

Minutes of the Meeting of the Audit Committee 18 September 2019

Cllr Roger Ramsey was in the Chair

Members Present:

Cllr Roger Ramsey (LB Havering)
Cllr Stephen Alambritis (LB Merton)
Cllr Yvonne Johnson (LB Ealing)
Cllr Robin Brown (LB Richmond)
Cllr Victoria Mills (LB Southwark)

In Attendance:

Martha Franco-Murillo, Senior Auditor, City of London
Stephen Lucas, Senior Manager, KPMG

London Councils' officers were in attendance.

1. Apologies for Absence

There were no apologies for absence.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Audit Committee meeting held on 21 June 2019

The minutes of the Audit Committee meeting held on 21 June 2019 were agreed as being an accurate record.

4. Annual Audit Report 2018/19

The Audit Committee received a report that informed members of the annual audit report to those charged with governance (ISA260) prepared by KPMG, London Councils' external auditor, in respect of the 2018/19 financial year.

David Sanni, Chief Accountant, London Councils, introduced the annual audit report for 2018/19. He said that the draft letter of representation could be found at Appendix B (page 27) of the report and would be signed off by Frank Smith, Director of Corporate Resources.

Stephen Lucas, Senior Manager, KPMG, said that the annual audit had gone very smoothly, and he thanked the London Councils' finance team for this. He said that page 17 of the report contained details of the committees' pension assets and liabilities. He informed members that adjustments had been made to reflect the impact of the McCloud and Sargeant Court ruling in June 2019 (page 22), which related to age discrimination in the implementation of changes to the Judicial and Fire Pensions schemes. The adjusted audit differences amounted to a credit of £150,000. Stephen Lucas informed Committee that there were no problems with regards to fraud risks, and he was content that any potential risks had been addressed.

The Chair asked whether the pensions liability rating "4" on page 19 of the report, was too optimistic. Stephen Lucas said that this related to the previous year and was within the acceptable range of expectations for KPMG. Councillor Brown asked whether anything surprising had arisen

from the annual audit report. Stephen Lucas confirmed that there were no surprises and that this had been a very straightforward audit. The Chair thanked KPMG for all their work undertaken on behalf of the London Councils Audit Committee.

The Audit Committee:

- Noted the contents of the annual audit report included at Appendix A; and
- Approved the draft letter of representation included at Appendix B of the report.

5. Financial Accounts 2018/19

The Audit Committee received a report that presented members with the financial accounts 2018/19.

David Sanni introduced the report, which contained the three consolidated statement of accounts, namely, London Councils' Joint Committee, Transport and Environment Committee (TEC) and the Grants Committee.

David Sanni informed members that there was an audited surplus of £2.519 million for the year, after transfers from reserves (Table 2) in the report. He said that the actuarial gains on pension assets/liabilities had been included in Table 3 of the report. The consolidated audited usable reserves as at 31 March 2019 came to £14.726 million and could be found in Table 5 of the report. Frank Smith confirmed that the outturn position had already been presented to the various London Councils' committees.

Councillor Johnson asked where London Councils kept the pension funds. David Sanni confirmed that the pensions were held by the London Pensions Fund Authority (LPFA), and this was where the monthly contributions were made. Councillor Brown asked about the provision of the European Social Fund (ESF). David Sanni said that there were two parts to this programme – one part was funded by the Grants' Committee, and the other discretionary part was funded by the boroughs. He said that some costs of the scheme were not fully covered by the ESF matched grant funding. A review of balances held for previous ESF schemes would be carried out to identify funds that could be used to offset the deficit.

The Chair asked why there had been an increase in the level of debtors and if it was due to amounts owed by the GLA. David Sanni informed members that the GLA had now settled all of its debts. He said that other debts had increased, including the European Social Fund scheme (£2 million), where grant funding had not been received. Frank Smith, Director of Corporate Resources, London Councils, said that the Grants Committee's funding to the ESF ended on 30 June 2019 but there were claims for ESF grant which were still outstanding and had not yet been paid.

Frank Smith said that one of the larger debts was for Taxicard in TEC. He explained to members that there was an underspend in Taxicard last year, and this meant that there was a reduced amount that needed to be claimed from Transport for London (TfL). However, a new arrangement for claiming their contribution was introduced in 2018/19 and as a result of this, it was taking TfL longer than usual to pay for its share of the Taxicard scheme. Frank Smith informed members that a report on outstanding debts had recently been discussed at London Councils' Executive.

The Audit Committee approved London Councils' Consolidated Statement of Accounts for 2018/19, the Transport and Environment Committee's Statement of Accounts for 2018/19 and the Grants Committee's Statement of Accounts for 2018/19.

6. London Councils' Corporate Risk Register

The Audit Committee received a report that provided members with the London Councils' Corporate Risk Register.

Christiane Jenkins, Director of Corporate Governance, London Councils, introduced the report, which went to Audit Committee every year in September. She said that the following changes had been made since the report was last seen by this Committee in September 2018:

Corporate Risk 2: Business Continuity Plan

The wording had been revised to reflect that the Business Continuity Plan had been updated and approved by London Councils' Corporate Management Board (CMB).

Corporate Risk 4: Pan London Mobility Services

The residual rating had been increased from a "2" rating to a "4" rating to reflect performance issues with the new Taxicard contract.

Corporate Risk 5: London Tribunals

The wording had been revised to include the new Ultra Low Emission Zone (ULEZ) penalty charge appeal work being undertaken by London Tribunals.

Corporate Risk 9: Emerging Priorities and Pledges

The residual risk had been reduced from a "6" rating to a "4" rating to reflect the priorities and pledges had all been agreed and were now at the implementation/delivery stage.

Corporate Risk 10: London Councils' Challenge Process

Residual risk had also been reduced from a "6" rating to a "4" rating to reflect the progress that had been made, and the roll-out of the agile working pilot to the rest of London Councils.

Councillor Robin Brown asked for more details regarding the risks to the Taxicard contract. Stephen Boon, Chief Contracts Officer, London Councils, explained that the Taxicard contract had been re-let and a new pricing structure had been implemented (a fixed rate per mile, rather than the meter amount). He said that performance had dropped off in the first few months of the new pricing system. In July 2019, the meter pricing for drivers was reinstated. Uptake had since increased (200 to 300 drivers were needed in order for the scheme to be effective).

The Audit Committee noted the London Councils' Corporate Risk Register for 2019/20, as at Appendix 2 in the report.

7. Internal Audit Reviews

The Audit Committee received a report that provided members with an update of the internal audit work that had been undertaken since the last Audit Committee meeting on 21 June 2019.

David Sanni introduced the report and informed members that this was an update on the internal audit plans for 2018/19 and 2019/20. He said that Appendix B (page 67) was the final report on London Councils' Information Governance and General Data Protection Regulations (GDPR). David Sanni confirmed that a sound control environment was in place. London Councils was awaiting formal sign-off for the HR system elements for GDPR which was under the remit of the City of London.

The Chair said that there had been delays in carrying out a number of reviews in previous years. David Sanni said that a number of the reviews included in the 2019/20 plan had already commenced and that Internal Audit were on course to complete the plan in the current year. The Chair said that he welcomed these improvements. He said that the GDPR report was very thorough and reflected well on what London Councils was currently undertaking. The Chair said

that the City of London needed to be chased-up with regards to the sign-off for the HR system elements for GDPR.

The Audit Committee:

- Noted that the Business Continuity Arrangements review, deferred from 2018/19 to the 2019/20 audit plan, will be reported as part of the 2019/20 audit plane, following agreement with London Councils' officers; and
- Agreed to remind the City of London that it needed to sign-off the HR system elements for GDPR.

8. Business Continuity Plan (BCP)

The Audit Committee considered a report that presented members with a revised version 4.0 of the Business Continuity Plan (BCP) document that had been produced and approved by the London Councils' Corporate Management Board (CMB) on 5 June 2019.

Frank Smith introduced the BCP report. He said that it was beneficial to review the BCP, in light of the new IT infrastructure programme and the implementation of agile working at London Councils. He informed members that a pilot had taken place on agile working on the 3rd floor at London Councils, and this would be rolled-out to the rest of the building over the next 9 months.

Councillor Johnson asked whether the information on staff members' laptops and smart phones could be wiped clean in the event of the computer or mobile phone being lost or stolen. Roy Stanley, ICT and Facilities Manager, London Councils, confirmed that any information on lost or stolen laptops and mobile phones could be deleted. The Chair said that the report on the BCP was very thorough. He asked whether there was a sufficient supply of laptops and smart phones for London Councils' staff. Roy Stanley said that were enough laptops and smart phones for all staff.

The Audit Committee noted the revised Business Continuity Plan, as at Appendix A of the report. Plan

9. Dates of the Audit Committee Meetings for 2020/21

The Audit Committee received a report that notified members of the proposed Audit Committee meeting dates for 2020/21.

The Audit Committee agreed the proposed dates of the Audit Committee for 2020/21.

The meeting finished at 11:03am

Action Points

	Action	Progress
Internal Audit Reviews (carried over from minutes of 20 June 2019)	<i>Agreed that evidence would be provided for the management accounts and proper scrutiny on the grants work.</i>	Partially completed, one recommendation revised to risk accepted
7. Internal Audit Reviews	<i>Agreed to ask the City of London to sign-off the HR systems elements for GDPR</i>	Completed

Audit Committee

Internal Audit Update

Item no: 04

Report by: Matt Lock **Job title:** Head of Audit & Risk Management (City of London Corporation)

Date: 17 June 2020

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Summary The purpose of this report is to provide the Committee with an update of internal audit work that has been undertaken since the last committee update report made at the September 2019 meeting. The Audit Plan for 2019/20 is complete.

Good progress has been made in implementing audit recommendations.

Recommendations The Audit Committee is asked to note and comment on the contents of the report and appendices.

Background

1. At its meeting on 21 March 2019 the Audit Committee approved the Internal Audit Plan for 2019/20 that was proposed by the City of London's Internal Audit section under the terms of the service level agreement for financial support services. This report provides an update on the overall status of delivery of the Audit Plan and the outcome of Audit recommendation follow-up review.

Internal Audit Plan 2019/20

2. Work on the 2019/20 Internal Audit Plan has been completed as follows:

Planned Audits	Days	Status
Procurement of Goods and Services	15	Final Report
Financial Management	10	Final Report
Pension Scheme Administration	10	Final Report
Post IT Transformation Project	10	Final report
Business Continuity and Disaster Recovery	10	Final Report
Review of the SLA arrangements between the City of London and London Councils	5	Removed from plan – agreed with the Director of Corporate Resources that there was no suitable substitute review for 2019/20, 5 audit days to be added to the resource base for 2020/21
Follow Up Exercise	5	Completed

Completed Internal Audit Reviews:

Procurement of Goods and Services

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	4	0	4
Number Accepted:	0	4	0	4

3. The purpose of the audit was to obtain assurance that there are adequate controls in place for:
 - Raising and authorising purchase orders to ensure orders are raised for legitimate purposes; and
 - Ensuring London Councils obtains value for money from its procurement activity.

4. Audit testing confirmed that London Councils have an embedded system for the procurement of goods and services. There is clear procurement guidance included within Financial Regulations and staff are generally adhering to this.
5. There are adequate arrangements in place for raising and authorising purchase orders, noting that London Councils operates a 'manual' paper based, purchase order system. It was recommended that consideration be given to implementing the Oracle R12 purchase order module, although it was subsequently determined that the current approach is proportionate to the needs and scale of operations of London Councils.
6. Testing identified that purchase orders are occasionally issued retrospectively, this undermines the effectiveness of internal control over procurement activity, increasing the risk that invalid purchases are made. A recommendation was raised accordingly.
7. The Procurement Toolkit provides adequate guidance to officers on completing procurement exercises. However, testing found that the requirements of the Toolkit are not always being adhered to. For example:
 - A supplier was appointed without formal approval.
 - Two suppliers were identified that London Councils have sourced goods and services across several years without undertaking procurement exercises to consider alternative options.

Financial Management

Assurance Level	Description
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.

Recommendations	Red	Amber	Green	Total
Number Made:	0	0	1	1
Number Accepted:	0	0	1	1

8. The objectives of this Internal Audit review were to:
 - Ascertain if approved policies and standard operating procedures are in place covering key financial processes, which are subject to regular review, approval and are made available to all relevant staff.
 - Determine the process for setting the annual budget, covering all financial and operational systems and based on justifiable assumptions.
 - Examine whether sufficient relevant, reliable information is available to assess financial performance and whether significant budgetary variations are analysed, investigated, explained and acted upon by budget holders. Assess the adequacy of reporting lines in place.
 - Evaluate the adequacy of key controls over the billing, collection, banking, and reconciliation of income and that overdue income is identified in a timely manner and appropriate action taken to recover it.

9. Policies and procedures are in place covering key financial processes. These are documented in the Financial Regulations, which are subject to periodic review and approval by the Leaders Committee and are available to staff through the Intranet and Internet websites.
10. An adequate process exists for setting the annual budget, based on justifiable assumptions, service requirements and strategic priorities. The budget is set in a timely manner and ensures engagement with key stakeholders and scrutiny and approval from relevant Committees.
11. Budget monitoring arrangements, to help ensure sufficient relevant, reliable information is available to assess financial performance, appear adequate for the size of the organisation and the nature of their work. An issue was found in respect of an absence of budget profiling and recording of in year accruals on the main accounting system, hindering the ability to properly reflect variances between budget and actual income and expenditure to date. A recommendation was raised accordingly.
12. There are adequate controls in place over the billing, collection, banking, and reconciliation of income. Effective arrangements are set for the timely identification of overdue income with appropriate action taken to recover it, in accordance with the Debt Management Procedure.

Pension Scheme Administration

Assurance Level	Description
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.

Recommendations	Red	Amber	Green	Total
Number Made:	0	0	4	4
Number Accepted:	0	0	4	4

13. The purpose of the audit was to assess the adequacy of existing controls and compliance with the general principles of the auto enrolment rules related to pension arrangements for parking adjudicators, focusing on the following:
 - Due diligence process involved in selecting Smart Pensions as a preferred option and the reasoning behind this selection.
 - Compliance with auto enrolment pension regulations for parking adjudicators, including informing them of the new rules and the systems and processes in place for initial and on-going auto enrolment and re-enrolment, with sample testing to confirm controls in operation.
 - Record keeping and checks undertaken to ensure that opt-out requests and variances in deductions are authorised and appropriately applied.
 - Reconciliation controls in place between City Payroll and accounting records.
14. London Councils has sound arrangements to help ensure compliance with the general principles of the auto enrolment rules of the pension arrangements for

parking adjudicators. An adequate process was followed for the selection of Smart Pension as the Pension Auto-enrolment provider. The basis for selection is clear, reasonable and well documented and evidence of consultation and approval by Senior Management is in place.

15. Controls in place to comply with the auto enrolment rules, including informing adjudicators of the new rules and the systems and processes in place for initial and on-going auto enrolment and re-enrolment, are generally adequate for the size of the operation, however, a small number of issues were identified:
 - No supervisory checks undertaken on manually entered monthly salary data for uploading to the Smart Pension system. In addition, there is no absence cover.
 - No checks appear to be undertaken by the payroll provider (City of London), in respect of the accuracy of Adjudicators' pension contributions.
16. Appropriate record keeping arrangements are in place and checks are undertaken to ensure that opt-out requests and variances in deductions are authorised and appropriately applied.
17. Although London Councils has established reconciliation controls to help ensure that pension contributions are calculated accurately and properly accounted for, the regularity of reconciliations is insufficient. In addition, discrepancies identified as a result of these reconciliations have not been actioned in a timely manner by the City Payroll Team or by Smart Pension.
18. Recommendations were made to address the weaknesses identified.

Business Continuity and Disaster Recovery

Assurance Level	Description
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.

Recommendations	Red	Amber	Green	Total
Number Made:	0	0	2	2
Number Accepted:	0	0	2	2

19. The purpose of this audit was to obtain assurance that adequate arrangements are in place to:
 - Review, revise and test the LC Business Continuity Plans.
 - Disaster Recovery provisions requirements are suitably considered in contracted services.
 - Communicating staff to appropriate staff.
20. There are adequate arrangements in place for approving proposed changes to the BCP. The ICT & Facilities Manager obtains relevant information from internal processes (risk register), external services (Agilisys); and industry best practice (newsletters and on-line journals) in order to inform the revision of the London Councils BCP. These are considered to be appropriate sources of information

providing a wide source of relevant information. The BCP is prepared in a clear format, well referenced, comprehensive and easy to follow. There are adequate arrangements in place for approving proposed changes to the BCP. Each version of the BCP is signed off by the CEO. There have been 11 reviews of the BCP since August 2013.

21. The BCP includes comprehensive details of Critical Functions, the impact on each system and service of an incident and contact details for third party suppliers in support of their service delivery. Whilst tender specifications do require sight of the BC and DR plan for the organisation the key issue is what redress does London Councils have in the event of a failure of the service and therefore the contract. This is subject to contract monitoring and any contract payment deductions will be made accordingly.
22. There are adequate arrangements in place for devising BCP tests from a range of identified scenarios included within the BCP. Whilst the BCP includes a list of all completed testing, it does not include a schedule of annual testing in order to demonstrate an on-going commitment to testing how robust the BCP is. Feedback concerning live incidents should be included in the BCP as well as the action taken over any lessons learnt. Two recommendations were raised.
23. The most recent version of the BCP V4.0, was reviewed and approved by the relevant stakeholders. The BCP is adequately communicated to stakeholders.

Post IT Transformation Project

Assurance Level	Description
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.

Recommendations	Red	Amber	Green	Total
Number Made:	0	0	0	0
Number Accepted:	0	0	0	0

24. The purpose of this review was to ascertain how the new IT transformation project had worked and to pick up on issues found/implementation of recommendations raised on the remote access and mobile devices review completed in 2018.
25. Audit established that delivery of the IT Transformation Project was initiated with a clearly defined project scope, formally documented in September 2018. This document included essential elements to enable delivery of the project in accordance with project spend and defined expectations. The project was delivered to specification with no significant issues that resulted in "lessons to be learned".
26. The governance arrangements for reporting on project outcomes were determined to be adequate. The project information was communicated to all management and operational levels. Formal and informal channels of communication were found to be in operation.
27. Multiple arrangements were put in operation to raise staff awareness of the IT Transformation Project such as, use of new technology and secure practices to safeguard the London Councils network. Examples of these measures were: guidance information published on the intranet; regular information dissemination at

the ICT user forums; and a test “office set up” for staff to become familiar with new technology.

28. An Internal Audit was conducted in 2018 on London Councils Remote Access and Mobile Devices, some recommendations made at that time related to general good practice with respect to use of technology, these are still applicable today. Audit examined the previous recommendations and established that all the related recommendations had been actioned, and the arrangements made then are still in operation today.

29. The recommendations made in the reviews above are included in Appendix 2.

Recommendations Follow-up

30. Internal Audit undertook follow up work on 15 open audit recommendations, a full summary of which is included as Appendix 3, the overall status is as follows:

- 12 recommendations were found to be fully implemented
- 2 recommendations were found to be partially implemented
- 1 recommendation was risk accepted

31. The outstanding recommendations are summarised below:

Outstanding Recommendations

Audit Review	Summary of Recommendation	Agreed Implementation Date	Current Position
Business Continuity Plan	Recording incident and test results and documenting action plans	31/12/2019	Partially Implemented – The first quarter tests were due to be carried out in March, however, as a result of Covid 19, this was placed on hold as all LC and CoL staff moved to home working. 100% of LC staff working remotely now thus evidencing much of the volume, stress and performance test elements of the plan. Revised date for full implementation agreed (30/06/2020)
London Councils Grants	Quarterly budget monitoring reports should be requested from grant recipients.	28/09/18	Risk Accepted – although this recommendation was initially accepted, response to this follow up exercise has been changed to “Not Accepted”
ICT Management and Security	Maintaining a disposal of assets register with proof of disposal	30/11/2017	Partially Implemented – a disposal register has been created, although no asset disposals have been processed yet. This recommendation has been downgraded to green in recognition that there is a sound process now in place for disposals.

Conclusion

32. Work on the 2019/20 audit plan is complete.

33. Good progress has been made in relation to the implementation of Internal Audit recommendations, with only two outstanding.

Financial Implications for London Councils

None

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Appendices

- Appendix 1: Internal Audit Plan Progress Report for 2019/20
- Appendix 2: Recommendations for completed reviews
- Appendix 3: Recommendations for follow-up exercise

Background Papers

Audit Committee report on Internal Audit Planned Work 2019/20 dated 21 March 2019
Internal audit work files for 2018/19 and 2019/20

London Councils Internal Audit Plan Progress Report 2019/20

AUDIT REVIEW	DAYS	PROGRESS	ASSURANCE RATING	OBJECTIVES	RECOMMENDATIONS			
AUDIT REVIEW	DAYS	PROGRESS	ASSURANCE RATING	OBJECTIVES	RECOMMENDATIONS			
Procurement of Goods and Services	15	Final Report	Amber	To examine the adequacy of controls in operation in relation to procurement of goods and services, including the use of procurement cards: <ul style="list-style-type: none">Adequacy of controls for raising and authorising orders and compliance with financial and procurement policiesValue for moneySeparation of dutiesReview of manual processing systems	RED 0	AMBER 4	GREEN 0	TOTAL 4
AUDIT REVIEW	DAYS	PROGRESS	ASSURANCE RATING	OBJECTIVES	RECOMMENDATIONS			
Financial Management	10	Final Report	Green	An examination of the financial management framework to determine whether it effectively supports relevant and timely financial planning, and allocation of resources and income controls: <ul style="list-style-type: none">Budget Management: budget setting, monitoring and performance reporting.Income: setting charges, billing, collection and reconciliation of income and debt management	RED 0	AMBER 0	GREEN 1	TOTAL 1
AUDIT REVIEW	DAYS	PROGRESS	ASSURANCE RATING	OBJECTIVES	RECOMMENDATIONS			
Pension Scheme Administration	10	Final Report	Green	A review to assess the adequacy of existing controls and compliance with the general principles of the auto enrolment rules related to pension arrangements for parking adjudicators.	RED 0	AMBER 0	GREEN 4	TOTAL 4
AUDIT REVIEW	DAYS	PROGRESS	ASSURANCE RATING	OBJECTIVES	RECOMMENDATIONS			
Post _ IT Transformation Project	10	Final Report	Green	<ul style="list-style-type: none">To ascertain how the new IT transformation project had workedTo pick up on issues found/implementation of recommendations raised on the remote access and mobile devices review completed in 2018	RED 0	AMBER 0	GREEN 0	TOTAL 0

AUDIT REVIEW	DAYS	PROGRESS	ASSURANCE RATING	OBJECTIVES	RECOMMENDATIONS			
Business Continuity and Disaster Recovery	10	Final Report	Green	<ul style="list-style-type: none">Review, revise and test the LC Business Continuity PlansDisaster Recovery provisions requirements are suitably considered in contracted services.Communicating staff to appropriate staff	0	0	2	2
AUDIT REVIEW								
Review of the SLA arrangements between the City of London and London Councils	5	Removed from Plan	n/a	A review of the adequacy of the SLA arrangements between the City and London Councils – Subsequently determined that a management review would be more appropriate than an Internal Audit review, no suitable substitute audit review was identified, the time allocation will roll forward to 2020/21	RED n/a	AMBER n/a	GREEN n/a	TOTAL n/a
AUDIT REVIEW	DAYS	PROGRESS	ASSURANCE RATING	OBJECTIVES				
Follow Ups	5	Completed	n/a	An annual exercise to establish the implementation of previous year’s audit recommendations.				
Total	65							

Appendix 2: Recommendations for Reviews Included in Internal Audit Update Report 17 June 2020

Audit Name	Recommendation	Management Response
Procurement of Goods and Services	<p>Recommendation 1: The Director of Corporate Resources should consider the option of using Oracle R12 purchase order module for the purposes of raising and issuing purchase orders.</p> <p>Assurance Rating: Amber</p>	<p>London Councils has approached the City of London in the past about the use of its purchase order module to issue orders for goods and services. The discussions with the City's finance officers established that it was uneconomical to pursue this option given the cost of additional software licences compared to the low volume of orders raised. In addition, there were complications around the use of the City's P2P system which would direct users to the City's suppliers rather than London Councils procuring its own services. Therefore, the option of using the City's system was not pursued any further. A standalone ordering system was also considered but was disregarded as the systems would not be integrated and the benefits of an electronic system not realised.</p> <p>However, the move to agile working has meant that the use of an electronic purchase order system is currently being reconsidered. Discussions have already started with the City to explore if a viable option can be found within the current system configuration. Any solution identified will be subject to a cost benefit analysis to ensure it is affordable and represents value for money.</p> <p>Responsibility: Chief Accountant Target implementation Date: January 2020</p>

Audit Name	Recommendation	Management Response
Procurement of Goods and Services	<p>Recommendation 2: The Director of Corporate Resources should put monitoring arrangements in place to identify staff issuing retrospective purchase orders, taking appropriate action to prevent such practice. This may include training for those staff who are found to be issuing retrospective orders.</p> <p>Assurance Rating: Amber</p>	<p>A reminder will be issued to all staff of the requirement to issue official purchase orders when placing orders for goods and services. Compliance with this requirement will be monitored by finance officers with training provided to officers that breach the regulations.</p> <p>Responsibility: Chief Accountant Target implementation Date: February 2020</p>
Procurement of Goods and Services	<p>Recommendation 3: The Director of Corporate Resources should put appropriate monitoring arrangements in place to ensure that the requisite Procurement Approval Forms are completed and authorised prior to appointing suppliers.</p> <p>Assurance Rating: Amber</p>	<p>The team responsible for commissioning this service have now received formal training from the Management Accountant.</p> <p>As part of the quarterly budget monitoring arrangements the Management Accountant will identify large expenditure and perform spot checks to ensure the appropriate approval processes, if applicable, have been applied.</p> <p>Staff will be issued a notice advising them of the processes to follow, as set out in the Financial Regulations, when procuring goods and services.</p> <p>Responsibility: Management Accountant Target implementation Date: April 2020</p>

Audit Name	Recommendation	Management Response
Procurement of Goods and Services	<p>Recommendation 4: The Director of Corporate Resources should conduct regular expenditure analysis to confirm that London Councils procurement activity is being undertaken in accordance with the requirements of its Procurement Toolkit.</p> <p>Assurance Rating: Amber</p>	<p>Staff will be issued a notice advising them of the processes to follow, as set out in the Financial Regulations, when procuring goods and services.</p> <p>With regards to the contract with NSL Ltd a contract modification on OJEU using the reason for the extension as the 'need for additional works, services or supplies (Article. 72(1)(b)) has been applied. As the value of the payments to the provider are and will remain within OJEU contract notice amount, this change is a minor variation which complies with the requirements of the Public Contracts Regulations (2015).</p> <p>Responsibility: Management Accountant and Chief Contract Officer Target implementation Date: April 2020</p>
Financial Management (incl. Budget Setting, Budget Management and Income Controls)	<p>Recommendation 1: London Councils should consider profiling key budgets on CBIS, enabling the system's ability to calculate year to date variances.</p> <p>Assurance Rating: Green</p>	<p>Simple profiling on key budgets such as staffing and certain income budgets will be carried out and monitored internally against actuals for the 2020/2021 budget. This will inform our work on the committee forecast reports, where we report on estimated year end variances.</p> <p>Responsibility: Management Accountant Target Implementation Date: 01/04/20 – for 2020/21 budget</p>

Audit Name	Recommendation	Management Response
Pension Scheme Administration	<p>Recommendation 1 - MKi 3303: LC should identify alternative arrangements, such as training a junior staff member to undertake uploading of monthly salaries and pension contributions percentages onto the Smart Pensions file. A final check and sign off by a more senior officer performed before the data is uploaded onto the Smart Pensions website. This should reduce the risk of human error and address the issue of absence cover.</p> <p>Assurance Rating: Green</p>	<p>Recommendation accepted. It is planned to train the new Business Admin Apprentice, Governance Division (due to start in December 2019) in the workings and administration of the Smart Pension scheme. The Head of Regional Employers' Organisation will provide oversight of this person. Using this additional resource should provide the necessary backup and continuity required.</p> <p>Responsibility: Head of Regional Employers' Organisation Target Implementation Date: Business Admin Apprentice competent by April 2020</p>
Pension Scheme Administration	<p>Recommendation 2 - MKi 3344: The Chamberlain of London has been contacted by email to request that the City Payroll should introduce checks to ensure that Adjudicators' pension contributions are correctly processed, and that any requests raised by LC, affecting adjudicators contributions are timely actioned.</p> <p>Assurance Rating: Green</p>	<ul style="list-style-type: none"> • A report is being built to collate all the data that has been sent to us in that month for processing, this will be given to the client to check and send back any changes and amendments for processing, in hindsight an approval / check needed to be put in place because the errors weren't being caught until after the fact the payroll has been processed • The data / Instruction that is being sent to us needs to be on a form not an email format (this is for clarity and factuality) • LC needs to be aware of cut off dates and also what the implications of back dated respective changes <p>Responsibility: City Payroll – Samantha Wright Internal Audit acting on behalf of London Councils Target Implementation Date: 31/01/20</p>

Audit Name	Recommendation	Management Response
Pension Scheme Administration	<p>Recommendation 3 - MKi 3304: Management consideration should be given to increase the regularity of reconciliations between SP and City Payroll systems to quarterly, thereby ensuring that any discrepancies are timely picked up and addressed.</p> <p>Assurance Rating: Green</p>	<p>Recommendation accepted. Quarterly reconciliations of the payroll and Smart Pension records will commence from the second quarter of 2019/20.</p> <p>Responsibility: Chief Accountant Target Implementation Date: November 2019</p>
Pension Scheme Administration	<p>Recommendation 4 - MKi 3305: LC needs to establish timescales with City Payroll and Smart Pensions for taking required action on discrepancies already identified, and follow them up, thereby ensuring that mistakes picked up at reconciliation stage are promptly corrected.</p> <p>Assurance Rating: Green</p>	<p>Recommendation accepted. Smart Pensions to be further chased to rectify issues not already actioned. The Head of Regional Employers' Organisation has followed up with City Payroll on outstanding actions and rectification is being actioned during the next 2 months.</p> <p>Responsibility: Head of Regional Employers' Organisation Target Implementation Date: Target end of sorting out issues by end of January 2020 (note timescale in part dependant on complexity of issues for some individual adjudicators and pay run closedown arrangements).</p>
Business Continuity and Disaster Recovery Plan	<p>Recommendation 1: The ICT and Facilities Manager should include within the BCP a schedule of planned annual testing.</p> <p>Assurance Rating: Green</p>	<p>Recommendation accepted</p> <p>Responsibility: ICT & Facilities Manager Target Implementation Date: December 2019 *</p>
Business Continuity and Disaster Recovery Plan	<p>Recommendation 2: The ICT and Facilities Manager should include details of both Incident and Test Results, together with the action to be taken within each revised version of the BCP plan.</p> <p>Assurance Rating: Green</p>	<p>Recommendation accepted</p> <p>Responsibility: ICT & Facilities Manager Target Implementation Date: December 2019 *</p>

London Councils Recommendations for Follow-Up End of March 2020

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2016-17 London Councils – ICT Management and Security	(MKi 2252) Introduce and maintain a disposal register which details items sent for disposal and accompanying proof of disposal to provide assurance that items are tracked and suitably disposed.	AMBER Downgraded to GREEN	All our confidential recycling sacks are taken to First Miles' BS15713-accredited secure destruction facility where they are securely shredded and pulped. First Mile will provide a certificate of destruction for every sack or hard disk despatched. An internal register of collected items will now be maintained by the Facilities Team and First Mile will commence the issuing of destruction certificates to London Councils with immediate effect. <i>Responsible Officer: Roy Stanley, ICT & Facilities Manager</i>	30 th November 2017	Partially Implemented – Recommendation downgraded to Green London Councils maintain an asset spreadsheet (Microsoft Excel) of all ICT and physical assets. This is kept by the Facilities team within the Corporate Resources division. Assets are sequentially tagged, and records updated as items are removed/disposed. All desktop and laptop equipment are also removed from the City of London/Agilisys CMDB and Support works databases via logged service request to the Service Desk.

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2017-18 London Councils – ICT Remote Access and Mobile Devices	<p>(MKi2508) London Councils should implement periodic review of documentation, supported by version control and document history information to provide clarity of the content. Consideration should be given to inclusion of the following within policy and procedure documents:</p> <ul style="list-style-type: none"> • review frequency and approval required from (title) • last reviewed date • brief description of modification (e.g. inclusion of GDPR) • reviewed by • approved by • next review dates • key modifications and change history. 	AMBER	<p>Recommendation accepted. Revised Email and Internet use policy will include review, revision and change control table. This is be delivered as part of the corporate transformation programme that includes the new Windows 10 Direct Access desktop and Microsoft InTune mobile phone policy</p> <p>Responsible Officer: Roy Stanley, ICT & Facilities Manager</p>	30 th November 2018	<p>Implementation Evidenced</p> <p><i>Roy Stanley Update Feb 2020:</i></p> <p>Both policies now reside on the London Councils Intranet with policy and version tables included: Internet/Email/Telephone Policy and Information Security Policy.</p>

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2018-19 – London Councils - GDPR	(MKi 3047) London Councils should liaise with the City of London Corporate HR to obtain sign-off at the earliest for the following GDPR elements related to the HR system: Service Level Agreement Retention schedule	GREEN to follow up	The City of London Corporate HR were sent a reminder on 3rd September 2019 to sign-off these documents. Assurances have been received that this will be performed as soon as possible. Responsible Officer: Emily Salinger, Corporate Governance Manager	30 th December 2019	Implementation Evidenced The SLA with all the GDPR amendments has now been signed by the City.
2019-20 London Councils Business Continuity Plan	(MKi 3992) The ICT and Facilities Manager should include within the BCP a schedule of planned annual testing.	GREEN to follow up	Recommendation accepted Responsible Officer: Roy Stanley, ICT & Facilities Manager	31 st December 2019	Implementation Evidenced <i>Roy Stanley Update Feb 2020:</i> The latest London Councils BCP plan was presented and reviewed at September 2019 Audit Committee. The submitted Appendix A of the current 2019 plan includes a schedule of planned annual testing, with the next one schedule for March 2020.

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2019-20 London Councils Business Continuity Plan	(MKi 3293) The ICT and Facilities Manager should include details of both Incident and Test Results, together with the action to be taken within each revised version of the BCP plan.	GREEN to follow up	Recommendation accepted Responsible Officer: Roy Stanley, ICT & Facilities Manager	31 st December 2019	<p>Partially implemented</p> <p>Revised implementation date 30th June 2020</p> <p><i>Roy Stanley Update 1st June 2020:</i></p> <p>Unfortunately, the first quarter tests were due to be carried out for Q4 2019/20 in March however this was placed on hold as all LC and CoL staff moved to home working. We do currently however have 100% of staff working remotely now thus evidencing much of the volume, stress and performance test elements of the plan. Revised date end Q1 20/21</p>
2017-18 London Councils - Grants	(MK2463) The Strategy Director Young People's Education and Skills, Grants and Community Services should instigate arrangements for reviewing and authorising	AMBER	Recommendation accepted. A first (Finance Officer) and second (Strategy Director) tier check will be implemented.	28 TH September 2018	Implementation Evidenced

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
	the accuracy of grant payment schedules uploaded to the GIFTS system.				

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2017-18 London Councils - Grants	(MK2464) The Strategy Director Young People's Education and Skills, Grants and Community Services, should request that grant recipients provide management accounts on a regular basis to improve the arrangements for conducting financial due diligence. As a minimum, it is expected that grant recipients will provide quarterly budget monitoring reports.	AMBER	<p>The annual and regular due diligence process has been centralised. Quarterly performance reports/workbooks will be reviewed to include a finance section. Management accounts will be requested in line with the risk-based approach to monitoring i.e. high-risk projects regular requests for accounts, low risk projects, scrutiny of financial reporting to determine if management accounts should be requested.</p> <p>Responsible Officer: Yolande Burgess, Strategy Director</p>	28 th September 2018	<p>Risk Accepted</p> <p>Yolande Burgess Update 04/03/20:</p> <p>An element of grant is paid in advance to grant recipients. Advances are only agreed following due diligence against audited (or signed where exemptions apply) accounts. All other payments are made in arrears, based on evidence of actual spend (actual costs agreements) or performance (payment by results agreements), and a combination of both spend and performance for final payments to actual cost grantees.</p> <p>This, predominantly, arrears based and actual costs payment method, mitigates against losses and requires evidence of spend on a quarterly or monthly basis. There is, therefore, no current requirement for management accounts, although the option to request them will always be in our gift, should it be appropriate to do so."</p>

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2017-18 London Councils - Grants	(MK2465) The Strategy Director Young People's Education and Skills, Grants and Community Services should ensure that annual financial due diligence checks are reinstated and completed at the earliest opportunity for ESF grant recipients.	AMBER	<p>Recommendation accepted. Annual Accounts are requested and scrutinised (see also management action for recommendation 1).</p> <p>Responsible Officer: Yolande Burgess, Strategy Director</p>	28 th September 2018	Implementation Evidenced

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2018-19 London Councils - PAN London Mobility Schemes	(MK2835) London Councils should ensure that proof of identity is obtained from Taxicard applicants, as required in section 10a of the Taxicard application form. It should also be scanned on the CMS system in compliance with London Council's own Taxicard procedures and for audit trial/independent scrutiny purposes.	AMBER	<p>London Councils does not believe that the results of the sample are necessarily representative of the majority of Taxicard applications. Indeed, London Councils believes that the staff training and supporting manuals make clear what evidence should be present and what evidence should be checked and that in most cases, the correct evidence is available on the CMS. However, London Councils notes that in implementing recommendation 3 (MKi 02834), the opportunities for spotting the anomalies will be enhanced.</p> <p>Responsible Officer: Stephen Boon, Chief Contracts Officer</p>	31 st December 2018	<p>Implementation Evidenced</p> <p>Random management checks are taken place for Taxicard scheme to confirm that proof of identity is obtained from applicants and scanned on the system.</p>

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2018-19 London Councils - PAN London Mobility Schemes	(MK2834) Random management checks are not undertaken to verify Contractor's compliance with freedom passes eligibility requirements when processing applications and/or on the quality/accuracy of freedom pass users data held on the CMS system.	AMBER	<p>London Councils accepts this recommendation and will implement it from 1 April 2019, at which point a new team structure will be implemented. The new structure will include a performance and projects sub-team. The responsibility for undertaking these checks will sit within that team.</p> <p>Responsible Officer: Stephen Boon, Chief Contracts Officer</p>	1 st April 2019	<p>Implementation Evidenced</p> <p>Random management checks took place in March and according to the Chief Contracts Officer, their intention is to devise a way to conduct these spot checks without having to go to Hull to complete them. This will allow them to do more regular checks.</p>

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2018-19 London Councils - PAN London Mobility Schemes	(MK2839) Management should ensure that responses are provided within the timescales agreed in the Corporate Complaints procedures and if responses have gone over the corporate deadline, an explanation is provided in the "Notes" column. In the interest of independent scrutiny purposes and future reference.	AMBER	<p>London Councils accepts this recommendation and will implement it from 1 April 2019, at which point a new team structure will be implemented. The new structure will include a performance and projects sub-team. The responsibility for undertaking these checks will sit within that team (although the responsibility for complaints handling will sit with the customer experience team).</p> <p>Responsible Officer: Stephen Boon, Chief Contracts Officer</p>	1 st April 2019	<p>Implementation Evidenced</p> <p>Complaint log now includes a field to record explanations for delays in responses.</p>

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2018-19 London Councils - PAN London Mobility Schemes	(MK2877) Random management checks should be introduced to ensure users information held on the CMS system is accurate and that proof of identity, eligibility and domicile are scanned on the system.	AMBER	<p>London Councils accepts this recommendation and will implement it from 1 April 2019, at which point a new team structure will be implemented. The new structure will include a performance and projects sub-team. The responsibility for undertaking these checks will sit within that team (although the responsibility for complaints handling will sit with the customer experience team).</p> <p>Responsible Officer: Stephen Boon, Chief Contracts Officer</p>	1 st April 2019	<p>Implementation Evidenced</p> <p>Random management checks are taken place to confirm accuracy of information on the system and compliance with Taxicard requirements.</p>

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2017-18 London Councils - Parking and Traffic	(MK2769) The Director Transport and Mobility should request that NSL provide monthly information in relation to performance against Key Performance Indicator 2.	AMBER	<p>Several changes in contractor management personnel has led to some disruption in the provision of contract monitoring and reporting information.</p> <p>Regular reports are now being provided, as required under the contract.</p> <p>Responsible Officer:</p> <p>Transport Manager.</p>	31/12/2018	<p>Implementation Evidenced</p> <p>The CMS provider Sagoss have provided a system upgrade that indicates when the case was added onto the system compared to the date and time of the observation. This allows ST to generate a report that will highlight any failure to hit the 24 hr deadline. This is monitored daily.</p>

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2017-18 London Councils - Parking and Traffic	(MK2776) The Transport Manager should; (i) establish why permit applications are not always being actioned on a timely basis; (ii) identify and implement appropriate actions to rectify this issue.	AMBER	Investigations have shown that the only time that permission applications fall outside of the 14-day period is when we are waiting on further information from the applicant to allow us to process. If this is not provided in time, there may be a delay which is outside of our control. Additional monthly checks will be put in place to verify performance reporting information is accurate and to ensure performance targets are met. We will consider how applicant delays in providing additional information can be taken account of in monitoring and reporting performance. Responsible Officer: Transport Manager.	31/03/2019	Implementation Evidenced Sagoss have updated the software of the CMS that now has an indication of the 'hold period' whilst LLCS staff are waiting for information from operators, that 'stops the clock' for this duration and removes the issue of mis reporting delays in process that are not to do with LLCS officer actions. The LLCS manager is able to interrogate this to observe performance. Spot checking of permissions did not highlight any concerns in this area.

Audit Name	Recommendation	Assurance Rating	Management Response	Agreed Implementation Date	Status
2019-20 LC Pension Scheme Administration	(MKi 3305) LC needs to establish timescales with Payroll and Smart Pensions for taking required action on discrepancies identified, and follow them up, thereby ensuring that any mistakes picked up at reconciliation stage are promptly corrected.	GREEN to Follow Up	<p>Recommendation accepted. Smart Pensions to be further chased to rectify issues not already actioned. The Head of Regional Employers' Organisation has followed up with City Payroll on outstanding actions and rectification is being actioned during the next 2 months.</p> <p>Responsible Officer:</p> <p>The Head of Regional Employers' Organisation, Steve Davies.</p>	31 Jan 2020	<p>Implementation Evidenced</p> <p>Adjustments due have now being processed by City Payroll and Smart Pensions.</p>

Audit Committee

Review of the Annual Governance Statement

Item no: 05

Report by: David Sanni

Job title: Chief Accountant

Date: 17 June 2020

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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 2019/20.

Recommendations

The Audit Committee is asked:

- To note 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 2018/19, as detailed in Appendix A, to produce the AGS for 2019/20 for inclusion in London Councils' accounts for 2019/20, as detailed in Appendix C.
-

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 2019/20 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 2018/19 was approved at the Audit Committee meeting on 20 June 2019.
3. This report will therefore:
 - Review each element of the current AGS;
 - Highlight any continuing or 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 2019/20.
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 consider the feedback provided by London Councils' external auditors, Grant Thornton following the conclusion of their interim audit in March 2020.
5. Appendix A to this report details the AGS that was contained in the audited accounts for 2018/19 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 wording of this section as contained within the existing AGS should remain the same.

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 2019 to 31 March 2020.

The Governance Framework (paragraph 7 with 21 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, terms of reference, corporate risk register, the policy to Combat Fraud, Bribery and Corruption and the Whistleblowing policy.

9. There is a recommended change to bullet point 1, *Developing and communicating the Committee's vision*, to remove the reference to London Councils Summit in the 2019/20 statement as the 2019 summit was cancelled due to the December elections and it is not clear whether a summit will be held in 2020 due to the Covid-19 pandemic.
10. There are recommended changes to bullet point 3, *Measuring the performance of services*, and bullet point 19, *Establishing clear channels of communication*, to remove references to the Annual Review which is unlikely to be produced this year due to the Covid-19 pandemic.
11. There is a recommended change to bullet point 4, *Establishing clear channels of communication*, to reflect that Executive portfolio holders and shadow members have agreed priorities.

Review of Effectiveness (paragraph 8 with 3 bullet points)

12. It is recommended that the wording of this section as contained within the existing AGS should remain the same; with the exception of a change to the second bullet point to update the reference to the financial year from 2018/19 to 2019/20.

Areas for Development (paragraph 9)

13. There is a recommended change to update the reference to the next financial year from 2019/20 to 2020/21.

Areas for Development – Grants (paragraph 10)

14. It is recommended that paragraph 10 is removed as the internal audit recommendations have been implemented or risk accepted.

Areas for Development – Information Management and Security (paragraph 11)

15. It is recommended that paragraph 11 is removed as there is only one outstanding internal audit recommendation which has been partially implemented and downgraded to a green status.

Areas for Development – Pan London Mobility Schemes (paragraph 12)

16. It is recommended that paragraph 12 is revised to reflect that most of the internal audit recommendations have been implemented but there are still some to be implemented in 2020/21.

Areas for Development – Parking and Traffic Services (paragraph 13)

17. It is recommended that paragraph 13 is removed as all the internal audit recommendations have been implemented.

Areas for Development – Remote Access and Mobile Devices (paragraph 14)

18. It is recommended that paragraph 14 is removed as all the internal audit recommendations have been implemented.

Areas for Development – Reviews undertaken during 2019/20

19. The City of London's internal audit team completed five separate pieces of work during 2019/20; namely:
- Business Continuity and Disaster Recovery;
 - Procurement of Goods and Services;
 - Financial Management;
 - Pension Scheme Administration; and
 - Post IT Transformation Project.
20. Following a review of the internal audit reports, it is recommended that an area for development in relation to the Procurement of Goods and Services is included in the AGS as four amber recommendations were made in the report.
21. It is recommended that an additional area for development to reflect the current Covid-19 crisis is included in the AGS.
22. A summary of the internal audit reviews completed during the year and the opinion of the Head of Audit and Risk Management are detailed at Appendix B.

Areas for Development (paragraph 15)

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

Significant Governance Issues (paragraph 16)

24. It is recommended that the wording of this paragraph as contained within the existing AGS remains the same.
25. Grant Thornton will comment on the robustness of the AGS when they undertake the external audit of the 2019/20 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 2020. A situation could arise whereby Grant Thornton 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 2019/20

26. The recommended changes to the AGS for 2018/19, as detailed in this report at Appendix A, have been incorporated into the draft AGS for 2019/20, which, if approved by the Committee, will be incorporated into London Councils' accounts for 2019/20. The draft AGS for 2019/20 is detailed at Appendix C.

Financial Implications

None

Legal Implications

None

Equalities Implications

None

Appendices

Appendix A – Recommended Changes to AGS for 2018/19 with tracked changes

Appendix B – 2019/20 Annual Internal Audit Report and Head of Internal Audit Annual Opinion

Appendix C – Draft AGS for 2019/20

Background papers

Final Accounts working files for 2019/20

Internal Audit working files for 2019/20

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 2016. 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 ~~2019~~ 2020 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:

Developing and communicating the Committee's vision – The Committee produces an annual Corporate Business Plan which sets out its proposed purpose, themes, work programmes and services. The plan consists of two levels: a high level plan available for stakeholders and external audiences and detailed internal work plans developed for management purposes. This is informed by on-going liaison with key borough stakeholders including the Chair and all Executive portfolio holders. The Corporate Business Plan is submitted to the Leaders' Committee. In addition, the Leaders' Committee has agreed a series of pledges of which it has agreed to work together through to 2022 to try and improve the lives of Londoners. There are a number of ways in which the Committee communicates with relevant stakeholders which include member briefings, committee and other meetings, briefings for senior

managerial and professional colleagues in boroughs ~~and events such as the London Councils' Summit.~~

Commitment to openness and acting in the public interest – The Committee has adopted the Information Commissioner's model publication scheme and follows the provision for joint authorities and boards. Details of the scheme and the information published are available on London Councils' website. The Committee's decisions are made by its elected members and agendas, reports, background papers and minutes of meetings are published under this scheme.

Measuring the performance of services – The Committee ~~produces an Annual Review at the end of each financial year which provides a summary of the key activities over the last year and highlights the key achievements. Data collected~~collects data on the performance of activities and services during the year which 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 delegations to officers in place which was last reviewed, updated and approved by the Leaders' Committee at its Annual General Meeting on ~~5 June 2018~~4 June 2019. There is an established protocol which provides guidance on the working relationships between elected members and officers and a series of working conventions for the operation of the organisation had been approved at the Leaders' Committee' Annual General Meeting in June 2019. 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. Executive portfolio holders and shadow members have agreed priorities that codify expectations of these roles.

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 by Leaders' Committee

on ~~5 June 2018~~ 4 June 2019. The financial regulations were also reviewed and the changes approved by the Leaders Committee on ~~5 June 2018~~ 4 June 2019. 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 approved by the Audit Committee in March 2019. 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 ~~2018~~ 2019. 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.

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 July 2016~~ and London Councils Policy to Combat Fraud, Bribery and Corruption, which ~~was were updated and approved~~ agreed by London Councils Audit Committee in ~~March 2014 and reviewed in February 2016~~ June 2019. Both documents 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 – • This is a statutory post under Section 5 of the Local Government and Housing Act 1989 and as such is not applicable to London Councils which is a joint committee¹. However, legal advice is provided to London Councils by the City of London Corporation 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 officers, the Chief Executive is

¹ *London Councils is a joint committee of the authorities participating in the arrangements and constituted under sections 101 and 102 of the Local Government Act 1972 and section 9EB and 20 of the Local Government Act 2000, as relevant*

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 – The Audit Committee is a sub-committee of London Councils Leaders' Committee. The Terms of Reference are agreed annually and were last agreed on ~~5 June 2018~~ 4 June 2019. The Audit Committee meets three times a year and is chaired by a leading member from a borough. The members of the Audit Committee will not normally be members of the Executive.

Response to audit recommendations – The Committee responds to information requests and queries received from its external auditor on a timely basis. External and internal audit findings and recommendations are considered by officers and appropriate responses which include implementation timescales are provided to the auditors. Audit reports, which include management responses, are presented to the Audit Committee to consider and are published along with the Committee papers on the website. The implementation of audit recommendations are monitored on a regular basis.

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 development opportunities 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 work. 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, as do regular meetings of officer networks. 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 Corporation under a service level agreement, and the annual opinion of the Head of Audit and 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 review considers the annual opinion of the Head of Audit and Risk Management on the internal control environment in operation at London Councils during the financial year. 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.

The Audit Committee's review of the governance arrangements in place during ~~2018/19~~2019/20.

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 ~~2019/20~~2020/21

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2019/2020/21:

Grants

~~An internal audit review on grant monitoring and payments was completed in 2018/19. The review examined the monitoring arrangements that ensure beneficiary organisations successfully deliver their grant funded project and that payments are valid and made on a timely basis. The review revealed that there was an adequate control framework in place but identified a number of areas to improve such as financial due diligence, arrangements for reviewing and authorising payments and the recording of follow up actions required by ESF grant recipients. The recommended improvements will be implemented during 2019/20.~~

Information Management and Security

~~An internal audit review on Information Management and Security was completed in 2017/18. The review assessed the adequacy of controls for compliance with the Data Protection Act, staff training and awareness, disposal of sensitive and confidential data and access controls. The review revealed that there was a sound control environment in place but identified a number of areas of improvement such as enhanced password controls, restricted use of removable media devices and the creation of a disposal register which includes evidence of disposal. Some of the recommended improvements were implemented during 2018/19 with the rest completed during 2019/20.~~

Pan London Mobility Schemes

An internal audit review on the Pan London Mobility Schemes was completed in 2018/19. The review assessed the effectiveness of controls in operation over the management of the Freedom Pass and Taxicard schemes. The review concluded that there was an adequate control framework in place but identified some areas to improve such as the reporting of key performance indicators, the frequency of performance monitoring meetings, checks on contractors' compliance assessments and the publishing of eligibility criteria. ~~A number of the recommendations were implemented during 2018/19 with the rest due to be implemented in 2019/20~~Whilst most of the recommendations have been implemented, there are improvements to the Customer Management System that will be completed in 2020/21.

Parking and Traffic Services

~~An internal audit review on the parking and traffic services was completed in 2018/19. The services include London Tribunals, TRACE (towed vehicle tracing service) and the London Lorry Control scheme. The review examined the adequacy of arrangements for contract management, payments to tribunal adjudicators and the issue of Penalty Charge Notices. The review concluded that there was an adequate control framework in place but identified some areas to improve such as the improved use of service contract points, performance reporting, process reviews, scheme permissions and checks on the adjudicators' pay claims. The recommendations will be implemented in 2019/20.~~

Remote Access and Mobile Devices

~~An internal audit review on the use of remote access and mobile devices was completed in 2018/19. The review assessed the adequacy of the internal controls for managing mobile devices and access to London Councils network through remote working. The review concluded that there was an adequate control framework in place but identified some areas to improve such as policies, procedures, guidance and security controls. A number of the recommendations have been implemented as part of London Councils' ICT transformation~~

~~programme which commenced in 2018/19. The remaining recommendations will be implemented in 2019/20.~~

Procurement of Goods and Services

An internal audit review of the procurement of goods and services was completed in 2019/20. The review examined the adequacy of controls in relation to the procurement of goods and services to ensure:

- ☐ compliance with procurement and financial regulations and procedures;
- ☐ orders are raised for legitimate purposes;
- ☐ London Councils obtains value for money from its procurement activity; and
- ☐ adequate segregation of duty controls are in place.

The review also considered the extent of the use of manual processing systems in the procurement process. The review established that an adequate control framework is in place and identified some areas to improve such as monitoring compliance with the procurement and financial regulations and exploring the option of using the City of London's electronic purchase order system. The recommendations will be implemented in 2020/21.

Covid-19

The implications of the Covid-19 crisis on the affairs of London Councils are being closely monitored by its officers. The pandemic has already had an impact on London Councils' services such as the reduction to enforcement activities, replacement of Freedom Passes and meeting room hire. In addition to the income lost from the reduction of these services, there has been expenditure incurred to ensure that London Councils continues its operations and provides support to member boroughs and their constituents. Contractors have been asked to put in place contingency measures to maintain services. London Councils has taken measures to make sure that staff remain safe during this period by providing home working arrangements, signposting useful sources of information and commissioning health and safety risk assessments of the workplace. London Councils will continue to follow the government guidance on how to work safely during this period.

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
~~2019~~2020
Chief Executive

~~18-17~~ September

Cllr Peter John OBE
2020
Chair of London Councils

~~18-17~~ September ~~2019~~

London Councils – AUDIT COMMITTEE

2019/20 Annual Internal Audit Report and Head of Internal Audit Annual Opinion

Introduction

The work of Internal Audit forms the basis of an annual Head of Internal Audit Opinion which is part of the framework of assurances that is received by London Councils and helps to inform the Annual Governance Statement. Internal Audit work also helps to support management in improving governance, control and risk management.

This report summarises the overall outcomes from Internal Audit work during 2019/20. The report does not include detail in relation to the findings of individual audit reviews, as previously reported to the Audit Committee during the year as part of the routine Internal Audit Update reports.

Summary of Internal Audit Work Completed During 2019-20

Work on the 2019/20 Internal Audit Plan is complete and final reports issued as follows:

Planned Audits	Days	Assurance Rating	Recommendations Made
Procurement of Goods and Services	15	Amber	4 amber
Financial Management	10	Green	1 Green
Pension Scheme Administration	10	Green	4 Green
Post IT Transformation Project	10	Green	0
Business Continuity and Disaster Recovery	10	Green	2 Green

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

We followed up 15 recommendations due by the 31st March 2019 and confirmed that 12 were fully implemented, one partially implemented, one recommendation had not been implemented by the agreed date - revised date have been provided by management - and one has been risk accepted, with no proposed further action by London Councils. Although recommendations have been accepted by Management, there is room for improvement in implementation of recommendations by the agreed date.

Head of Internal Audit Annual Opinion on the Overall Internal Control Environment

The Head of Internal Audit is satisfied that the breadth of scope and overall quantity of Internal Audit work undertaken is sufficient to be able to draw a reasonable conclusion as to the adequacy and effectiveness of London Councils' control, governance and risk management processes. A total of five Internal Audit reviews were completed in 2019/20.

On the basis of work undertaken, it is the Head of Internal Audit's opinion that London Councils has adequate and effective systems of internal control in place to manage the achievement of its objectives. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes or that no fraud exists within the systems and processes examined or, indeed, those not examined.

Throughout the year the Audit Committee receives reports from the Head of Internal Audit on those individual areas reviewed as to 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.

The Public Sector Internal Audit Standards require an External Quality Assessment to be undertaken at least once every 5 years. The most recent review, completed 2017/18, confirmed that the Internal Audit function at the City Corporation *Generally Conforms* to the Public Sector Internal Audit Standards. The Standards require periodic self-assessment in the intervening years, this has been completed in April 2020 by the Head of Internal Audit, using the CIPFA "Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note". The self-assessment found, similarly, that the Internal Audit function *Generally Conforms* to the standards. The assessment process incorporates, and applies across, the Internal Audit services provided to London Councils.

Matt Lock
Head of Internal Audit, CPFA, CMIIA
City of London Corporation
01 June 2020

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 2016. 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 2020 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:

- **Developing and communicating the Committee's vision** – The Committee produces an annual Corporate Business Plan which sets out its proposed purpose, themes, work programmes and services. The plan consists of two levels: a high level plan available for stakeholders and external audiences and detailed internal work plans developed for management purposes. This is informed by on-going liaison with key borough stakeholders including the Chair and all Executive portfolio holders. The Corporate Business Plan is submitted to the Leaders' Committee. In addition, the Leaders' Committee has agreed a series of pledges of which it has agreed to work together through to 2022 to try and improve the lives of Londoners. There are a

number of ways in which the Committee communicates with relevant stakeholders which include member briefings, committee and other meetings, briefings for senior managerial and professional colleagues in boroughs.

- **Commitment to openness and acting in the public interest** – The Committee has adopted the Information Commissioner’s model publication scheme and follows the provision for joint authorities and boards. Details of the scheme and the information published are available on London Councils’ website. The Committee’s decisions are made by its elected members and agendas, reports, background papers and minutes of meetings are published under this scheme.
- **Measuring the performance of services** – The Committee collects data on the performance of activities and services during the year which 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 delegations to officers in place which was last reviewed, updated and approved by the Leaders’ Committee at its Annual General Meeting on 4 June 2019. There is an established protocol which provides guidance on the working relationships between elected members and officers and a series of working conventions for the operation of the organisation had been approved at the Leaders Committee’ Annual General Meeting in June 2019. 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. Executive portfolio holders and shadow members have agreed priorities that codify expectations of these roles.
- **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 by Leaders' Committee on 4 June 2019. The financial regulations were also reviewed and the changes approved by the Leaders Committee on 4 June 2019. 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 approved by the Audit Committee in March 2019. 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 2019. 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.
- **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 and London Councils Policy to Combat Fraud, Bribery and Corruption, which were updated and approved by London Councils Audit Committee in June 2019. Both documents 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** – • This is a statutory post under Section 5 of the Local Government and Housing Act 1989 and as such is not applicable to London Councils which is a joint committee¹. However, legal advice is provided to London Councils by the City of London Corporation including governance advice and support which in a local authority would generally be provided by the borough solicitor and monitoring officer.

¹ *London Councils is a joint committee of the authorities participating in the arrangements and constituted under sections 101 and 102 of the Local Government Act 1972 and section 9EB and 20 of the Local Government Act 2000, as relevant*

- **Discharge of the head of paid service function** – London Councils' Chief Executive is the head of paid service. As with all 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** – The Audit Committee is a sub-committee of London Councils Leaders' Committee. The Terms of Reference are agreed annually and were last agreed on 4 June 2019. The Audit Committee meets three times a year and is chaired by a leading member from a borough. The members of the Audit Committee will not normally be members of the Executive.
 - **Response to audit recommendations** – The Committee responds to information requests and queries received from its external auditor on a timely basis. External and internal audit findings and recommendations are considered by officers and appropriate responses which include implementation timescales are provided to the auditors. Audit reports, which include management responses, are presented to the Audit Committee to consider and are published along with the Committee papers on the website. The implementation of audit recommendations are monitored on a regular basis.
 - **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 development opportunities 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 work. 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, as do regular meetings of officer networks. London Councils produces 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 Corporation under a service level agreement, and the annual opinion of the Head of Audit and 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 review considers the annual opinion of the Head of Audit and Risk Management on the internal control environment in operation at London Councils during the financial year. 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.

- The Audit Committee's review of the governance arrangements in place during 2019/20.
- 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 2020/21

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2020/21:

Pan London Mobility Schemes

An internal audit review on the Pan London Mobility Schemes was completed in 2018/19. The review assessed the effectiveness of controls in operation over the management of the Freedom Pass and Taxicard schemes. The review concluded that there was an adequate control framework in place but identified some areas to improve such as the reporting of key performance indicators, the frequency of performance monitoring meetings, checks on contractors' compliance assessments and the publishing of eligibility criteria. Whilst most of the recommendations have been implemented, there are improvements to the Customer Management System that will be completed in 2020/21.

Procurement of Goods and Services

An internal audit review of the procurement of goods and services was completed in 2019/20. The review examined the adequacy of controls in relation to the procurement of goods and services to ensure:

- compliance with procurement and financial regulations and procedures;
- orders are raised for legitimate purposes;
- London Councils obtains value for money from its procurement activity; and □ adequate segregation of duty controls are in place.

The review also considered the extent of the use of manual processing systems in the procurement process. The review established that an adequate control framework is in place and identified some areas to improve such as monitoring compliance with the procurement and financial regulations and exploring the option of using the City of London's electronic purchase order system. The recommendations will be implemented in 2020/21.

Covid-19

The implications of the Covid-19 crisis on the affairs of London Councils are being closely monitored by its officers. The pandemic has already had an impact on London Councils' services such as the reduction to enforcement activities, replacement of Freedom Passes and meeting room hire. In addition to the income lost from the reduction of these services, there has been expenditure incurred to ensure that London Councils continues its operations and provides support to member boroughs and their constituents. Contractors have been asked to put in place contingency measures to maintain services. London Councils has taken measures to make sure that staff remain safe during this period by providing home working arrangements, signposting useful sources of information and commissioning health

and safety risk assessments of the workplace. London Councils will continue to follow the government guidance on how to work safely during this period.

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
Chief Executive

17 September 2020

Cllr Peter John OBE
Chair of London Councils

17 September 2020

Audit Committee

Risk Management –Policy and Public Affairs and Services Risk Registers

Item no: 6

Report by: Christiane Jenkins

Job title: Director, Corporate Governance

Date: 17 June 2020

Contact Officer: Christiane Jenkins

Telephone: 020 7934 9540

Email: Christiane.jenkins@londoncouncils.gov.uk

Summary: This report presents the current Policy and Public Affairs and combined Services Directorate Risk Registers for consideration by the Audit Committee.

Recommendations: The Audit Committee is asked to:

- Note the current Press and Public Affairs and combined Services Directorate Risk Registers, attached as Appendices.

Risk Management Framework and Registers

1. Background

- 1.1 London Councils' current Risk Management Strategy and Framework was agreed by London Councils' Audit Committee in March 2012, and most recently reviewed in March 2019.
- 1.2 The approach is proportionate to the Organisation and establishes the Organisation's approach to risk management and a framework for identifying and monitoring risks.
- 1.3 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).
- 1.4 In September 2011 the Audit Committee requested that the Directorate Risk Registers were presented to the Committee in rotation, one at each meeting. The schedule for that rotation would normally see the Policy and Public Affairs Directorate Risk Register presented to this Committee: it was last considered by this Committee on 19 March 2019). However, because of the need to revise risk registers following the current pandemic, the combined Services Directorate Risk Register, which was due to be reported to the Audit Committee meeting of 19 March 2020, (which was cancelled due to the COVID-19 pandemic), is also being presented.
- 1.5 The types and definitions of risks used in London Councils risk assessments are attached at Appendix 1.

2. Current position on the Press and Public Affairs and combined Services Directorate Risk Registers

- 2.1 As mentioned, both Registers have been reviewed to reflect the risks and mitigation associated with the present Pandemic. Officers from both Directorates will be present at the meeting to provide further information.

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 current Policy and Public Affairs and combined Services Directorate Risk Registers, attached as Appendices.

Appendices:

- Appendix 1 - Criteria for risks within London Councils
- Appendix 2 - Policy and Public Affairs Risk Register – last updated May 2020
- Appendix 3 - Service Directorate Risk Register – last updated May 2020

Appendix1 – Criteria for risks within London Councils (extract from London Councils Risk Management Strategy and Framework, approved March 2019)

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 seniorlevel 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

Officers should note the difference between risks and issues. Risks MAY occur and you can put in place controls to stop that happening. Issues HAVE occurred and cannot be stopped so decisions must be made. The risk management process is focussed on issues that MAY occur.

Officers will identify risks applicable to their areas of work. Throughout the risk management process, the general rule of *escalation* will apply – if it cannot be managed satisfactorily at its current level, it needs to be passed up to the next level of management to be owned and addressed, and potentially placed on the directorate/divisional or corporate risk register. Officers may also decide that a separate risk register is required for an individual piece of work or project. This will be left to the discretion of individual Officers and their managers although guidance is available on the intranet and support is available from Corporate Governance. While project/team risk registers do not form part of the formal risk management process, Officers should follow the steps outlined in the framework to ensure consistency in our approach to risk across the organisation.

The decision on whether an individual risk should be included in the directorate or divisional risk register sits with the respective management teams. Decisions on risks to be included in the corporate risk register sits with the Corporate Management Board.

A 'risk owner' will be identified who will be responsible for reviewing and accepting the assessment that will be entered onto the risk register.

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 prediction based on past experience.

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

Note that emerging risks (ie risks around new areas of work, projects etc) may initially be scored higher on the register before scoring is adjusted once the risk is fully assessed.

Risk assessment			
Rating	Likelihood	Impact	Rating
<i>Very High</i> 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.	<i>Very High</i> 4
<i>High</i> 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.	<i>High</i> 3
<i>Medium</i> 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.	<i>Medium</i> 2

<i>Low</i> 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.	<i>Low</i> 1
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Risk scores

Risk Assessment

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
	Low (1)	Medium (2)	High (3)	Very High (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.

Controls in Place

For each risk a set of appropriate controls should be in place. Examples of controls might include:

- Regulations including Standing Orders, Financial Regulations
- Policies and Procedures
- Performance Indicators and reporting
- Business planning elements
- Staff (including training and development)
- Contracts with suppliers
- IT Systems
- Stakeholder involvement

Additional Controls

As well as existing controls, the practical management of risk may involve additional mitigation if the existing controls do not adequately mitigate against the risk. 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. In some areas of work eg services to external customers risks will need to be actively minimised, whereas other activities such as new business ventures, partnership arrangements may have an ‘acceptable’ element of risk commensurate with the work area.

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.

Information Risks

When considering and reviewing the use, storage, retention and protection of any information asset which is valuable to London Councils, it is essential to look at the risks likely to threaten the asset’s security. Management of risk is also an important element of completing a Data Protection Impact Assessment process for new projects or a review of an existing function.

Adopting a risk based approach can improve understanding of the value of the asset and the degree to which it must be protected. Failure to consider these risks could lead to breaches of data, financial loss, legal and reputational penalties and/or reputational harm.

Directorate	Policy & Public Affairs	Date Last Reviewed	7 May 2020 (PAPA MT) 20 May 2020 (CMB)		
Director	Dick Sorabji	Reviewed By	PAPA MT	Corporate Governance Group	CMB

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
P&PA1	Loss of member authority support	Strategic, reputation,	Ineffective work results in member authorities withdrawing from London Councils. Ineffective communication of successes and benefits of membership. Increased scrutiny is to be expected at the start of a new 4-year term, making the later point critical	3	3	9	Management controls are in place including regular reporting on project progress. Various communication and engagement tools are used to engage borough members and officers.	Corporate Director for Policy and Public Affairs	1	3	3

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
P&PA 2	Inability to meet all stakeholder expectations with resource base	Operational, Project	Inability to cover the depth and breadth of issues that members or stakeholders would wish given normal resourcing constraints. Risk of failure, given the significant challenges that boroughs face and the added pressure of boroughs collectively delivering devolved initiatives effectively – which has been accentuated as a result of the Covid pandemic	3	3	9	<p>Regular reviews of work programme by PAPA management team.</p> <p>Flexible deployment of resources, including specific changes in response to additional C19 demand</p> <p>Regular engagement with member Portfolio holders.</p> <p>CMB are considering their response.</p>	Corporate Director for Policy and Public Affairs	1	3	3
P&PA 3	Weak or defective analysis/ technical mistakes	Project, reputation	Errors in analysis could lead to inappropriate lines being taken, lobbying being ineffective or significant loss of reputation	2	3	6	<p>Work and reports are completed by appropriate staff and cross-checked by more senior officers prior to publication. Staff development considered where appropriate</p>	PAPA Management Team	1	3	3

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
P&PA 4	Ineffective relationships with key stakeholders and with key decision makers	Strategic, reputation	Failure to develop effective partnerships is likely to reduce the quality of policy and service developments, which may result in key decision makers not understanding or taking account of the role and needs of boroughs and could result in duplication, for example between London Councils and the LGA - Likelihood has been accentuated as a result of the Covid pandemic	3	2	6	Key partners identified during business planning process and stakeholder database developed. Systematic relationships and boards are now in place with the Mayor of London	PAPA Management Team	1	2	2
P&PA 5	Work undertaken not complying with equalities legislation	Compliance, reputation	The needs of London's diverse population should be reflected in policy work Publications, websites and events that are not accessible will have an adverse effect on London Councils reputation.	2	2	4	Equalities training is available for staff as required. Equalities impact looked at for all events; accessibility audits being implemented for publications, web and events.	Director of Communications, Team Heads	1	2	2
P&PA 6	Lobbying outputs do not deliver outcome changes	External and reputational	Voice and concerns of boroughs would not be considered when decision affecting public services and	3	2	6	Public affairs team and priorities in place; introducing public affairs training and better use of stakeholder databases. In	Corporate Director for Policy and Public Affairs	1	2	2

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
			governance in London were being made. That we do not get ahead of, and be seen to positively contribute to, the emerging post-Covid policy priorities.				addition, cross cutting performance arrangements within Policy formalise the relationship between policy teams and Communications to ensure maximum benefit is gained from all work related to lobbying.				
P&PA 7	IT failure with website/ Intranet/ access to systems	Operational, Project	IT problems prevent work being completed or communicated effectively. Current IT Infrastructure (conceived before C19) is no longer fit for purpose for extensive home working	3	4	12	Liaison with IT support to ensure suitable backups. Training programmes in place. Officers are assessing additional needs for expanded home working	Director of Communications	2	2	4
P&PA 8	London Councils websites not maintained or updated	Reputation	Loss of credibility among key audiences, inability to meet statutory requirements to publish information, for example Committee Papers	2	2	4	Professional web staff, and trained content managers across the organisation	Director of Communications	1	2	2

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
P&PA 9	Insufficient coverage of London councils' concerns in the national, regional, local and specialist press and TV & radio	External and reputational	No media coverage would significantly reduce the leverage of London local government in advancing its arguments on behalf of boroughs and those they represent	2	2	4	A team of press officers with clear objectives to deliver coverage. Also cross cutting performance arrangements within Policy formalise the relationship between policy teams and Communications to ensure maximum benefit is gained from all work related to lobbying.	Dick Sorabji. Corporate Director for Policy and Public Affairs	1	2	2
P&PA 10	Work rendered abortive due to external policy changes or other external events	External	<p>Policy changes (Government or GLA) means that abortive work has been undertaken</p> <p>C19 - Failure to adapt to new C19 environment</p>	3	2	6	<p>Regular communication with government departments and GLA (to gather intelligence) and with member authorities (to ensure work focuses on current priorities and to manage expectations).</p> <p>Work is underway to align our work with the pan-London recovery and renewal work.</p> <p>We expect to see early decisions from LC Executive in May 2020</p>	PAPA Management Team	2	2	4

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
P&PA 11	Libel action taken against London Councils	Financial, reputation	Potentially expensive legal and compensation costs	2	2	4	Strict editorial control, insurance	Director of Communications	1	2	2
P&PA 12	Capital Ambition programme is not closed down in a timely and appropriate manner	Reputation, financial, legal	If the Capital Ambition programme is not closed down properly then it may lead to additional financial, legal, reputational issues which will require resources (staff time and/or financial cost) to rectify post August 2020	2	3	6	Existing Capital Ambition financial commitments have been accounted for and are awaiting payment authorisation at the appropriate time. London Ventures closure is managed through the exit agreement and plan which takes into account any potential financial and/or reputational matters. Most importantly commercial deals will be closed and remaining contractual liabilities will be met within existing resources.	Head of Capital Ambition (until August 2020) Director for Policy and Public Affairs	1	3	3

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
PAPA 13	LOTI member boroughs fail to renew annual subscription.	Financial	LOTI member boroughs choose not to renew their annual subscription to LOTI, resulting in a financial challenge to LOTI's continued operation.	2	3	6	LOTI is setting out more substantial plans to use its budget on major projects like City Tools and design challenges for Covid recovery. A new member of staff has also be hired to focus on data projects which will use our joint budget to pay for more capacity.	Eddie Copeland, Director LOTI	1	2	2

Services Risk Register - 2020/21

Division		Services					Date Last Reviewed	2 June 2020			
Director		Spencer Palmer and Yolande Burgess					Reviewed By	SP / YB / SB			
				Risk Rating (without controls)					Risk Rating (with controls)		
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1- 4)	Impact (1 - 4)	Overall

GENERAL

A1	Staff unplanned absence	Reputational, Financial, Operational, Project	Loss or absence of key staff would reduce capacity to undertake work plan; Services could cease or reduce, good will of contractors and customers would be lost. Reasons for absence could include sickness, transport disruption, low morale and poor job satisfaction.	4	3	12	Maintain good staff relations and communication. Ensure staff are well managed with appropriate support, development and recognition. Regularly review business processes to improve efficiency and reliability. Review and maintain business continuity and disaster recovery plan. Allow flexible working arrangements where possible to allow staff to work around transport disruption and maintain a healthy work/life balance. Manage planned leave to ensure sufficient cover for essential services.	Spencer Palmer (Director - T+M) and Yolande Burgess (Strategy Director)	3	2	6
A2	Poor quality work in representing boroughs	Reputation and Financial	Inappropriate or inaccurate work by officers in representing borough interests. Ineffective lobbying. Lack of trust from Members and borough officers. Lack of invitations to attend important events and key meetings. Not being seen to be the voice of the boroughs.	2	3	6	Recruitment of appropriate staff and effective staff management and development.	Spencer Palmer (Director - T+M) and Yolande Burgess (Strategy Director)	1	3	3
A3	Failure to meet service delivery targets	Reputational, Financial, Operational	Failure to achieve service delivery targets resulting in financial losses, legal challenge, poor customer satisfaction, complaints and reputational damage.	4	3	12	Agreeing appropriate performance indicators and targets with all staff and service delivery partners/contractors. Regularly monitor and report performance and review. Investigate fully any failure to meet targets, taking swift and appropriate action to address identified issues. Encourage and celebrate good performance and success.	Spencer Palmer (Director - T+M) and Yolande Burgess (Strategy Director)	2	3	6
A4	Failing to provide input into key policy areas affecting London Councils members/ ineffective lobbying	Project Reputation	May result in key decision makers not understanding or taking account of the role and needs of boroughs and their residents. Would lose confidence of boroughs in London Councils ability to represent their interests.	2	3	6	Regularly monitor key GLA and govt. policy and legislative developments potentially affecting boroughs, Londoners and London Councils. Develop accurate and evidence-based formal London Councils' responses to consultations and key London issues. Developing alliances with partners, including VCS in London to enhance lobbying. Relationships developed with key decision makers. Schedule for briefings in place to support members in effective lobbying.	Spencer Palmer (Director - T+M) and Yolande Burgess (Strategy Director)	1	2	2
A5	Breaches in data protection and security that leads to the mishandling or misplacing of commercial, sensitive and/or personal data	Compliance, Financial, Reputation	Sensitive personal data released to unauthorised people resulting in complaints, legal action, fines and reputational damage.	3	4	12	Security. Strict controls on receipt and management of data. Use of secure systems such as Notify and promotion of best practice on secure information sharing between organisations through Data Share London, including model agreements and protocol documents. Ensuring that all new contracts with third party suppliers contain sufficient safeguards to mitigate this risk.	Spencer Palmer, Director (T+M), Yolande Burgess (Strategy Director) and Stephen Boon (Chief Contracts Officer)	2	4	8

Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Risk Rating (without controls)			Controls in Place	Risk Owner (Name & Position)	Risk Rating (with controls)		
				Likelihood (1- 4)	Impact (1 - 4)	Overall			Likelihood (1- 4)	Impact (1 - 4)	Overall
A6	ICT failure causes loss of processing capability and inability to deliver public facing and other key services. ICT contractor going into liquidation.	Compliance, Operational & Financial, Project, Reputation	The main servers for CF, London Tribunals, Taxicard, Freedom Pass and LLCS are remote and their loss would severely limit the availability of critical data and could lead to the suspension of public facing services. These and other services (including Grants and notify procurement) are also dependent on the Southwark Street IT network leading to additional complexity in managing continuity. Other services such as LCP are dependent on external IT providers.	3	3	9	Effective monitoring and management of ICT systems and contractors. Agree, review and maintain business continuity and disaster recovery procedures with all ICT contractors and the in-house IT team, including fault reporting protocols.	Spencer Palmer, Director (T+M) and Yolande Burgess (Strategy Director)	2	2	4
A7	General failure or delay in delivery of projects involving external partners	Reputation Financial and Operational	Failure to deliver on time and to budget project involving 3rd parties.	4	3	12	Effective project planning and management by suitably trained and skilled staff. Monitoring and liaison with all relevant parties.	Spencer Palmer, Director (T+M) and Stephen Boon, Chief Contracts Officer	1	3	3
A8	Failure to comply with equalities legislation and good practice	Compliance, External, Operational, Reputation	To be effective, as well as to comply with legislation, the needs of London's diverse population must be reflected in commissioning priorities, the delivery of commissioned services and in any review into the size and scope of the grants scheme.	3	3	9	All specifications for commissioned services have been subject to assessment for equalities impact. Services are targetted at whosoever has the need for that service. More generally, equalities awareness introduced to every divisional meeting; equalities implications are part of all reports to Committee(s). Staff trained on London Councils equalities approach and legislative requirements.	Spencer Palmer, Director (T+M) and Yolande Burgess (Strategy Director)	2	2	4
A9	Political, policy or legislative change	Reputation Operational Compliance External	Local authority powers / responsibilities could change or diminish affecting ability to deliver services and responsibilities: legislation could transfer local authority powers/responsibilities to other organisations (e.g. VCS, local groups, Regional Schools Commissioners, providers).	3	3	9	Effective lobbying and networking with Ministers and civil servants. Contributing to policy and legislative development, responding to consultations with evidence-based arguments.	Yolande Burgess (Strategy Director) and Spencer Palmer, Director (T+M)	2	2	4
A10	Supplier failure	Financial, Operational, Reputation	Supplier failure puts operational services in jeopardy.	2	4	8	Agreeing appropriate performance indicators and targets with all suppliers and contractors. Regularly monitor and report performance and review. Investigate fully any failure to meet targets, taking swift and appropriate action to address identified issues. Encourage and celebrate good performance and success. Review and maintain business continuity and disaster recovery plan.	Spencer Palmer, Director (T+M) and Yolande Burgess (Strategy Director)	1	2	2
A11	Succession planning	Operational, Reputation	Loss of knowledge and expertise when staff retire or leave.	4	3	12	Ongoing staff development and handover arrangements.	Spencer Palmer (Director - T+M) and Yolande Burgess (Strategy Director)	4	2	8

				Risk Rating (without controls)					Risk Rating (with controls)		
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1- 4)	Impact (1 - 4)	Overall
A12	Exiting the EU	Financial, Reputation, London, Operational, Project	Uncertainty over Brexit arrangements leads to a generally uncertain context within which to do business and specific risk to European funding and projects.	4	3	12	Close monitoring of negotiations and agreements around detailed Brexit arrangements and how they will impact EU funded services and projects.	Yolande Burgess (Strategy Director), Spencer Palmer, Director (T+M) and Stephen Boon (Chief Contracts Officer)	3	2	6
A13	Covid-19	Operational, Reputation	Covid-19 (coronavirus) causes higher than usual levels of staff absence at London Councils and its suppliers, leading to diminished level of service and an increased level of complaints from users of services.	4	3	12	London Councils to undertake corporate and service level (see below) contingency planning. Measures include: - All staff provided with a link to the Public Health England blog on Coronavirus (regularly updated), - signs on how to control spread placed around the building, all staff emailed to tell them what to do if they come into contact with someone with the virus, - agile working arrangements in place to allow people to work from home if they need to self-isolate, - managers to take a lead on discussing these arrangements with their teams - All contractors to put in place contingency measures to maintain services.	Yolande Burgess (Strategy Director), Spencer Palmer, Director (T+M), Stephen Boon (Chief Contracts Officer), Laura Padden (Head of Support Services), Andy Rollock (Mobility Services Manager), Andrew Luck (Transport Manager)	2	2	4

Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Risk Rating (without controls)			Controls in Place	Risk Owner (Name & Position)	Risk Rating (with controls)		
				Likelihood (1- 4)	Impact (1 - 4)	Overall			Likelihood (1- 4)	Impact (1 - 4)	Overall

FREEDOM PASS

FP1 (previously B1)	Failure to negotiate Freedom Pass settlement with transport operators by 31 December.	Reputation, Financial	Statutory default scheme is implemented (which would be more expensive for boroughs and would impact on London Councils' reputation).	3	3	9	Ongoing regular meetings and discussions with TfL, RDG and local bus operators to monitor travel data and discuss and resolve issues as they arise.	Spencer Palmer, Director (T+M) and Stephen Boon, Chief Contracts Officer	1	3	3
FP2 (previously B14)	2019 and 2020 Freedom Pass Reissues and Mid-Term Reviews	Financial and Reputation	Freedom Pass re-issue is not delivered on time or to budget, placing additional pressure on members' budgets and causing travel disruption to passholders.	2	3	6	Project board comprising key stakeholders created and meeting monthly to oversee project and identify issues and risks. Clear project planning and budget monitoring in place. Regular review of risk register ensures risks and issues can be identified and appropriate actions taken.	Spencer Palmer, Director (T+M) and Stephen Boon, Chief Contracts Officer	1	2	2
FP3	Covid-19 Income Risk	Financial and Reputation	Reductions in the numbers of people using public transport leads to a reduction in the numbers of people needing to replace Freedom Passes, thereby reducing the level of Freedom Pass income below budget levels.	4	3	12	Close monitoring of reductions in income against any savings from payments to suppliers. Where the level of reduction in income exceed savings to consider reducing expenditure and/ or drawing down on reserves.	Spencer Palmer, Director (T+M) and Stephen Boon, Chief Contracts Officer	4	2	8

TAXICARD

T1 (previously B2)	Taxicard applications for in-house processing not assessed on time.	Operational, Reputation	Applicants will not receive their cards, leading to unsatisfied members of the public and complaints.	4	2	8	Systems in place to manage process and monitor performance regularly.	Spencer Palmer, Director (T+M)	1	1	1
T2 (previously B3)	Taxicard fraud	Operational, Reputation, Financial	Fraudulent applications or misuse of cards leads to higher costs of scheme.	3	1	3	Detailed audit checks in place	Spencer Palmer, Director (T+M)	1	2	2
T3 (previously B4)	Poor financial planning and management of Taxicard budget.	Reputation, operational and financial	Not to negotiate sufficient funding with TfL for the scheme. To run out of money for Taxicard part way through the year or underspend. TfL's current financial situation leads to	3	3	9	On-going engagement with TfL and shared information throughout the year. Contract management and journey data monitoring arrangements highlight boroughs approaching an overspend and agreement to meet additional costs is sought before budget is exceeded.	Spencer Palmer, Director (T+M)	2	3	6
T4 (previously B4A)	New Taxicard rates lead to decreases in Taxi supply	Reputational and operational	A new per mile pricing regime has been introduced on Taxicard. This means black taxi drivers will no longer be paid meter rates for most Taxicard journeys. Some may choose not to undertake Taxicard work and supply issues result. This could mean that some Taxicard journeys experience a worse or diminished level of service.	3	3	9	The supplier is in the process of integrating more private hire suppliers to bolster supply. It has also purchased a rival taxi circuit (to be integrated). These measures should mitigate the problem. London Councils has increased the frequency of monitoring from monthly to weekly and will use improvement planning provisions in the contract as necessary. Should problems warrant, London Councils could consider seeking alternative provision.	Stephen Boon, Chief Contracts Officer	2	2	4

				Risk Rating (without controls)					Risk Rating (with controls)		
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LONDON LORRY CONTROL SCHEME

LLCS 1 (previously B9)	Lorry Control permits not processed on time.	Operational, Reputation	Hauliers without permits forced to change their plans or travel without permit risking abortive enforcement activity.	2	3	6	Permit issue system in place and performance monitored.	Spencer Palmer, Director (T+M)	1	2	2
LLCS 2 (previously B10)	Lorry Control routing advice not provided	Operational	Hauliers not given opportunity to confirm legality of route	2	3	6	Routing advice available on-line and through liaison with the team.	Spencer Palmer, Director (T+M)	1	2	2
LLCS 3 (previously B11)	Significant Lorry Control enforcement does not take place	Operational, Financial	Hauliers allowed to make illegal journeys. Generates complaints from boroughs and public about disruption overnight and weekends. PCN income not generated to cover enforcement activity.	3	3	9	Contract management of the NSL contract.	Spencer Palmer, Director (T+M)	1	2	2
LLCS 4 (previously B12)	Lorry Control PCNs not processed	Financial, Operational	Enforcement not effective as no penalties issued or fully processed and PCN income not generated to cover enforcement activity.	4	3	12	PCN processing system in place and regularly monitored.	Spencer Palmer, Director (T+M)	1	2	2
LLCS 5 (previously B12A)	Lorry Control System Failure	Financial, Operational, Reputational	Updated LLCS system case management and permission application system fails or in part does not have the expected functionality.	3	3	9	Full testing of the system prior to go live including external testing with hauliers. Continued discussions re web based communications platform between Sagoss and London Councils again completed and fully tested before go live.	Spencer Palmer, Director (T+M)	2	2	4
LLCS 6 (previously B12B)	Key Person Risk for contractor eg Sagoss	Financial, Operational, Reputational	Possible over reliance of key contractor personnel eg providing and managing the data of the LLCS case system. Impact could be system failure, resolution issues and ultimate lack of product.	2	3	6	Key escrow arrangement in which the keys needed to decrypt encrypted data are held in escrow so that, under certain circumstances, we may gain access to the keys. Regular data deposits required. Support and organisation detail required with Stuart as well as a revised business continuity plan if key staff contact is absent.	Spencer Palmer, Director (T+M)	2	2	4
LLLCS 7	Contractor risk (Sagoss) relating to communication issues and development work issues.	Financial, Operational, Reputational	Difficulty in communicating with key Sagoss personnel regarding systems issues, agreed service enhancements and planned upgrades. Impact could result in system failure, reputational damage re audit recommendations, resolution issues and ultimate lack of performance of product.	3	3	9	Agreed new channel of liaison with newly installed client manager. Sagoss commitment to deal with outstanding issues as a priority and improve communications channels. To date very little improvement has been seen in terms of development resolution although communications are marginally better. Even with controls this is still a risk and will be monitored regularly before there is a significant change in rating.	Spencer Palmer, Director (T+M)	2	3	6

Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Risk Rating (without controls)			Controls in Place	Risk Owner (Name & Position)	Risk Rating (with controls)		
				Likelihood (1- 4)	Impact (1 - 4)	Overall			Likelihood (1- 4)	Impact (1 - 4)	Overall
LLCS 8	Procurement and supply of new enforcement contract.	Financial, Operational, Reputational	Poor planning, execution and delivery of LLCS enforcement procurement leads to a worse service, or non-enforcement of the scheme.	3	3	9	Careful planning and execution of the procurement exercise to ensure that requirements are clear and time between contract award and implementation are sufficient to ensure enforcement in place.	Spencer Palmer, Director (T+M)	1	2	2
LLCS 9	COVID-19: Suspension of Enforcement Activity Negative impact on Londoners	Operational, Reputational	Lack of enforcement on street could lead to increased non compliance with the scheme, increased disruption to residents and more complaints	3	3	9	Working with the freight industry to manage messages on expectations on freight movements during the suspension to minimise disruption. Agreed communications with public regarding the reasons why the scheme is suspended and noise issue may increase.	Spencer Palmer, Director (T+M)	2	3	6
LLCS 10	COVID-19: Suspension of Enforcement Activity Negative impact on LLCS revenue for London Councils TEC	Financial, Operational, Reputational	Lack of enforcement resulting in a significant decline in income and a failure to cover all staff and contractual costs	4	3	12	Surplus at the end of year was above the predicted income level and higher than the yearly expenditure, so no negative impact for 2019-20. Continued suspension will have an impact on 2020-21 finances and these will need to be monitored.	Spencer Palmer, Director (T+M)	2	2	4
LLCS 11	COVID-19: Suspension of Enforcement Activity Lack of work and negative Impact on LLCS Team	Financial, Operational	Reduction in workflows for the LLCS team resulting in a decline in business as usual work, a reduction in activity and enforcement income.	3	3	9	Staff have been able to work on cases within the system. Many cases have been placed on hold and can be continued when business as usual resumes. Staff are able to undertake additional activities that are not a usual priority but will have benefits for LLCS in the future, such as white list management and more detailed monitoring. The team are also assisting with aspects of the LLCS review. Reduced enforcement income for suspension period can be covered by TEC reserves. Normal enforcement will resume in the middle of June.	Spencer Palmer, Director (T+M)	2	2	4
LLCS 12	COVID -19: Commencing Enforcement too early	Financial, Operational, Reputational	Risk to staff, both on and off street and negative reputational impact with freight industry of re strating enforcement too soon	2	3	6	Detailed discussions with all stakeholders within and outside of London Councils to agree a suitable commencement date. Monitoring of the situation and what is occurring in other enforcement areas.	Spencer Palmer, Director (T+M)	1	2	2

				Risk Rating (without controls)					Risk Rating (with controls)		
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1- 4)	Impact (1 - 4)	Overall

LONDON EUROPEAN PARTNERSHIPS FOR TRANSPORT

LEPT 1 (previously B13)	Change to existing process of TfL funding LEPT (via LIP)	External	TfL-led partnership review results in Borough consensus to cease funding LEPT via the LIP top slice agreement.	2	3	6	A renewed rolling S159 agreement is to be issued in December 2019, with updated conditions for funding and delivery, to be reviewed annually. TfL and London Councils can decide to dissolve LEPT with a three-months notice.	Spencer Palmer, Director (T+M)	1	3	3
LEPT 2 (previously B15)	LEPT: Brexit	External	Brexit will have an implication on the funding opportunities available to LEPT; the full implications are not yet known.	4	3	12	Constant monitoring of Brexit implications. LEPT are in contact with our EU partners to keep abreast of the situation. LEPT will continue to access funding opportunities and possibly submit bid proposals until agreements have been reached. LEPT will consider other non-EU funding work with partners.	Spencer Palmer, Director (T+M)	4	2	8
LEPT 3 (previously B16)	LEPT: S159 TfL funding	External	Brexit may have an impact on securing a future S159 agreement from TfL moving forward.	3	3	9	It was agreed with TfL that LEPT through LIP would from 2019/20 onwards be ensured through a rolling yearly agreement instead of an agreement renewed every two years. Each December, LEPT will give TfL an end-of-year performance report and TfL will then provide a notice of their decision regarding LIP funding. The agreement will be automatically renewed with an addendum for the updated schedule of activity. The first new section S159 agreement was signed by all parties in December 2019 (accounting for financial year 2019/20). TfL, parallel to that, has given LEPT notice of the continuation of funding for 2020/21.	Spencer Palmer, Director (T+M)	1	2	2
LEPT 4 (previously B17)	LEPT staffing	Operational	Staffing shortage makes the submissions of bids more difficult with the continued core workload of LEPT.	3	3	9	LEPT will identify short-term contingency measures during the bidding period and prioritise workloads to ensure bids take precedent over other core tasks that can be postponed.	Spencer Palmer, Director (T+M)	2	2	4

TRAFFIC AND PARKING

Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Risk Rating (without controls)			Controls in Place	Risk Owner (Name & Position)	Risk Rating (with controls)		
				Likelihood (1- 4)	Impact (1 - 4)	Overall			Likelihood (1- 4)	Impact (1 - 4)	Overall
TP1 (previously B6)	Parking / Traffic enforcement advice, guidance not provided	Compliance, Operational, Reputation	Boroughs left to own devices and no standardisation	1	2	2	Regular meetings scheduled and advice provided and updated	Spencer Palmer, Director (T+M)	1	1	1

HEALTH EMERGENCY BADGE

HEB 1 (previously)	HEB permits not issued; HEB permit	Financial, Operational,	Medical practitioners issued with PCNs while on emergency calls; Permits issued	1	3	3	Issuing processing system in place, limited scale of scheme means easy to relocate; Checks in place	Spencer Palmer, Director (T+M)	1	1	1
HEB 2	COVID -19. No new applications or renewals processed	Financial, Operational, Reputation	No badges issued during the emergency leading to an increased risk of receiving a PCN and delays in existing applications	4	3	12	Extension of expiry dates should help. New badges still not processed but Boroughs have issued emergency permits to medical staff and an 80% reduction in enforcement should reduce the risk significantly	Spencer Palmer, Director (T+M)	2	2	4

TRACE

TRACE 1 (previously)	Parking services (TRACE, DVLA link,	Operational, Reputation	Borough enforcement compromised and public confidence effected	1	3	3	Northgate disaster recovery in place.	Spencer Palmer, Director (T+M)	1	2	2
TRACE 2	COVID-19 Failure of contractor staff to deal with notifications	Financial, Operational, Reputation	Staff not available to process notifications of removals and relocatons so motorists are unable to locate their vehicles	3	3	9	Significant reduction in removals of vehicles has mitigated this risk. Contractor has indicated that it has the resources to deal with this as usual	Spencer Palmer, Director (T+M)	1	2	2

LONDON TRIBUNALS

LT 1 (previously C1)	New regulations require changes to systems	Compliance, External	New regulations require substantial changes to London Councils systems	2	3	6	Managed Services contractual change mechanism in place , involvement in Government working parties	Spencer Palmer, Director (T+M)	2	2	4
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				Risk Rating (without controls)					Risk Rating (with controls)		
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1- 4)	Impact (1 - 4)	Overall
LT 2 (previously C2)	London Councils Offices/London Tribunals hearing centre unavailable	Financial, Operational, Reputation, Strategic	Office and hearing centre facilities become unavailable due to building defect, incident in building or other emergency; causing service interruption which might also affect remote services.	1	3	3	Northgate disaster recovery and plans to move essential processes to remote site. Remote working from home/other available office space (Northgate/London Councils). If necessary London Tribunals could suspend work for one week and personal hearings for one month.	Spencer Palmer, Director (T+M)	1	2	2

				Risk Rating (without controls)					Risk Rating (with controls)		
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1- 4)	Impact (1 - 4)	Overall
LT 3 (previously C3)	Court Judgement requiring significant changes to systems and processes	Operational	Judgement in High Court or Court of Appeal requires major changes in practice / procedures	2	4	8	Contingency budget for IT /info /publicity development - manual workarounds while developments being installed	Spencer Palmer, Director (T+M)	1	3	3
LT 4 (previously C4)	Adjudicator unavailability	Operational	Lack of sufficient adjudicators.	2	4	8	Amending personal hearings if unable to cover them	Caroline Hamilton, Ingrid Persadsingh, Chief Adjudicators, and Spencer Palmer, Director (T+M)	1	4	4
LT 5 (previously C5)	New areas of activity	Operational, Financial, Reputation, Strategic	Taking on new areas of activity that we cannot properly deliver.	3	3	9	Proper analysis and all relevant approvals in advance.	Spencer Palmer, Director (T+M)	2	2	4
LT (previously C6)	Northgate contract	Operational, Financial and Reputation	Northgate fail to deliver on the contract on operating London Tribunals.	4	3	12	Contract monitoring arrangements being reviewed and Northgate implementing additional quality control measures.	Stephen Boon, Chief Contracts Officer	2	2	4
LT 7 (previously C7)	RUCA contract	Operational, Financial and Reputation	Failure to deliver the RUCA contract within the agreed time, cost and quality parameters.	3	3	9	London Councils and its supplier (NPS) work closely with the customers (GLA and TfL) to ensure regular and appropriate monitoring of the contract, undertaking targeted intervention where appropriate.	Spencer Palmer, Director (T+M)	2	2	4
LT 8 (previously C8)	Incorrectly processed cases	Operational, Financial and Reputation	Appeals received not processed correctly resulting in enforcement authorities taking further enforcement action before an appeal is registered and heard. Could result in someone paying additional enforcement charges, perhaps to a bailiff, believing their appeal was heard and unsuccessful. Could result in the tribunal having to write to appellants to explain errors and the refunding of costs. Could lead to legal action and claims for damages and compensation.	4	2	8	Ensure system and process checks are sound and carried out to ensure cases are not left in system without appropriate actions being completed. Legal advice was sought and received. All affected appellants have been contacted. London Councils has offered recompense to appellants and EAs as appropriate. Use of contractual clauses to recover balances from the supplier and minimise costs to boroughs. A small residual risk remains where people affected have moved and it has not been possible to contact them.	Spencer Palmer, Director (T+M)	2	2	4

Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Risk Rating (without controls)			Controls in Place	Risk Owner (Name & Position)	Risk Rating (with controls)		
				Likelihood (1- 4)	Impact (1 - 4)	Overall			Likelihood (1- 4)	Impact (1 - 4)	Overall
LT 9 (previously C9)	Unknown increase in volumes of contact and appeals relating to ULEZ results in delay in considering appeals	Operational	ULEZ comes into force in April 2019 and will result in an increase in contact, queries and appeal submission to the Tribunal service. If volumetric information is not available in advance and the volume of contact and additional appeals are high, this could have an adverse impact on call centre and case processing KPIs and on the timely consideration of appeals.	3	2	6	1. Gathering of known information relating to predicted volumes based on similar historic changes. 2. Plan to be agreed between London Councils and NPS regarding any additional resources or other mitigations against increased volume impact on service. 3. Put comms in place to ensure enquiries about ULEZ are directed to the correct place (including back to TfL where appropriate). 4. Recruitment of additional adjudicators.	Spencer Palmer, Director (T+M)	2	2	4

GRANTS

D1	Non-delivery of outcomes of current Grants programme (2017-21). (ESF element completed June 2019).	Financial, Project, Reputation, London, Strategic	Projects fail to deliver their agreed outcomes or London Councils does not adequately monitor the projects and is therefore unable to demonstrate that the outcomes have been met. Adverse impact on London Councils' delivery of this part of its business plan, on future allocation of funding, and on London Councils' reputation.	2	3	6	Quarterly RAG rating of projects. Commissioning Monitoring Arrangements policy in place to monitor all necessary aspects of projects' work and robustly address poor performance.	Yolande Burgess, Strategy Director	1	2	2
D2	Not making payments when due.	Financial Operational Project Reputation	Grant payments are made to projects quarterly following receipt and acceptance of quarterly reporting. Failure to pay organisations on time could damage their cashflow position and undermine their ability to deliver the outcomes of the projects.	3	4	12	Grants officers are set targets of paying providers within four weeks of approving the quarterly report. Where either officers or providers do not meet requirements performance management measures will be put in place. ESF payments made on a monthly submission basis.	Yolande Burgess, Strategy Director	1	2	2
D3	Audit and controls on programmes are inadequate and do not detect failures that put at risk borough and GLA/LEP investment. ESF programme only.	Financial Operational Project Reputation	ESF is subject to a strict audit regime and receives a minimum of four compliance visits per year. At audit, financial claims made by London Councils for ESF monies must be verifiable against programme and project records. Where ESF records do not match claims made, irregularities are reported. If this occurs, London Councils would not be fulfilling its duties and would be required to repay associated ESF funding, with a maximum exposure of an irregularity identified from a sample applied to the entire ESF programme. This is an audit accountability, under signed agreement with the Greater London Authority, to 2030.	4	3	12	Controls include: -Strict guidance to providers on ESF regulations -Detailed checking of provider claims prior to payment -Quarterly monitoring visits to providers -Thorough preparation for audit -On-the-spot verification (Article 125) visits	Yolande Burgess (Strategy Director)	2	3	6

				Risk Rating (without controls)					Risk Rating (with controls)		
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1- 4)	Impact (1 - 4)	Overall
COMMUNITY SERVICES											
E1	London Care Services fails to attract sufficient providers and services for the London boroughs to commission placements for Looked After Children.	Reputation and financial	Poor response by providers of children's services; recommendations on fees and charges not sustainable	3	2	6	Effective arrangements for engaging providers and services through web and direct marketing.	Yolande Burgess (Strategy Director)	2	2	4
E2	Boroughs do not use the Notify system.	Reputation and operational	Failure to effect notifications of data between boroughs; loss of data	3	2	6	Boroughs supported to improve the data quality and consistency of information provided to Notify - Data extraction protocols established and maintained for each borough to ensure a regular, reliable data upload to Notify - Regular liaison with appropriate borough officers to promote and develop best practice in relation to the provision of data for the Notify system	Yolande Burgess (Strategy Director)	2	2	4
E3	Service delivery failures as a result of providers withdrawing from the London Care Services Model Contract.	reputational and operational	Failure to support boroughs, loss of providers in delivery of excellent services	2	2	4	Engagement with providers and the market through representative organisations.	Yolande Burgess (Strategy Director)	1	2	2
E4	London Care Services is no longer relevant to borough needs.	Financial and operational.	Work becomes less relevant. Members question the value of the service and cease subscriptions; revenue decreases; ability to deliver undermined.	3	2	6	Regular board meetings at which timely, accurate and relevant information about the service is provided. Effective engagement with key stakeholders; ALDCS; boroughs; sub-regions; DfE and PaPA.	Yolande Burgess (Strategy Director)	2	2	4

YPES

Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Risk Rating (without controls)			Controls in Place	Risk Owner (Name & Position)	Risk Rating (with controls)		
				Likelihood (1- 4)	Impact (1 - 4)	Overall			Likelihood (1- 4)	Impact (1 - 4)	Overall
F1	Stakeholder (LEAP, DfE, LGA, GLA and ALDCS) working loses coherence.	Reputation Operational	Partner disengagement will reflect badly on London Councils' ability to coordinate, lead and influence boroughs effectively	3	2	6	Meetings with stakeholders maximises partner engagement (Board meetings, Task & Finish Groups, participation in stakeholder meetings and relevant projects).	Yolande Burgess, Strategy Director	1	2	2
F2	The strategic direction provided by the YPES Board does not contribute to the achievement of full participation for 16-18 year-olds.	Reputation Operational	YPES' work plan does not address the major priorities of Local Authorities, or influence their operations	2	2	4	Reconfiguring the Operational Sub-Group together with workshops / seminars on specialist themes ensures a constant focus on Local Authorities' priorities	Yolande Burgess, Strategy Director	1	2	2
F3	London is not adequately meeting the statutory requirements for young people with Special Education Needs and Disabilities.	Compliance Financial Reputation Operational	YPES does not influence the development of national policy or does not make the case for sufficient high needs funding.	3	2	6	Scanning the policy horizon and keeping abreast of legislation enables YPES to provide informed input to key consultations and government enquiries.	Yolande Burgess, Strategy Director	1	2	2

Audit Committee

International Auditing Standards Representation

Item no: 07

Report by:	David Sanni	Job title:	Chief Accountant
Date:	17 June 2020		
Contact Officer:	David Sanni		
Telephone:	020 7934 9704	Email:	david.sanni@londoncouncils.gov.uk

Summary This report presents the proposed response to the external auditor's inquiry as to how the Audit Committee gains assurance over management processes and arrangements around fraud, laws and regulations and going concern.

Recommendations The Audit Committee is asked to consider and approve the proposed responses included in Appendix A.

Background

1. In order to comply with International Audit Standards, Grant Thornton, London Councils external auditor must inquire as to how the Audit Committee gains assurance over management processes and arrangements around fraud, laws and regulations and the going concern assumption. In order to fulfil this requirement, Grant Thornton has provided a list of questions in Appendix B of its External Audit Plan for 2019/20 that was approved by the Committee under London Councils' Urgency procedures in March 2020. The auditor would like the Committee to consider and respond to a series of questions listed in the appendix. London Councils officers have prepared proposed responses to be considered and approved by the Committee which are included at Appendix A of this report.
2. The questions raised by the auditor in its external audit plan are as follows:

Fraud risk assessment

- 1). How does the Audit Committee oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error;
 - identifying and responding to the risk of breaches of internal control;
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist); and
 - communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)?
- 2). Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details

Laws and regulations

- 3). How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?
- 4). Are you aware of any actual or potential litigation or claims that would affect the financial statements of the Joint Committees?

Going Concern

5). How has the Audit Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements of the Joint Committees?

Financial Implications

None

Legal Implications

None

Equalities Implications

None

Appendices

Appendix A – International Auditing Standards Audit Committee Representation

Background papers

London Councils External Audit Plan for 2019/20

Appendix A - International Auditing Standards Audit Committee representation

The international auditing standards require Grant Thornton to inquire as to how the Audit Committee gains assurance over management processes and arrangements around fraud, laws and regulations and the going concern assumption. In order to fulfil this requirement, Grant Thornton listed a number of questions on Appendix B of the 2019/20 audit plan which the Committee is asked to consider and respond.

The table below sets out the auditor's question and the responses prepared by London Councils officers for the Audit Committee to consider and approve.

Audit Questions	Proposed Responses
Fraud risk assessment 1. How does the Audit Committee oversee management's processes in relation to:	
<ul style="list-style-type: none"> carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error; 	<p>There are a number of procedures that London Councils has in place to ensure that the financial statements are free from material misstatements due to fraud or error.</p> <p>These procedures include:</p> <ul style="list-style-type: none"> A comprehensive risk based internal audit plan and five year rolling programme is approved each year by the Audit Committee. All areas of operational risk are covered in the five-year period with regular assessments of key risk areas. The internal audit service performs a key role in the prevention of fraud, bribery and corruption by the independent and systematic examination of systems and procedures, geared to maintaining strong systems of internal control. The outcome of internal audit reviews are regularly reported to the Audit Committee. A strong system of internal controls to ensure that the financial records which the statements are based on are free from material misstatement which include amongst other controls: reconciliations, segregation of duties, budgetary controls, financial regulations, delegated financial authorities, detailed supplier set up checks, system access restrictions, debt and cashflow management, financial reporting processes etc. The Head of Audit and Risk Management's annual opinion on the system of internal controls in operation during the financial year which is reported to the Audit Committee. The Audit Committee's and Corporate Management Board's review of the effectiveness of governance arrangements in place during the financial year. London Councils' Executive is responsible for monitoring financial performance and receives quarterly forecast reports and an end of year pre-audit outturn report. The Audit committee reviews and approves the financial statements which are prepared in accordance with the Code of Practice for Local

	<p>Authority Accounting and UK accounting standards where relevant.</p> <ul style="list-style-type: none"> • The Audit Committee reviews and approves London Councils' policies on Combatting Fraud, Bribery and Corruption and Whistleblowing. • The Audit Committee approves the annual external audit plan and considers the auditor's report to those charged with governance on issues arising from the audit of the accounts. • The Audit Committee's Terms of Reference are reviewed and agreed annually by London Councils Leaders' Committee and set out its role and responsibilities.
<ul style="list-style-type: none"> • identifying and responding to the risk of breaches of internal control; 	<p>The Audit Committee approves the annual internal audit plan and five-year rolling programme. It receives and considers internal audit reports on areas of operational risk. It monitors the implementation of internal audit recommendations by considering reports on the outcome of the internal auditors' follow-up reviews.</p>
<ul style="list-style-type: none"> • identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist); and 	<p>The Audit Committee approved London Councils policy to Combat Fraud, Bribery and Corruption. The policy states that London Councils is committed to an effective policy which is designed to:</p> <ul style="list-style-type: none"> • promote standards of honest and fair conduct; • deter and prevent fraud, bribery and corruption; • detect and investigate fraud, bribery and corruption; • prosecute offenders; • recover any losses; • maintain strong systems of internal control; • raise awareness of London Councils' anti-fraud, bribery and corruption stance; and • reporting and response arrangements. <p>The Audit Committee also approved London Councils' Whistleblowing Policy which encourages officers, contractors, members and other stakeholders to feel confident in raising any serious concerns that they might have.</p> <p>The internal audit service plays a key role in the prevention of fraud, bribery and corruption. The scope of each internal audit review incorporates fraud awareness. Follow-up exercises are performed in between system reviews to ensure that recommendations to improve controls are successfully implemented and fully operational. The internal audit service is actively involved in national data matching exercises with a view to both identify and reduce London Councils' exposure to fraud.</p> <p>The policy to Combat Fraud, Bribery and Corruption sets out clear procedures for reporting concerns, the detection and investigation of suspected cases, the prosecution of perpetrators, the recovery of losses and the post investigation process.</p> <p>The policy highlights controls for specific risk areas such as:</p>

	<ul style="list-style-type: none"> • Access to networks, systems and databases • Recruitment • Freedom Pass and Taxicard Schemes • Grants • London Tribunals <p>The Director of Corporate Resources (Section 151 officer) is responsible for disclosing to the Audit Committee all information in relation to fraud or suspected fraud.</p> <p>The Audit Committee will review any fraud matters which are disclosed to them and help to bring improvements in the control of risk.</p> <p>The Head of Audit and Risk Management at the City of London has the authority to make enquiries and to obtain key information from banks and utility companies to assist in investigations, where requested by the Director of Corporate Resources.</p> <p>London Councils has a strong system of internal controls that is designed to prevent the occurrence of fraud and corruption.</p> <p>The risk of fraud is included in directorate risk registers where appropriate and these are reviewed by the Committee on a regular basis.</p>
<ul style="list-style-type: none"> • communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)? 	<p>The policy to Combat Fraud, Bribery and Corruption and the Whistleblowing Policy are available on London Councils' intranet and internet for all staff, members, contractors and other stakeholders to access.</p> <p>In addition, London Councils has other policies that set out its expectation that all officers, members and stakeholders associated with it are honest and fair in their dealings, which include:</p> <ul style="list-style-type: none"> • Standing Orders; • Financial Regulations; • Code of Conduct for Officers; • Member and Officer Relations Protocol; and • other relevant policies, procedures and protocols. <p>These policies are also available on London Councils' internet and or intranet, as appropriate.</p>
2. Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details	The Audit Committee is unaware of any actual, suspected or alleged fraud affecting the entity.
Laws and regulations	
3. How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?	<p>London Councils has comprehensive financial regulations and human resources policies and procedures that ensure compliance with relevant laws and regulations. These regulations and policies are reviewed on a regular basis and changes are approved by London Councils Leaders' Committee or the Corporate Management Board as appropriate.</p> <p>Legal advice is provided by the City of London Corporation under a service level agreement for legal services. The Director of Corporate Governance is the lead officer</p>

	<p>responsible for managing the agreement and the referral of legal matters to the Corporation. The Director of Corporate Governance attends the Audit Committee and can provide updates on significant legal matters.</p> <p>The Audit Committee will consider instances of non-compliance with laws and regulations that are brought to its attention through audit reports or by the Director of Corporate Resources or Head of Audit and Risk Management.</p> <p>The Audit Committee will also consider any risks of non-compliance of laws and regulations included in the corporate and directorate risk registers.</p>
4. Are you aware of any actual or potential litigation or claims that would affect the financial statements of the Joint Committees?	The Audit Committee is not aware of any actual or potential litigation or claims that would affect the financial statements.
Going Concern	
5. How has the Audit Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements of the Joint Committees?	<p>London Councils Leaders' Committee approved the proposed budget for 2020/21 at its meeting on 3 December 2019. The budget report, prepared by the Director of Corporate Resources, includes a Section 25 statement which states that London Councils has a healthy level of reserves in relation to its operating and trading expenditure. London Councils retains the full membership of the 32 London Boroughs and the City of London.</p> <p>The impact of the Covid-19 pandemic on London Councils financial position is being closely monitored. The Director of Corporate Resources is of the view that the financial impact of the pandemic will not affect London Councils ability to continue as a going concern over the next 12 month period.</p> <p>The Director of Corporate Resources will provide an update on the financial impact of the pandemic to London Councils' Executive in his report on the provisional financial results for 2019/20 on 16 June 2020. Further updates will be provided to the Executive in the quarterly revenue forecast reports.</p>