' Committee on the appointment, reappointment and removal of the external auditor. The Audit Committee meets three times a year and is chaired by a leading member from a borough who can be a member of the Executive. The members of the Audit Committee will normally, but not necessarily, be members of London Councils Leaders' Committee and with the exception of its chair, are not members of the Executive.

- **Compliance with relevant laws and regulations** - London Councils has comprehensive financial regulations and a comprehensive set of human resources policies and procedures which are reviewed on a regular basis. These arrangements ensure compliance with all applicable statutes, regulations and other relevant statements of best practice in order to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively and in accordance with the statutory and other authorities that govern their use.

- **Whistle-blowing** – London Councils has a whistle-blowing policy which is available to all staff on the intranet. The policy aims to encourage staff and others to feel confident in raising serious concerns by providing clear avenues through which those concerns can be raised and reassuring staff who raise concerns that they will not be victimised if they have a reasonable belief and the disclosure was made in good faith. It is also on the website and staff are encouraged to bring this policy and the policy to combat fraud, bribery and corruption to the attention of contractors and third parties.

- **Identifying the development needs of members and officers** – London Councils has access to a programme of training and development, which is available to all staff and can be found on the intranet. The aim of the programme is to assist in the achievement of the organisation's aims and objectives by providing opportunities for staff to gain the necessary skills and knowledge required to perform their tasks and duties effectively. London Councils also has a performance appraisal scheme which provides all staff with regular assessments of their performance and development needs in relation to their work objectives. Members have access to training in their own authorities. There is a member only section on London Councils' website which provides them with useful information, regular briefings in specific policy areas and a forum for information exchange.

- **Establishing clear channels of communication** – London Councils actively engages with relevant stakeholders when developing its vision and strategies. All Committee meetings are open to the public and consultations are undertaken where relevant. London Councils issues member briefings and arranges a number of events, conferences and seminars that also provide opportunities for stakeholder engagement. London Councils produces an Annual Review which provides a summary of the key achievements over the last year and annual statutory financial statements. Information on consultations, minutes of committee meetings and publications are posted on London Councils website www.londoncouncils.gov.uk. London Councils consults with Chief Officer groupings across boroughs in the development of its work.

- **Enhancing the accountability for service delivery and effectiveness of public service providers** - All working arrangements with public service providers are subject to signed agreements/contracts which set out the terms of the service provided. All agreements/contracts are reviewed to ensure that the roles and responsibilities of the parties involved are clearly defined and the terms are beneficial to London Councils and its member authorities. Key performance indicators are incorporated into agreements where appropriate and monitored regularly. Nominated officers are responsible for managing the outcomes of the service and establishing clear lines of communication with providers.

- **Partnership arrangements** – London Councils has a set protocol for staff to follow when working in partnership with outside bodies. A checklist is to be completed for each new partnership or project. Partnership arrangements are also subject to signed agreements which include objectives, roles and responsibilities. The performance of partnerships are monitored in the same manner as other service providers.  London Councils does not currently have any material partnership arrangements.

**Review of effectiveness**

London Councils 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 London Councils Corporate Management Board which has responsibility for the development and maintenance of the governance environment, the internal audit annual report and also by comments made by the external auditors in their annual audit letter and other reports. The review of the effectiveness of the governance framework includes:

- The work of Internal Audit, undertaken by the City of London under a service level agreement, and the annual opinion of the Head of Audit & Risk Management at the City of London.  Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit of all auditable areas within a five-year planning cycle, – with key areas being reviewed annually. This is reinforced by consultation with London Councils Corporate Management Board and London Councils' Audit Committee on perceived risk and by a rigorous follow-up audit regime. The Internal Audit Section of the City of London operates, in all aspects, in accordance with the CIPFA Code of Practice and Public Sector Internal Audit Standards. An internal audit review of governance arrangements was carried out during 2012/13 with the outcome reported to the Audit Committee in March 2013.

- The Audit Committee's review of the governance arrangements in place during 2015/16.

- London Councils Corporate Management Board considers an annual report on Corporate Governance, which includes work completed during the current year and highlights work planned for the following year.

**Areas for development during 2016/17**

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2016/17:

**ICT Strategy, Security & Operational Control**

A review of the Committee's ICT strategy, security and operational control was undertaken during 2013/14.  The review revealed that whilst an adequate control framework was in place, there were a number of areas that required improved controls. Management has already taking action to address a number of the issues that were raised but there are still improvements to be made in areas such as system security and infrastructure during 2016/17.

A separate review to establish and evaluate the adequacy of the updated ICT strategy was undertaken in 2015/16. It identified areas for improvement in respect of disaster recovery testing, documentation of disk storage thresholds and verification of third party compliance. These improvements will be carried out during 2016/17.

**Inventory**

A review of the Committee's key finance controls was carried out during 2015/16. The objective of the review was to ascertain and evaluate the adequacy of controls in relation to income and expenditure. The review revealed that there was a sound control environment in place with risks to system objectives reasonably managed. However, it also revealed that the information held on the inventory list for furniture and equipment was not fully compliant with the requirements of London Councils' financial regulations. An exercise to update the inventory list will be completed during 2016/17.

**Risk Management and Business Continuity**

An internal audit review of risk management and business continuity was undertaken in 2015/16. The review revealed that there was an adequate control framework in place but there were areas of improvement in relation to the frequency of reviews of the risk management framework, the reporting of the results of business continuity tests and the contents of the Business Continuity Plan. These improvements will be carried out during 2016/17.

London Councils will take adequate steps over the coming year to address the above matters in order to further enhance its governance arrangements. London Councils is satisfied that these steps will address the improvement needs identified in the effectiveness review. London Councils will monitor their implementation and operation as part of our next annual review.

**Significant governance issues**

There are no significant governance issues.


John O'Brien                                                September 2016
Chief Executive

Mayor Jules Pipe                                    September 2016
Chair of London Councils

# Audit Committee

## Risk Management – Chief Executive's Directorate Risk Register

Item no: 06

| | | | |
|---|---|---|---|
| **Report by:** | Christiane Jenkins | **Job title:** | Director, Corporate Governance |

**Date:** 22 June 2016

**Contact Officer:** Christiane Jenkins

**Telephone:** 020 7934 9540  **Email:** Christiane.Jenkins@londoncouncils.gov.uk

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**Summary:** This report presents the current Chief Executive's Directorate Risk Register for consideration by the Audit Committee.

**Recommendations:** The Audit Committee is asked to:

- Note the current Chief Executive's Directorate Risk Register

# Risk Management Framework and Registers

**1. Background**

1.1 London Councils Risk Management Strategy and Framework was agreed in March 2012. The approach is proportionate to the Organisation and establishes the Organisation's approach to risk management and a framework for identifying and monitoring risks.

1.2 The directorate and corporate risk registers are reviewed, at minimum, quarterly by the Corporate Governance Officer Group and half-yearly by London Councils' Corporate Management Board (CMB).

1.3 In September 2011 the Audit Committee requested that the directorate risk registers were presented to the committee in rotation, one at each meeting. This report presents the Chief Executive's Risk Register to the Audit Committee.

1.4 The types and definitions of risks used in London Councils risk assessments are attached at Appendix One.

**2. Current position on Chief Executive's Directorate Risk Register**

2.1 The Chief Executive's Risk Register comprises risk registers for the Corporate Governance and the Corporate Resources Divisions.

2.2 The Corporate Resources Register includes 18 risks and covers the following areas;

- IT
- Finance
- Health & Safety
- Facilities Management

2.3 The Corporate Resources Directorate Risk Register is considered at least quarterly by the Resources Management Team, which comprises the following Officers;

- Frank Smith, Director, Corporate Resources
- David Sanni, Head of Financial Accounting
- Andy Pitcairn, Head of Budgetary Control and Procurement
- Roy Stanley, ICT and Facilities Manager

It was last considered by this group on 6th June 2016.

2.4 The Corporate Governance Register includes 8 risks and covers the following areas;

- Democratic Services
- Corporate Governance
- Human Resources
- Regional Employers Secretary

2.5 The Corporate Governance Management Team members are;

- Christiane Jenkins, Director, Corporate Governance
- Derek Gadd, Head of Governance
- Selena Lansley, Head of London's Regional Employers Office

It was last considered at the Governance Team Meeting on 11<sup>th</sup> May 2016 and by the Corporate Governance Management team on 3<sup>rd</sup> June 2016.

2.6 When the Audit Committee last reviewed the Chief Executive's directorate risk register in March 2014 it included a separate register for the Chief Executive's Office. This register recorded the risk associated with the development of the London Pensions CIV. This risk is no longer relevant as the Company is now established and independent from London Councils. This risk was deleted in December 2015 to reflect this change.

## 3. Implications

### Equalities Implications for London Councils

There are no specific equalities implications arising from the recommendations, although when compiling the divisional, directorate and corporate risk registers, equalities issues may be identified and will be recorded, reported and managed as necessary.

### Financial Implications for London Councils

There are no financial implications arising from this report.

### Legal Implications for London Councils

There are no legal implications arising from this report.

## 4. Recommendations

The Audit Committee is asked to:

- Note the Chief Executive's Directorate Risk Register

### Appendices;

Appendix 1 - Criteria for risks within London Councils

Appendix 2 – Chief Executive's Directorate Risk Register – last updated June 2016

# Appendix 1 - Audit Committee Report – Directorate Risk Registers

## Criteria for risks within London Councils

**(Extract from London Councils Risk Management Strategy & Framework, approved March 2012)**

### Types of risks
The main types of risk that London Councils is likely to encounter are:

| Risk | Definition |
|---|---|
| Compliance | Risk of failing to comply with statutory requirements. |
| External | Risks from changing public or government attitudes. |
| Financial | Risks arising from insufficient funding, losing monetary resources, spending, fraud or impropriety, or incurring unacceptable liabilities |
| Operational | Risks associated with the delivery of services to the public and boroughs arising, for example, from recruitment difficulties, diversion of staff to other duties, or IT failures, loss or inaccuracy of data systems or reported information |
| Project | Risks of specific projects missing deadlines or failing to meet stakeholder expectations. |
| Reputation | Risks from damage to the organisation's credibility and reputation. |
| London | Risks to our stakeholders that need to be taken into account in our planning and service provision |
| Strategic | Risks arising from policy decisions or major decisions affecting organisational priorities; risks arising from senior-level decisions on priorities. |
| Contractual Risks | Risks related to the management of service contracts |
| Internal | Risks that relate to HR/People risks associated with employees, management and organisational development |

### Assessing and scoring risks
To assess risks adequately London Councils will identify the *consequences* of a risk occurring and give each risk a score or *risk rating*.

A means of comparing risks is needed so that efforts can be concentrated on addressing those that are most important. Each risk will be given a score, depending on its likelihood and its impact, as shown below. A risk may meet some, or all, of a description of likelihood or impact. These descriptions provide guidance rather than a prescriptive formula for determining risk ratings. Scoring a risk is a judgement call based on knowledge, understanding and informed guesswork.

Any risks which are both very likely to occur and will have a high impact are the ones that demand immediate attention.

| Risk assessment | | | |
|---|---|---|---|
| **Rating** | **Likelihood** | **Impact** | **Rating** |
| *Very High 4* | **70% chance of occurrence** Almost certain (the risk is likely to occur within 6 months or at a frequent intervals). The event is expected to occur as there is a history of regular occurrence. | Huge financial loss; key deadlines missed or priorities unmet; very serious legal concerns (e.g. high risk of successful legal challenge, with substantial implications for London Councils); major impact on Boroughs or Londoners; loss of stakeholder public confidence. | *Very High 4* |
| *High 3* | **40% - 70% chance of occurrence** Probable, the risk is likely to occur more than once in the next 12 months. A reasonable possibility the event will occur as there is a history of frequent occurrence. | Major financial loss; need to renegotiate business plan priorities; changes to some organisational practices due to legislative amendments; potentially serious legal implications (e.g. risk of successful legal challenge); significant impact on the Boroughs or Londoners; longer-term damage to reputation. | *High 3* |
| *Medium 2* | **20% - 39% chance of occurrence** Possible, the risk may occur in the next 18 months. Not expected but there's a possibility it may occur as there is a history of casual occurrence. | Medium financial losses; reprioritising of services required; minor legal concerns raised; minor impact on the Boroughs or Londoners; short-term reputation damage. | *Medium 2* |
| *Low 1* | **<20% chance of occurrence** Rare, the risk may occur in exceptional circumstances. | Minimal financial losses; service delivery unaffected; no legal implications; unlikely to affect the Boroughs or Londoners; unlikely to damage reputation. | *Low 1* |

## Risk scores

**Risk Assessment**

| | Low (1) | Medium (2) | High (3) | Very High (4) |
|---|---|---|---|---|
| **Very High (4)** | 4 | 8 | 12 | 16 |
| **High (3)** | 3 | 6 | 9 | 12 |
| **Medium (2)** | 2 | 4 | 6 | 8 |
| **Low (1)** | 1 | 2 | 3 | 4 |

**Impact**

It is recognised that the scores at different levels of the register (project/team, directorate/ divisional, corporate) will reflect the importance of the risk in the context of the level of the register. For example, an individual officer's project register may reflect a high impact score on the project if an element is delivered late, but this will not necessarily correspond to a high impact on the organisation as a whole. This incremental approach to impact allows risks to be appropriately scored at each level to enable effective prioritisation of management and mitigation actions.

**Mitigating risks**

In addressing risks, a proportionate response will be adopted – reducing risks to 'As Low a Level as is Reasonably Practicable' in the particular circumstances (known as the ALARP approach).

In identifying actions to address a risk, at least one of the 4 T's; treat, transfer, tolerate or terminate should apply.

**Treat –** treating the risk is the most common response, taking action to lessen the likelihood of the risk occurring. Treatment can also mean planning what you will do if the risk occurs, therefore minimising the impact. The purpose of 'treatment' is not necessarily to terminate the risk but, more likely, to establish a planned series of mitigating actions to contain the risk to an acceptable level.

**Transfer –** transferring the risk might include paying a third party to take it on or having an insurance policy in place. Contracting out a service might mitigate the risk but create new risks to be managed.

**Tolerate –** the ability to take effective action against some risks may be limited, or the cost of taking action may be disproportionate to the potential benefit gained. In this instance, the only management action required is to 'watch' the risk to ensure that its likelihood or impact does not change. This is an acceptable response as long as the risk has been properly identified and toleration is agreed to be the best option. If new management options arise, it may become appropriate to treat this risk in the future. London Councils may choose to tolerate a high residual risk if the activity involves presents a significant, yet risky, opportunity for the organisation. This should be explained in the description of the countermeasures.

**Terminate –** by doing things differently, you remove the risk.

| Directorate | Corporate Governance | | | | | | Date Last Reviewed | | June 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Christiane Jenkins | | | | | | Reviewed By | | Corporate Governance Division | | | | |
| No | Risk | Risk Type | Risk description | Risk Rating without control (1-4) | | | Controls in place | | Responsible Officer | | Risk rating with control (1-4) | | |
| | | | | L | I | O | | | | | L | I | O |
| CG 1 | An appropriate Performance Management Framework not in place | Compliance, Operational, Reputation | Unable to ensure activity is aligned to delivery of corporate objectives, therefore not meeting requirements of stakeholders. Areas for improvement not identified/delivered as agreed with Leaders/Executive; unable to demonstrate value for money | 2 | 2 | 4 | Objectives in Corporate Business Plan aligned with outcome measures and cascaded into staff objectives and appraisals where-ever possible. Fundamental review of performance appraisal scheme was undertaken in 2009 and further revised in 2010 and 2015. There is a rated objective and competency framework. There is mandatory training for all appraisers and appraisees. Appraisals will continue to be monitored as part of organisational development framework.  Annual portfolio holder meetings, are held by the Chair of London Councils and leading Members and attended by the Chief Executive and officers as part of the business planning process, provide an opportunity to review progress and agree priorities for the future. In Corporate Governance, appraisals and regular one2one's take place, as do regular team and divisional meetings. These ensure activities are linked to purpose and that performance is routinely monitored. | | Christiane Jenkins, Programme Director, Corporate Governance | | 1 | 1 | 1 |

| Directorate | Corporate Governance | | | | | | Date Last Reviewed | | June 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Director** | Christiane Jenkins | | | | | | **Reviewed By** | | Corporate Governance Division | | | | |
| No | Risk | Risk Type | Risk description | Risk Rating without control (1-4) | | | Controls in place | | Responsible Officer | | Risk rating with control (1-4) | | |
| | | | | L | I | O | | | | | L | I | O |
| CG 2 | Inadequate democratic services function | Compliance | Committee papers and procedures not complying with legislation | 1 | 2 | 2 | London Councils has a dedicated Governance Team/Unit with well trained staff in place who understand the importance of the democratic process and are supported by the organisation to carry out this role to a high standard, in liaison with the City Corporation legal team. Staffing levels in the Governance Support Team are such that any coincidence of emergency/illness/leave etc. may result in others in the Corporate Governance Division or elsewhere in the Organisation needing to step in and cover. Contingency planning for this is in place. The Governance Support Team Manual is up-dated regularly as part of this contingency. Any training requirements are  identified and then met. | | Derek Gadd, Head of Corporate Governance | | 1 | 1 | 1 |

| Directorate | Corporate Governance | | | | | | Date Last Reviewed | | June 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Christiane Jenkins | | | | | | Reviewed By | | Corporate Governance Division | | | | |
| No | Risk | Risk Type | Risk description | Risk Rating without control (1-4) | | | Controls in place | | Responsible Officer | | Risk rating with control (1-4) | | |
| | | | | L | I | O | | | | | L | I | O |
| CG 3 | Inadequate corporate governance framework | Compliance Financial, Operational, Reputation | Insufficient controls in place and/or existing controls not applied appropriately. | 2 | 2 | 4 | An annual review of corporate governance framework in line with CIPFA/SOLACE guidance is undertaken as well as ongoing monitoring and review, with an annual report to Corporate Management Board together with an action plan. Also, there are regular reports to the Corporate Governance Group, as appropriate. Risk Registers are in place and are reviewed regularly in line with London Councils Risk Management Strategy and Framework, which was updated in March 2012 and approved by Audit Committee. | | Christiane Jenkins, Programme Director, Corporate Governance | | 1 | 1 | 1 |
| CG 4 | Non compliance with Information Legislation | Compliance Operational, Reputation | Non compliance with information legislation (FOI, EIR & DPA) leading to organisation not adhering to information security and providing information as and when required. | 2 | 3 | 6 | Corporate Governance provide support and guidance to the organisation on responses to FOI, DPA and EIR requests, and ensure London Councils policies meet legislative requirements. Legal support is obtained from the City of London (COL) as required. Training needs for individual officers are identified through the appraisal process. London Councils CMB approved new Information Security, Information Management and Data Protection policies in October 2014. *Act Now Training* delivered data protection | | Christiane Jenkins, Programme Director, Corporate Governance, supported by Emily Salinger, Sylvia | | 1 | 2 | 2 |

| Directorate | Corporate Governance | | | | | | Date Last Reviewed | June 2016 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Director | Christiane Jenkins | | | | | | Reviewed By | Corporate Governance Division | | |
| No | Risk | Risk Type | Risk description | Risk Rating without control (1-4) | | | Controls in place | Responsible Officer | Risk rating with control (1-4) | | |
| | | | | L | I | O | | | L | I | O |
| | | | | | | | training to all staff in Autumn 2014. A regular programme of data protection/information security training is available for new staff and to meet ongoing needs. | Edohasim | | | |
| CG 5 | Non-compliance with London Councils Information Governance policies | Compliance Operational, Reputation Financial | The organisation does not fully implement the information governance policies and consequently does not manage sensitive or personal data appropriately. | 3 | 3 | 9 | CMB has prioritised the implementation of the policies across the organisation, enabling work at team level to improve understanding and compliance. A project plan and regular meetings with SIRO will monitor progress of the work. Also, a separate risk register will monitor ongoing risks associated with managing information which are identified through this work. | Emily Salinger (Frank Smith) | 1 | 2 | 3 |

| Directorate | Corporate Governance | | | | | | Date Last Reviewed | June 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Christiane Jenkins | | | | | | Reviewed By | Corporate Governance Division | | | | |
| No | Risk | Risk Type | Risk description | Risk Rating without control (1-4) | | | Controls in place | Responsible Officer | Risk rating with control (1-4) | | |
| | | | | L | I | O | | | L | I | O |
| CG 6 | Ineffective operational HR service from City of London | Operational, Reputational | Recruitment not timely and mistakes made, perceptions of London Councils as a potential employer is poor; payroll issues not resolved in timely fashion; training delivered is of poor quality | 2 | 2 | 4 | There are weekly update meetings between the City's Corporate HR Business Unit/Director of Corporate Governance and Head of Budgetary Control and Procurement to ensure awareness of/effective responses to HR issues. There are 3 meetings a year to review the SLA with Senior Management at the City Corporation, where representatives from different business units in the City attend to discuss any issues and future improvements, e.g. training, payroll, pensions and recruitment. Quarterly meetings are also held with the LPFA to monitor issues related to pensions. | Christiane Jenkins, Programme Director, Corporate Governance | 1 | 1 | 1 |
| CG 7 | London Councils policies and procedures do not comply with Equalities legislation | Compliance reputational | If internal policies and procedures do not comply with Equalities legislation, they may not be valid or appropriate, and invalid procedures or decisions may occur, for example relating to recruitment and selection, managing staff. | 2 | 2 | 4 | Equality Impact Assessments are completed for all major policy changes or new policies/procedures and are consulted on with Joint Consultative Committee and the Corporate Equalities Group. Equalities implications are also part of every committee report. Training needs, to ensure staff awareness of equalities issues, are identified through the appraisal process and Corporate Governance ensures that appropriate training is identified as required. | Christiane Jenkins, Programme Director, Corporate Governance | 1 | 2 | 2 |

| Directorate | Corporate Governance | | | | | | Date Last Reviewed | | June 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Christiane Jenkins | | | | | | Reviewed By | | Corporate Governance Division | | | |
| No | Risk | Risk Type | Risk description | Risk Rating without control (1-4) | | | Controls in place | | Responsible Officer | Risk rating with control (1-4) | | |
| | | | | L | I | O | | | | L | I | O |
| CG 8 | Unplanned absence of regional employers' secretary for extended period or on the day of key meetings | Operational | Lack of capacity to deliver objectives in divisional work plan - reputational risk of being unable to provide core services | 1 | 2 | 2 | Arrangements in place for planned absences. Two London boroughs Heads of HR are on a standby list to advise the Employers' Side of GLPC or GLEF if the Employers' Secretary is absent for a formal meeting | | Christiane Jenkins, Programme Director, Corporate Governance  Selena Lansley, Head of London Regional Employers' Organisation | 1 | 1 | 1 |

# Corporate Resources Risk Register

| Division | Corporate Resources Division | | | | | | Date Last Reviewed | | | June 2016 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Frank Smith | | | | | | Reviewed By | | | David Sanni | | |

| | | | | Ratings without controls – 1-4 | | | | | Ratings with controls – 1-4 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Risk No. | Risk | Type of Risk | Risk Description (including Implications) | Likel ihood | Imp-act | Over all | Controls in Place | Risk Owner (Name & Position) | Like-lihoo d | Imp-act | Over all |
| CR1 | Insufficient disaster recovery for IT systems | Operational, Reputation | A complete IT failure - system unable to be restored | 4 | 2 | 8 | Off site server allows partial immediate restoration. The Office365 email system is based in the cloud which also allows for the immediate restoration of data.  Regular liaison with Client IT SLA Manager at the City of London regarding system resilience. There have been recent upgrades to the IT system configuration and infrastructure, approved by CMB, which improve the stability and resilience of the IT environment. A comprehensive testing plan is to be carried out in conjunction with the City of London and Agilisys, their IT contractor. | Roy Stanley, ICT & Facilities Manager | 1 | 2 | 2 |

# Corporate Resources Risk Register

| Division | Corporate Resources Division | | | | | | Date Last Reviewed | | June 2016 |
|---|---|---|---|---|---|---|---|---|---|
| Director | Frank Smith | | | | | | Reviewed By | | David Sanni |

| Risk No. | Risk | Type of Risk | Risk Description (including Implications) | Ratings without controls – 1-4 | | | Controls in Place | Risk Owner (Name & Position) | Ratings with controls – 1-4 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Likelihood | Imp-act | Over all | | | Like-lihood | Imp-act | Over all |
| CR2 | Procurement regulations breached | Compliance, Financial, Project, Reputation, London | Non-compliance with statutory requirements and London Councils Financial Regulations which may result in financial penalties, risk to reputation, appointment of unsuitable partners, potential legal action taken against London Councils, instigating services that are ultra vires etc. Also risk of incorrect procurement advice provided to Directorate Staff | 3 | 3 | 9 | Close working and referrals to the City of London Legal department, training for London Councils staff involved in procurement, clear procedure notes and guidance are included as an Appendix of the Financial Regulations. The guidance will be updated to incorporate the requirements of the new EU procurement directive in 2016. | Andy Pitcairn Head of Budgetary Control & Procurement | 1 | 3 | 3 |

# Corporate Resources Risk Register

| Division | Corporate Resources Division | | Date Last Reviewed | | June 2016 |
|---|---|---|---|---|---|
| Director | Frank Smith | | Reviewed By | | David Sanni |

| Risk No. | Risk | Type of Risk | Risk Description (including Implications) | Ratings without controls – 1-4 | | | Controls in Place | Risk Owner (Name & Position) | Ratings with controls – 1-4 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Likel ihood | Imp- act | Over all | | | Like- lihoo d | Imp- act | Over all |
| CR3 | Inadequate Business Continuity arrangement s | Operational, Reputation | Unable to continue day-to-day business in the event of a catastrophic disaster, or unforeseeable event. | 1 | 4 | 4 | London Councils' Business Continuity Plan (BCP) was updated and approved by CMB in April 2016. An internal audit review of the BCP has recently been completed and the recommendations were incorporated into the final version. The BCP includes adequate arrangements to ensure that all areas of service could continue in the event of a disaster. Nominated Gold, Silver and Bronze team members are the main points of contact for help or advice on emergency procedures and continuity arrangements. Each Directorate has considered its business continuity risks which are reflected in the business risk impact analysis and identified appropriate contingency plans. The BCP includes details of scenario testing, communication plans and examples of the types of scenarios to be considered in disaster recovery situations. | Roy Stanley, ICT & Facilities Manager | 1 | 3 | 3 |

# Corporate Resources Risk Register

| Division | Corporate Resources Division | | Date Last Reviewed | | June 2016 |
|---|---|---|---|---|---|
| Director | Frank Smith | | Reviewed By | | David Sanni |

| | | | | Ratings without controls – 1-4 | | | | | Ratings with controls – 1-4 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Risk No. | Risk | Type of Risk | Risk Description (including Implications) | Likel ihood | Imp-act | Over all | Controls in Place | Risk Owner (Name & Position) | Like-lihoo d | Imp-act | Over all |
| CR4 | Loss of income due to freeze/reduct ion in borough subscriptions | Compliance Financial, Operational, Project | Insufficient resources available to achieve objectives leading to poor service delivery, reputational risk, depletion of financial reserves, inability to meet statutory requirements. | 2 | 3 | 6 | Effective budget planning and in-year budget monitoring and detailed quarterly budget monitoring reports to the Executive and funding stream committees. | Andy Pitcairn Head of Budgetary Control & Procurement | 1 | 3 | 3 |
| CR5 | Non collection of income owed to London Councils | Financial | Lack of liquid cash resources; not able to meet short-term commitments, such as salary payments. | 3 | 4 | 12 | Effective debt monitoring procedures are in place which include the regular review of debtor account balances, automatic reminders generated by CBIS accounting system, follow-up letters and telephone calls made to debtors, ensuring purchase orders are obtained prior to agreeing to perform services, escalation protocol in place for chasing member debts and consideration given to legal referral where relevant. Six monthly progress reports presented to Executive. | David Sanni, Head of Financial Accounting | 1 | 2 | 2 |

# Corporate Resources Risk Register

| Division | Corporate Resources Division | | | | | | Date Last Reviewed | | | | June 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Frank Smith | | | | | | Reviewed By | | | | David Sanni |

| | | | | Ratings without controls – 1-4 | | | | | Ratings with controls – 1-4 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Risk No. | Risk | Type of Risk | Risk Description (including Implications) | Likel ihood | Imp-act | Over all | Controls in Place | Risk Owner (Name & Position) | Like-lihoo d | Imp-act | Over all |
| CR6 | Inadequate reconciliatio n of financial transactions (including Grants) | Financial | Correct amounts due and payable not reflected in the accounts. Financial statements under/over stated. Possible audit qualification issue. | 2 | 3 | 6 | Quarterly and annual reconciliations of systems are undertaken and reviewed. | David Sanni, Head of Financial Accounting | 1 | 2 | 2 |
| CR7 | Accounts Qualification | Compliance, Reputation, Financial. | Qualified report from external auditors due to missing legal deadline; non-compliance with accounting standards; material errors and misstatements included in the accounts and inadequate system of internal controls resulting in a loss of reputation amongst | 3 | 2 | 6 | Final Accounts timetable produced by City of London has to be adhered to by London Councils. Weekly reconciliations undertaken during closure period. Weekly Finance Team meeting with Director to ensure deadlines met. Developments in Local Authority Accounting are monitored and applied during preparation of accounts. Annual internal audit review of overall system of internal control. Regular update meetings with the external auditor during the course of the year. | David Sanni, Head of Financial Accounting | 1 | 2 | 2 |

# Corporate Resources Risk Register

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Frank Smith | | | | | | | Reviewed By | | | David Sanni | | |

| Risk No. | Risk | Type of Risk | Risk Description (including Implications) | Ratings without controls – 1-4 | | | Controls in Place | Risk Owner (Name & Position) | Ratings with controls – 1-4 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Likel ihood | Imp-act | Over all | | | Like-lihoo d | Imp-act | Over all |
| | | | stakeholders. | | | | | | | | |
| CR8 | Poor monitoring of budgets | Financial, Reputation | Possible audit qualification issue, budget holders make decisions based on incorrect financial data. Potential overspend/underspend position. | 2 | 3 | 6 | Agreed Performance Indicator for reporting monthly salaries forecast to MT and detailed quarterly budget monitoring reports to the Executive and funding stream committees. | Andy Pitcairn Head of Budgetary Control & Procurement | 1 | 2 | 2 |
| CR9 | Inadequate IT Security | Operational, Reputation, Compliance | System open to abuse from internal misuse and external threats. | 4 | 4 | 16 | IT Security maintained by the City of London (CoL) via SLA for IT services. CoL (IS) provides advice and guidance on security best practice commensurate with data held by London Councils. Regular liaison with Client IT SLA Manager at the City of London regarding IT system issues. An | Roy Stanley, ICT & Facilities Manager | 2 | 4 | 8 |

## Corporate Resources Risk Register

| Division | Corporate Resources Division | | | | | | Date Last Reviewed | | | | June 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Frank Smith | | | | | | Reviewed By | | | | David Sanni |

| Risk No. | Risk | Type of Risk | Risk Description (including Implications) | Ratings without controls – 1-4 | | | Controls in Place | Risk Owner (Name & Position) | Ratings with controls – 1-4 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Likel ihood | Imp- act | Over all | | | Like- lihoo d | Imp- act | Over all |
| | | | | | | | internal audit review carried out in November 2013 identified a number of areas for development that would improve IT system security. London Councils along with CoL (IS) will implement the agreed recommendations. | | | | |
| CR10 | Relationship break-down with internal /external audit | Compliance | Relationship with internal/external auditors becomes less 'collaborative' leading to more confrontation over issues raised during the course of audits. | 2 | 1 | 2 | Regular liaison meetings with both internal and external audit during the course of audits. A new external auditor was appointed in December 2015 and new working relationships are being developed. Annual audit plans are approved each year which set out the responsibilities of the relevant parties. | Frank Smith Director, Corporate Resources | 1 | 1 | 1 |
| CR11 | Failure to comply with Health & Safety | Compliance | Risk of physical injury to staff, the public and other stakeholders. Damage to London Councils assets. | 3 | 3 | 9 | Nominated officer responsible for H&S issues and maintenance of London Councils H&S policy. Appropriate insurance policies in place. | Roy Stanley, ICT & Facilities Manager | 1 | 2 | 2 |

# Corporate Resources Risk Register

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|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Frank Smith | | | | | | Reviewed By | | | David Sanni | |

| | | | | Ratings without controls – 1-4 | | | | | Ratings with controls – 1-4 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Risk No. | Risk | Type of Risk | Risk Description (including Implications) | Likel ihood | Imp-act | Over all | Controls in Place | Risk Owner (Name & Position) | Like-lihoo d | Imp-act | Over all |
| CR12 | Maintain Asset Register and depreciate as required | Financial | Correct net book value of assets not reflected in financial statements; possible audit qualification issue. Inability to validate assets; potential financial loss in event of insurance claim. | 2 | 2 | 4 | Aggregate listing currently maintained and confirmed correct accounting entries by external audit. A new detailed inventory listing was created in September 2015, further improvements will be made to the listing to ensure it complies with London Councils' Financial Regulations was completed in March 2016. | David Sanni, Head of Financial Accounting | 1 | 1 | 1 |
| CR13 | Poor management of facilities management contractors | Compliance, Financial | Risk of failure by contractors to comply with the terms of their contract. Inadequate service delivery and inefficient use of resources. Risk of physical injury to staff, the public and other stakeholders. | 2 | 2 | 4 | Contract management responsibilities assigned to nominated officers. Performance monitoring procedures established which include regular liaison with account managers. New contracts contain preventative rather than reactive performance monitoring measures which include provisions for penalties to be imposed for poor performance. Contractors H&S policies are scrutinised and contractors made fully aware of London Councils H&S requirements. | Roy Stanley, ICT & Facilities Manager | 1 | 1 | 1 |

# Corporate Resources Risk Register

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| | | | | Ratings without controls – 1-4 | | | | | Ratings with controls – 1-4 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Risk No. | Risk | Type of Risk | Risk Description (including Implications) | Likel ihood | Imp-act | Over all | Controls in Place | Risk Owner (Name & Position) | Like-lihoo d | Imp-act | Over all |
| CR14 | Corporate Resources Staff Charter key performance targets not met (Items not explicitly stated above) | Operational | The lack of an efficient and effective support service provided to London Councils | 4 | 2 | 8 | Close monitoring of KPIs, regular monitoring meetings by CRMT, quarterly stakeholder meetings, review of feedback from staff & surveys, links to staff objectives and appraisals. | Frank Smith Director, Corporate Resources | 2 | 1 | 2 |
| CR15 | Loss of funds held by City of London | Financial Reputational | Temporary or permanent loss of access to funds and/or lost interest of funds held by the City of London as a result of a banking crisis or poor treasury management | 2 | 3 | 6 | London Councils has an agreement with the City of London for a charge to be made for the provision of an indemnity against possible losses of sums invested on behalf of London Councils. There is also regular monitoring of cash balances and the City of London's Treasury Management & Investment Strategy. | Frank Smith Director, Corporate Resources | 1 | 3 | 3 |
| CR16 | Fraud | Financial & Reputation | The risk of financial loss due to fraudulent activity. | 4 | 4 | 16 | Robust system of internal control & governance arrangements, external & internal audit reviews of internal controls and underlying transactions, effective budgetary controls to identify unusual transactions and fidelity insurance. London Councils has established policies on Fraud, Bribery | Frank Smith Director, Corporate Resources | 1 | 4 | 4 |

# Corporate Resources Risk Register

| Division | Corporate Resources Division | | | | | | Date Last Reviewed | | | June 2016 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | Frank Smith | | | | | | Reviewed By | | | David Sanni | | |
| | | | | **Ratings without controls – 1-4** | | | | | | **Ratings with controls – 1-4** | | |
| **Risk No.** | **Risk** | **Type of Risk** | **Risk Description (including Implications)** | **Likel ihood** | **Imp-act** | **Over all** | **Controls in Place** | **Risk Owner (Name & Position)** | | **Like-lihoo d** | **Imp-act** | **Over all** |
| | | | | | | | & Corruption and Whistleblowing. | | | | | |
| CR17 | Lack of IT Strategy | Operational, Project, Reputation & Internal | The risk of IT systems unable to fulfil the future requirements of London Councils. | 2 | 3 | 6 | The ICT Strategy for 2015-18 was approved by the Corporate Management Board in March 2015 and published on the intranet for staff and stakeholders to read. Operationally, the ICT & Facilities manager work alongside COL IT officers & Agilisys, the City IT contractor, to review existing systems to ensure that they are suitable to meet day to day requirements. The strategy is owned by CMB and reviewed quarterly by a user focus group with updates provided to CMB members. | Frank Smith Director, Corporate Resources | | 1 | 3 | 3 |
| CR18 | Data Security | Compliance & Reputation | The risk that personal or commercially sensitive data is compromised. This breach of law will result in sanctions from the Information Commissioners Office. | 2 | 2 | 4 | All personal and commercially sensitive data should be held in locked cabinets. All staff handling personal and commercially sensitive data have attended data protection training. Regular checks are carried out to ensure compliance with best practice. | Frank Smith Director, Corporate Resources | | 1 | 1 | 1 |