



## **Audit and Risk Management Committee**

**Date:** TUESDAY, 12 MARCH 2019  
**Time:** 2.00 pm  
**Venue:** COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

**Members:** Alderman Ian Luder (Chairman)  
Alexander Barr (Deputy Chairman)  
Hilary Daniels (Deputy Chairman)  
Randall Anderson  
Alderman Nick Anstee  
Chris Boden  
Deputy Jamie Ingham Clark (Ex-Officio Member)  
Anne Fairweather  
Marianne Fredericks  
Alderman John Garbutt  
Kenneth Ludlam (External Member)  
Paul Martinelli  
Caroline Mawhood (External Member)  
Jeremy Mayhew (Ex-Officio Member)  
Andrien Meyers  
John Petrie

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**N.B. Part of this meeting may be subject to audio-visual recording.**

**Lunch will be served in the Guildhall Club at 1:15pm.**

**John Barradell  
Town Clerk**

# **AGENDA**

## **Part 1 - Public Agenda**

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**  
To agree the public minutes and non-public summary of the meeting held on 15 January 2019.

**For Decision**  
(Pages 1 - 8)

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**  
Members are asked to note the Committee's Outstanding Actions List.

**For Information**  
(Pages 9 - 12)

5. **COMMITTEE WORK PROGRAMME**  
Members are asked to note the Committee's Work Programme.

**For Information**  
(Pages 13 - 14)

## **Internal Audit**

6. **2019-20 TO 2021-22 INITIAL DRAFT INTERNAL AUDIT PLAN**  
Report of the Head of Audit and Risk Management.

**For Decision**  
(Pages 15 - 42)

7. **INTERNAL AUDIT UPDATE REPORT**  
Report of the Head of Audit and Risk Management.

**For Information**  
(Pages 43 - 56)

8. **INTERNAL AUDIT OF CITY OF LONDON POLICE ACCOMMODATION PROGRAMME - RESOLUTION FOR CONSIDERATION**  
To consider a resolution of the Performance and Resource Management Sub (Police) Committee regarding the Internal Audit of the City of London Police Accommodation Programme.

**For Information**

## **Risk Management**

### **9. DEEP DIVE RISK REVIEWS**

a) **CR02: Loss of Business Support for the City**

Report of the Director of Economic Development.

**For Information**  
(Pages 57 - 64)

b) **CR26: Brexit - Organisational Impact**

Report of the Town Clerk and Chief Executive.

**For Information**  
(Pages 65 - 70)

### **10. ORGANISATIONAL CHANGE MANAGEMENT RISK**

Joint report of the Director of HR and the Head of Corporate Strategy and Performance.

**For Information**  
(Pages 71 - 76)

### **11. HEALTH AND SAFETY ACCIDENT/ INCIDENT DATA REPORT**

Report of the Director of Human Resources.

**For Information**  
(Pages 77 - 82)

## **Governance**

### **12. ANNUAL GOVERNANCE STATEMENT - METHODOLOGY**

Joint report of the Town Clerk and the Chamberlain.

**For Decision**  
(Pages 83 - 88)

### **13. GENERAL DATA PROTECTION REGULATION (GDPR/ DATA PROTECTION ACT 2018 (DPA))**

Report of the Comptroller and City Solicitor.

**For Decision**  
(Pages 89 - 100)

## **Financial Statements and External Audit**

14. **MID-YEAR TREASURY MANAGEMENT REVIEW 2018-19**  
Report of the Chamberlain.

**For Information**  
(Pages 101 - 108)

15. **AUDIT PLANNING: YEAR ENDING 31 MARCH 2019**  
Report of BDO LLP.

**For Decision**  
(Pages 109 - 166)

## **External Inspections**

16. **OFSTED FOCUSED VISIT ON CARE LEAVERS**  
Report of the Director of Community and Children's Services.

**For Information**  
(Pages 167 - 176)

17. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
18. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
19. **EXCLUSION OF THE PUBLIC**

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

Item:	Paragraph:
20	3
21	3&5

**For Decision**

## **Part 2 - Non-Public Agenda**

20. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
To agree the non-public minutes of the meeting held on 15 January 2019.

**For Decision**  
(Pages 177 - 178)

## **Anti-Fraud and Corruption**

21. **APPENDICES FOR CORPORATE RISK REGISTER - UPDATE (FROM PUBLIC SESSION A.O.B.)**  
Report of the Chamberlain.

**For Information**

22. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
23. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 15 January 2019**

**Minutes of the meeting of the Audit and Risk Management Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Tuesday, 15 January 2019 at 1.45 pm**

### **Present**

#### **Members:**

Alderman Ian Luder (Chairman)  
Alexander Barr (Deputy Chairman)  
Hilary Daniels (Deputy Chairman)  
Randall Anderson  
Alderman Nick Anstee  
Anne Fairweather  
Marianne Fredericks  
Alderman John Garbutt  
Deputy Jamie Ingham Clark (Ex-Officio Member)  
Kenneth Ludlam (External Member)  
Paul Martinelli  
Caroline Mawhood (External Member)  
Jeremy Mayhew (Ex-Officio Member)  
Andrien Meyers  
John Petrie

### **In Attendance**

#### **Officers:**

Chloe Rew	- Town Clerk's Department
Simon Latham	- Town Clerk's Department
Chandni Tanna	- Town Clerk's Department
Peter Kane	- Chamberlain/ Police Authority Treasurer
Caroline Al-Beyerty	- Chamberlain's Department
Karen Atkinson	- Chamberlain's Department
Alistair Cook	- Chamberlain's Department
Paul Dudley	- Chamberlain's Department
Pat Stothard	- Head of Internal Audit and Risk Management
Ian Dyson	- Commissioner of the City of London Police
Michael Cogher	- Comptroller and City Solicitor

#### **Also in attendance:**

Wendy Hyde	- Member, Finance Committee
Nick Bennett (by telephone)	- Moore Stephens LLP
Matt Vosper	- Moore Stephens LLP
Leigh Lloyd Thomas	- BDO LLP

1. **APOLOGIES**

There were no apologies.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

There were no declarations.

3. **MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** – That the public minutes and non-public summary of the meeting held on 6 November 2018 be approved as a correct record.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE \***

The Committee received the Outstanding Actions of the Committee report.

**RESOLVED** – That the report be received and its contents noted.

5. **COMMITTEE WORK PROGRAMME\***

Members received the Audit & Risk Management Committee's work programme.

**RESOLVED** – That the work programme be received and its contents noted.

6. **BRIDGE HOUSE ESTATES ANNUAL REPORT AND FINANCIAL STATEMENTS 2017/18**

Members considered a report of The Chamberlain regarding Bridge House Estates (BHE) Annual Report and Financial Statements for 2017/18, requesting approval of the report. The report was presented to the Committee behind the planned schedule due to the requirement to reconstitute the endowment fund within these accounts. The external auditors, Moore Stephens LLP, were in attendance.

The report stated the following key points:

- The funds of the charity have been split between the permanent endowment fund (£831.6m) and unrestricted income funds (£564.2m) with total funds (net assets) held being £1,395.8m – an increase of £54.6m or 4.1% on the previous year;
- The net surplus for the year of £54.6m included gains on financial investments of £10.8m and on property investments of £53.6m;
- Subsequent to the year-end, the charity has sold one of the properties held within its investment portfolio (part of the endowment fund) for £97.1m

The Chamberlain advised that the Charity Commission become concerned when charities grow reserves significantly rather than spending funds on their charitable activities. The first priority of BHE is to ensure that the five Thames bridges are properly assessed and maintained. Further consideration is currently taking place as to the extent that reserves held can be released for additional charitable funding.



The Town Clerk advised that a report was sent to Members to update on the governance review of the BHE charity. Elements of this will be discussed with the Privy Council Office and Charity Commission to determine whether the provisions of its governing documents remain fit for purpose and/or whether they would benefit from additions or amendments to enable trustees to fulfil the charity's objectives more effectively. The Chairman asked whether it was reasonable to target having an agreed outcome in time for the next Court of Common Council to be elected in March 2021. The Town Clerk advised that while this was a sensible objective, the availability of the outcome is dependent on the Privy Council Office and Charity Commission.

A Member expressed concern that the Audit Review Panel was elected by the Livery of London in Common Hall, questioning whether this demonstrates best practice. The Chamberlain advised that this is the practice based on George II legislation and noted that this would require primary legislation to amend.

The Chamberlain noted that a review of the process had been carried out some years ago and had introduced criteria to ensure the suitability of the auditors on the Audit Review Panel to carry out the audit of all Corporation funds. It was thought that the report would give the member assurance regarding the process and would be provided.

The Chairman thanked Moore Stephens LLP for their work over the years and attendance at the meeting.

**RESOLVED** – That the Audit & Risk Management Committee:

1. accept the contents of the Audit Management Report issued by Moore Stephens LLP; and
2. recommend approval of the BHE Annual Report and Financial Statements for the year ended 31 March 2018 to the Finance committee.

## **7. INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP**

The Committee received a report of the Head of Audit and Risk Management which provided an update on the outcome of a recent follow-up exercise focused on red and amber priority recommendations due for implementation by 30 November 2018. The report identified that 52% of high priority recommendations had been fully implemented at the time of follow-up, 17% were partially implemented and 31% had not been implemented or evidence had not been provided to demonstrate implementation.

The Chairman requested the report be brought to the Committee twice per year.

Regarding non-compliance with Freedom of Information (FOI) requests, the Police Commissioner advised that there have been challenges with FOI requests due to staff turnover and vacant posts. There were 297 cases outstanding last year. Invalid cases were closed, with an additional 71 cases to be closed by the end of the month as information was received. Members asked that the Police Commissioner provide an update on arrears in the future.

Members expressed concern with Appendix 2 'High Priority Recommendations Partially Implemented/ Not Implemented', with several items New Target Date listed as TBC. The Chamberlain advised that target dates are set in consultation with Chief Officers, and at times there is difficulty confirming dates with the Chief Officers.

With regards to the issue of the catering contract, the City Solicitor advised that the catering contract should have been signed months ago but the caterer required clarification on certain liabilities. The City Solicitor noted that he hoped to have contracts signed by the end of the month.

The Deputy Chairman (external) was pleased with the detail of the report, and having three columns was helpful in identifying slippages. However, the Deputy Chairman (external) asked the Head of Audit and Risk Management what the Committee could do to assist in creating realistic recommendations and dates.

The Head of Audit and Risk Management advised that they are working with Chief Officers to confirm dates, but where there are issues, this will be brought to the Committee in the future. There is concern that the difficulty in confirming dates demonstrated a lack of ownership.

**RESOLVED** – That the report be received and its contents noted.

8. **LONDON COUNTER FRAUD HUB UPDATE**

The Committee received a report of the Chamberlain concerning the London Counter Fraud Hub. The Committee had previously granted delegated authority for the Chamberlain to progress the City of London enrolment to the London Counter Fraud Hub, which will be completed by 31 March 2019 via a Deed of Adherence with the London Borough of Ealing.

**RESOLVED** – That the report be received and its contents noted.

9. **RISK MANAGEMENT UPDATE**

The Committee considered a report of the Chamberlain which provided an update on the corporate and top red departmental risks registers following the review by the Chief Officer Risk Management on 20 November 2018 and Summit Group on 17 December 2018. The report highlighted corporate and departmental risks, and identified 12 corporate risks. Brexit (CR26) is a new risk, and the report proposed Change Management (CR27) as a new corporate risk, which refers to the capability and capacity of the City Corporation to address change.

**RESOLVED** – That the Committee,

1. endorse the decision of the Summit Group to approve the inclusion of CR 27 Change Management risk on the corporate risk register. (This will bring to the total of corporate risks to 13); and
2. note the risk report.

10. **DEEP DIVE RISK REVIEW: CR 23 POLICE FUNDING**

The Committee received a report of the Police Authority Treasurer concerning CR23 Police Funding. The report stated that the Police reserve was fully utilised and there was a major risk to City Fund arising from rising Police Force budget deficits. The Treasurer stated that mitigation plans were reviewed by a working-group of the Police Committee, with a range of mitigations being proposed for recommendation to the Resource Allocation Sub-Committee on 17 January 2019, to ensure a balanced budget could be set for 2019-2020.

The Commissioner said that he planned to deliver £3m of savings this financial year to reduce the deficit, but acknowledged that some deficit will still remain. He was also committed to rolling forward £3m of savings into 2019/20 which, in addition to £1.6m of savings from the Transform Programme, would deliver £4.6m of mitigations towards the 2019/20 deficit.

Members asked why checks had not identified the extent of the financial gap and overspend in the current financial until recently. The Treasurer reported that the double counting of income by the Force had masked the overspend which only became apparent with a breakdown of the gross income. Controls have been set in place to ensure this does not happen again.

Members expressed concern over the payroll issue. The Commissioner reported that the budget was created based on the average pay of each rank and grade. However, given specialist roles carried out by the City of London Police, many positions were filled by experienced professionals from other forces who were on the highest end of the pay band, which increased the payroll expenditure.

Members advised the Commissioner of the City of London Police (CoLP) that spending should be carried out within the approved budget, notwithstanding extenuating circumstances.

**RESOLVED** – That the Committee,

1. note the risk to the City Fund posed by the increased magnitude of Police medium-term deficits;
2. seek assurance about progress with the in-year and medium-term deficit mitigation strategies; and
3. seek assurance about progress on building CoLP financial management capability and on improvements to financial control (the latter of which is a separate item on the agenda for this Committee).

11. **CITY OF LONDON POLICE - INTERNAL AUDIT ACTION PLAN UPDATE**

The Committee considered a report of the City of London Police (CoLP) Commissioner relative to the progress that had been made in relation to recommendations in Internal Audit reports for the Police Commissioner. The report stated that there had been a number of internal audits carried out in the CoLP, and the recommendations from each of these had been consolidated into one action plan. The action plan identifies action owners and regular

progress updates will be given by the Finance Director to the Commissioner and Assistant Commissioner.

The Commissioner advised that the CoLP continued to recruit for a permanent Finance Director following the appointment of an interim Finance Director. The Chairman was pleased that the candidates for the Chief Operating Officer and Chief Finance Officer were promising.

Regarding outstanding debt, the Commissioner advised that the recovery of outstanding debts is a high priority for the CoLP finance team, and progress has been made since the audit report. Old and irrecoverable debts will be written off against the bad debt provision and systems are in place to ensure backlogs do not build up for future reference.

Members advised the Commissioner that ownership and the culture of risk must be addressed, and Finance and Operations within the Police must work together.

**RESOLVED** – That the Committee,

1. note the contents of the City of London Police Internal Audit Action Plan; and
2. consider the need for a further update of the action plan at the next Audit and Risk Management Committee.

**12. ANNUAL REVIEW OF TERMS OF REFERENCE\***

The Committee received a report of the Town Clerk concerning the Terms of Reference and Frequency of Meetings of the Audit and Risk Management Committee.

**RESOLVED** – That,

1. the Terms of Reference be approved; and
2. the Committee continues to meet 6 times a year.

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

There were no questions.

**14. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

There was no other business that the Chairman considered urgent.

**15. EXCLUSION OF THE PUBLIC**

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

Item No.	Para No.
16	3

16. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
**RESOLVED** – That the non-public minutes of the meeting held on 6 November 2018 be approved as a correct record.
17. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**  
There were no questions.
18. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**  
There was one item of other business.

**The meeting ended at 3.40 pm**

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Chairman

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## AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions - JANUARY 2019 update

Items from meeting held 15 January 2019			
Date Added	ITEM	Action	Officer and target date
29.01.2019	<b>7. INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP</b>	Police Commissioner to provide update of FOI request arrears.	<i>City of London Police Commissioner</i>  <i>Date:</i>

Items from meeting held 6 November 2019			
Date Added	ITEM	Action	Officer and target date
06.12.2018	<b>8. DEEP DIVE RISK REVIEWS A) AIR QUALITY</b>	Present a proposal for a new Clean Air Bill to the Port Health and Environmental Services Committee, emphasising the high element of risk posed by air pollution to the health and wellbeing of local inhabitants.	<i>Presented to PH&amp;ES Meeting - 8 November 2018 - *minute attached below</i>  <i>COMPLETED</i>
06.12.2018	<b>8. DEEP DIVE RISK REVIEWS - B) HEALTH AND SAFETY</b>	Further information to be provided regarding the number of incidents reported, comparing figures year-on-year, and compare figures from London Councils for the various Boroughs.	<i>Director of Human Resources</i>  <i>12 March 2019</i>
06.12.2018	<b>9. NEW CORPORATE RISK – BREXIT</b>	Each Department to carry out risk assessment of the impact of Brexit.	<i>All departments/Chamberlain</i>  <i>Ongoing</i>
06.12.2018	<b>10. GENERAL DATA PROTECTION REGULATION (GDPR) AUDIT</b>	The Chairman of Audit & Risk Management to be added to the list of Chairmen notified when Information Commissioner's Office is informed of a breach.	<i>Comptroller</i>

## AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions - JANUARY 2019 update

06.12.2018	<b>13. FIRE SAFETY REVIEW – UPDATE ON THE RISK ASSESSMENTS AND ACTION PLAN</b>	Circulate to Members of the Committee the findings of the study carried out by Butler & Young Associates into the fitting of sprinkler systems in the City Corporation's eight tower blocks.	<i>Assistant Director, Barbican and Property Services</i>  <i>Circulated December 2018 COMPLETED</i>
06.12.2018	<b>19. ANY OTHER BUSINESS INTERNAL AUDIT OF CITY OF LONDON POLICE KEY FINANCIAL CONTROLS – DRAFT REPORT UPDATE</b>	<p>1. Circulate to Members of the Committee the report which had been submitted to the Police Committee with proposals to enhance the Police Authority function within the Corporation.</p> <p>2. Circulate to Members of the Committee the Action Plan to the Internal Audit Report and the Commissioner's response.</p> <p>3. Early update on the Action Plan to the Internal Audit Report to be submitted at next Committee meeting.</p>	<p><i>Town Clerk COMPLETED</i></p> <p><i>Town Clerk COMPLETED</i></p> <p><i>The Commissioner COMPLETED</i></p>



## AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions - JANUARY 2019 update

### **\*MINUTE FROM PORT HEALTH AND ENVIRONMENTAL SERVICES COMMITTEE – 8 NOVEMBER 2018**

**The Committee received a joint report of the Director of Markets and the Remembrancer which sought approval of London specific, focused proposals which would provide new adoptive powers for London local authorities to control emissions from combustion plant.**

The Director of Port Health and Public Protection introduced the report adding that a resolution of the Audit and Risk Management Committee had been tabled at this meeting which asked that greater emphasis should be placed on the element of risk posed by air pollution to the health and wellbeing of local inhabitants. The Director advised that this would be incorporated as part of the revisions of the Air Quality Strategy in 2019.

The Remembrancer provided an overview of the timeline, explaining that following consultation, the proposals would be introduced as a private members bill in early 2019 with the intention of them either becoming law or informing policy.

A Member raised the point there were new boilers being installed at Golden Lane Estate and it was asked whether to reduce pollution, these could be made to comply with the tighter emission controls as set out in the report before Members. The Member also noted the emissions being produced from the bio mass system at St Giles Cripplegate Church.

In response, the Director of Port Health and Public Protection advised that officers were aware of past emissions issues with the biomass plant, and it was thought those issues had been resolved, but officers would investigate. With regards to the new boilers, officers agreed to look into this further, but advised that timing would be a factor and whether the installation would take place before the new legislation was passed.

The Director also responded to Members' comments on addressing emissions from existing generators, advising that from a practical standpoint this would be difficult and therefore the primary focus of the proposals would be on new equipment being brought into the City and setting a standard to control emissions, particularly in areas with poor air quality.

In response to the proposal to increase fines for stationary idling vehicles from £20 to £100, Members queried whether there was scope to increase this further. The Director of Port Health and Public Protection noted this comment to include at discussion during the consultation stage.

Responding to some of the points raised, the Remembrancer explained that setting emissions limits would be a matter for the Secretary of State based on scientific evidence, and with regards to setting a level of fines for stationary idling vehicles, comparable fines issued by other Local Authorities for a similar level of offence would also need to be considered.

## AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions - JANUARY 2019 update

A Member commented that the bill could expand into other areas to address the air and noise pollution caused by lorries and motorbikes at London Wall, and stationary vehicle idling at the Barbican Estate. In response, the Director of Port Health and Public Protection advised that points such as these could be incorporated into the Air Quality Strategy in 2019 which would be brought to the Committee for discussion at a later date. He also advised that sufficient resources would be required for enforcement, and an uplift in the base level budget for the Air Pollution Team would be sought.

**RESOLVED** – That the Committee approve the principles of the proposals and grant authority to consult with the Department of the Environment Food and Rural Affairs, the Greater London Authority, London Boroughs and other interested parties, and to seek the assent of London Councils.

**Audit & Risk Management Committee - Work Programme: January – November 2019**

12 <sup>th</sup> March 2019	7 <sup>th</sup> May 2019	16 <sup>th</sup> July 2019	24 <sup>th</sup> September 2019	19 <sup>th</sup> November 2019
<b>Financial Statements and External Auditors</b>				
Treasury Management Statement	Draft City Fund and Pension Fund accounts	City Fund and Pension Fund accounts  Bridge House Estate Accounts	City's Cash Accounts	
<b>Risk Management (Regular update reports, Deep Dive Risk Reviews and Independent Risk Challenge)</b>				
1. CR 26 - Brexit ( <i>Due to be confirmed as New Corporate Risk</i> )  2. CR02 - Loss of Business Support to the City  <u>Risk Challenge:</u> Town Clerks	1. CR16 - Information Security/ CR 17 - Safeguarding  2. CR10 - Adverse Political Developments  <u>Risk Challenge:</u> City Surveyors	1. CR01 - Resilience 2. CR24 - Operational Security  <u>Risk Challenge:</u> Mansion House/ Central Criminal Court	1. CR20 - Road Safety 2. CR21 - Air Quality  <u>Risk Challenge:</u> Community and Children's Services	1. CR09 - Health and Safety 2. CR27 - Organisational Change (TBC)  <u>Risk Challenge:</u> Open Spaces
	Risk Update report		Risk Update report	

12 <sup>th</sup> March 2019	7 <sup>th</sup> May 2019	16 <sup>th</sup> July 2019	24 <sup>th</sup> September 2019	19 <sup>th</sup> November 2019
<b>Internal Audit/Corporate Anti-fraud</b>				
Internal Audit Update Internal Audit Plan Internal Audit Charter review	Head of Audit Annual Audit Opinion  Internal Audit Recommendations Follow Up  Anti-Fraud Update	Internal Audit Update	Internal Audit Recommendations Follow up	Internal Audit Update Anti-Fraud Update
<b>Governance</b>				
Annual Governance Statement – Methodology (Town Clerk)  GDPR Audit (Comptroller and City Solicitor)	Annual Governance Statement (Town Clerk)			
<b>External Inspections/OFSTED Reports etc</b>				
OFSTED Focus Visit on Care Leavers (Community and Children's Services)			HMIC (City of London Police)	

<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee	12 March 2019
<b>Subject:</b> 2019-20 to 2021-22 Initial Draft Internal Audit Plan	<b>Public</b>
<b>Report of:</b> Head of Audit and Risk Management	<b>For Decision</b>

## Summary

The Head of Audit and Risk Management is required by the Public Sector Internal Audit Standards to establish a risk-based plan to determine the priorities of internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual independent internal audit opinion on the design and effectiveness of the City's governance, internal control and risk management environment. This report sets out the initial proposed Internal Audit Annual Plan for 2019-20 and the Strategic Audit Plan for 2019-20 to 2021-22.

Internal Audit is currently completing the process of consulting with Chief Officers and their Senior Managers to confirm the proposed plan and coverage within their areas and a process of focussing the Plan on priority audit areas will follow.

As requested by Members, the Three Year Plan is supported by details of audit coverage in previous years.

## Recommendation

The Committee are asked to approve the initial draft Internal Audit Plan for 2019-20 and the Strategic Audit Plan for 2019-20 to 2021-22.

## Main Report

### Background

1. The purpose of this report is to present the initial draft Internal Audit Plan for 2019-20 and the Strategic Audit Plan for 2019-20 to 2021-22. The plan has been produced with input from the Internal Audit, Risk and Anti-Fraud team. Audit areas have been identified from the Corporate Plan and from departmental and institutional business plans and risk registers, together with other sources of assurance and then risk assessed using a similar approach as that defined in the Risk Management methodology.
2. Internal Audit is currently completing the process of consulting with Chief Officers and their Senior Managers to confirm the proposed plan and coverage within their areas and a process of focussing the Plan on priority audit areas will follow.

## **Current position**

3. The draft Internal Audit Plan for 2019-20 currently provides for an estimated coverage of 1,079 days to deliver the internal audit reviews. Through a process of focussed prioritisation, the draft Plan will be reduced down to approximately 938 days; however, while this allows for 25 days to finalise prior year audits, this does not provide for any contingency days. In addition, 100 days have been agreed with the Museum of London and London Councils. The coverage will provide sufficient assurance to produce a Head of Internal Audit Opinion.

## **Role of Internal Audit**

4. Internal auditing is an independent, objective assurance and consulting (advisory) activity designed to add value and improve an organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
5. The Internal Audit function reviews the operations of the City. It also supplies the internal audit service to the Museum of London and London Councils under an SLA.
6. The Internal Audit function operates in accordance with the Audit Charter which reflects statutory and professional requirements. Implementation of the audit plan helps the City maintain "a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk". Proper practices are defined in the Public Sector Internal Audit Standards which are the professional basis for the operation of the Internal Audit function.
7. Internal audit adds value and improves the City's operations by promoting a robust control environment for both financial and operational systems, promoting best practice in governance and risk management as well as making recommendations for improvements in operating efficiencies.

## **Internal Audit Planning and Allocation of Resources process**

8. The Head of Internal Audit is required by the Public Sector Internal Audit Standards to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual independent internal audit opinion on the design and effectiveness of the City's governance, internal control and risk management environment.
9. Annually, internal audit conducts a risk-based audit planning process to ensure appropriate coverage of the City's operations (and external partners, where appropriate) is provided.
10. The detailed plan of internal audit work is detailed in Appendix 1. It has been presented in four main areas:

- Corporate and strategic reviews, which mainly address the corporate risks and/or are cross cutting reviews to identify efficiencies in process and good practice that can be shared.
- Departmental reviews that have been subject to the internal audit risk assessment process and cover some of the areas of concern requested to be reviewed by Chief Officers, including information system reviews.
- Institutional reviews, which cover the key risk areas of the City's Institutions (Police, Barbican Centre, Guildhall School of Music and Drama, City of London Freemans School, City of London School and City of London School for Girls). These programmes are also separately agreed with these institutions.
- Non City Institutional reviews that cover the priority and key financial areas of the Museum of London and London Councils. These programmes are also separately agreed with these institutions.

However, as discussed at the Institutional committees already presented with draft plans, we have indicated that they may be subject to change.

11. Most audits included in the plan are full assurance audits that will result in a formal opinion given over the adequacy of risk management and control within the system audited and the extent to which controls have been applied, with a provision also included for follow ups.
12. As requested by Members, the Three-Year Plan is supported by details of audit coverage in previous years. Details are provided at Appendix 2.
13. The in-house resources are supplemented by our Internal Audit partner, Mazars, who provide IT audit and general audit resources to deliver the Plan. This brings external knowledge and expertise to support the strength of knowledge of the City provided by the in-house staff. Details of the Internal Audit resource base are provided at Appendix 3.

### **Corporate and Strategic Implications**

14. The Internal Audit annual work plan will provide Members and management with assurance over the financial control and operational framework in key risk areas. It will also lead to an overall annual opinion on the effectiveness of the City's arrangements for internal control, risk management and governance. The audits are tied into the City's strategic plans and key risks.

## **Appendices**

Appendix 1 – Detailed internal audit plan 2019-20 to 2021-22

Appendix 2 – Previous Internal Audit Coverage 2013-14 to 2018-19

Appendix 3 – Internal Audit Resource Base 2019-20

## **Contacts**

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**Draft Three Year Audit Plan 2019-20 to 2021-22**

Dept Code	Department/Audit	Last Audit	Assurance Rating	2019-20	2020-21	2021-22
Corporate						
CORP	CREDITORS (CENTRALISED PURCHASE ORDERING & INVOICE PAYMENT)	2014-15	GREEN	10		
CORP	BUSINESS CONTINUITY & DISASTER RECOVERY	2018-19				15
CORP	CORPORATE-WIDE CHANGE CONTROL	b/f 2018-19	NEW	12		
CORP	HEALTH & SAFETY	2015-16	AMBER		10	
CORP	PETTY CASH	2018-19	AMBER			20
CORP	PROJECT MANAGEMENT	2016-17	AMBER	25		
CORP	EMERGENCY PLANNING	2017-18	GREEN		20	
CORP	USE OF WAIVERS	2017-18	AMBER		10	
CORP	IR35 - USE OF CONSULTANTS & SPECIALISTS (OFF PAYROLL ENGAGEMENT)	2018-19				5
CORP	CORPORATE-WIDE INCOME COLLECTION & BANKING	2017-18	AMBER			20
CORP	CORPORATE-WIDE EXPENSES AND PROCUREMENT CARDS	2017-18	AMBER		20	
CORP	CONTRACT MANAGEMENT	2018/19	RED	40	40	40
CORP	GDPR COMPLIANCE	NEW		15		
CORP	CORPORATE-WIDE RISK MANAGEMENT	NEW		15		
CORP	CORPORATE-WIDE - SUPPLIERS FINANCIAL HEALTH/RESILIENCE	2018-19	WIP			10
CORP	CORPORATE -WIDE - COMMERCIAL MANAGER SCORECARD PROCEDURES	2018/19	WIP			10
CORP	CORPORATE-WIDE BUDGET ESTIMATE PREPARATION	2018/19	WIP			30
CORP	CORPORATE FOLLOW-UP EXERCISES	Annual		20	20	25

CORP	CORPORATE-WIDE CHANGE CONTROL	2018/19	WIP			20
CORP	CORPORATE-WIDE HIGHWAYS REPAIRS AND MAINTENANCE CONTRACT	NEW		20		
CORP	CORPORATE-WIDE PROGRAMMED REPAIRS AND MAINTENANCE	2018/19	RED			20
CORP	FIRE SAFETY RISK MANAGEMENT	NEW		15		
CORP	ASSET MANAGEMENT	NEW		15		
CORP	PROJECTS CHANGE CONTROL PROCESS	b/f 2018-19		10		
CORP	PROJECT ESTIMATING (GATEWAY PROCESS)	NEW		15		
CORP	SAFEGUARDING	2018-19				30
CORP	MAJOR INCIDENT PLANNING (LINKED TO VESSEL STRIKE / TERRORISM)				8	
CORP	ACCOMMODATION PLANNING			10		
CORP	WORKFORCE PLANNING			15		
CORP	LEGIONNAIRES RISK MANAGEMENT			12		
CORP	ASBESTOS RISK MANAGEMENT				12	
CORP	USE OF CONSULTANTS			20		
CORP	SUSTAINABILITY	2018/19	WIP			12
CORP	APPRENTICESHIPS			15		
CORP	ALTERNATIVE DELIVERY MODELS				15	
				<b>284</b>	<b>155</b>	<b>257</b>
Town Clerk's						
TCK	EDO OVERSEAS OFFICES	2014-15	GREEN	5		
TCK	MEMBER DECLARATIONS OF INTEREST & RELATED PARTY TRANSACTIONS	2017-18	<b>RED</b>			10
TCK	CITY BRIDGE TRUST GRANTS	2016-17	GREEN	15	15	15
TCK	CITY BRIDGE RISK MANAGEMENT					10
TCK	GUILDHALL CLUB ACCOUNTS	2018/19	GREEN	5	5	5
TCK	ECONOMIC DEVELOPMENT	2018/19	WIP			15

TCK	CITY VISITORS CENTRE - INCOME AND EXPENDITURE				10	
TCK/HR	PERFORMANCE DEVELOPMENT FRAMEWORK	2015-16	GREEN			10
TCK/HR	HUMAN RESOURCES - STARTER AND LEAVERS	2017-18	AMBER			15
TCK/HR	STAFF LEARNING & DEVELOPMENT (including Central Training)	2017-18	AMBER			15
TCK/HR	HUMAN RESOURCES - POLICIES/PROCEDURES/GUIDANCE REVIEWS	NEW		20		
TCK/HR	HUMAN RESOURCES - STAFF SICKNESS MANAGEMENT			15		
TCK/HR	HUMAN RESOURCES - CORPORATE RECRUITMENT				15	
TCK/HR	PUBLIC SECTOR EQUALITIES DUTY	NEW	10			
				<b>60</b>	<b>45</b>	<b>95</b>
Chamberlain's						
CHB/FSD	TREASURY MANAGEMENT	2013-14	GREEN	10		10
CHB/FSD	PAYROLL	2018-19	WIP		20	
CHB/FSD	PENSION FUND INVESTMENTS	NEW		12		
CHB/FSD	MAIN ACCOUNTING SYSTEM - GL / AR / AP	2018-19	AMBER			10
CHB/FSD	COUNCIL TAX	2015-16	GREEN	10		10
CHB/FSD	BUSINESS RATES	2015-16	GREEN	10		10
CHB/FSD	VAT MANAGEMENT	2016-17	AMBER		10	
CHB/FSD	CBIS AR	2016-17	GREEN		15	
CHB/FSD	PROCESS MAPS	2018-19	WIP			10
CHB/FSD	CBIS (ORACLE) PROPERTY MODULE	2018-19	WIP			12
CHB - IT	INFORMATION GOVERNANCE	NEW		20		
CHB - IT	SOFTWARE LIFECYCLE MANAGEMENT	NEW		14		
CHB - IT	MOBILE DEVICES	2018-19	WIP			10
CHB - IT	BUSINESS CONTINUITY	2018-19	WIP			15
CHB - IT	IT CONTRACT MANAGEMENT	NEW		10		
CHB - IT	IT SERVICE MANAGEMENT (ITIL)	NEW		10		
CHB - IT	FIREWALL & VPN MANAGEMENT	NEW		14		
CHB - IT	IT TELECOMS	NEW		15		



SJC	KEY CONTROL PROCESSES	NEW		7		
SJC	SCHOOL FUNDING	NEW		7		
SJC	CASS CHILDREN & FAMILY CENTRE	NEW		7		
SJC	RECRUITMENT & RETENTION	NEW			7	
				<b>21</b>	<b>7</b>	<b>0</b>
City Surveyor's						
SVY	CORPORATE PROPERTY COMMERCIAL LEASES	NEW		8		
SVY	RENTS, LETTINGS & VACANCIES	2016-17	AMBER		15	
SVY	PROJECT RESOURCING	NEW			12	
SVY	FRAUD RISK MANAGEMENT	NEW		8		
SVY	PROJECT MANAGEMENT PROCESS	NEW		10		
SVY	ACQUISITION OF NEW PROPERTIES/ DISPOSAL	NEW		10		
SVY	INVESTMENT PROPERTY	NEW				9
SVY	CORPORATE PROPERTY	NEW				9
SVY	OPERATIONAL PROPERTY	NEW				9
				<b>28</b>	<b>27</b>	<b>27</b>
OPEN SPACES						
OSD	FLEET MANAGEMENT	2013-14	GREEN		10	
OSD	INCOME CHECKS	2013-14	GREEN	20		
OSD	CHINGFORD GOLF COURSE	2016-17	AMBER		10	
OSD	FINANCIAL MANAGEMENT INCLUDING INTERNAL CONTROL PROCESSES	2017-18	<b>AMBER</b>			20
OSD	TOWER BRIDGE & MONUMENT INCOME (TICKETING OFFICE, SHOP AND COMMERCIAL EVENTS)	2013-14	<b>AMBER</b>	15		
OSD	EPPING FOREST - The View Income Controls & ESTABLISHMENT REVIEW	NEW		15		
OSD	HAMPSTEAD HEATH - ESTABLISHMENT REVIEW	NEW			15	
OSD	WEST HAM PARK - ESTABLISHMENT REVIEW	NEW		8		
OSD	CEMETERY AND CREMATORIUM - INCOME AND EXPENDITURE	2016-17	AMBER			15

OSD	KEATS HOUSE - INCOME AND EXPENDITURE	NEW		10		
OSD	MAJOR INCIDENT PLANNING	NEW			10	
OSD	PERFORMANCE MEASURES	2018-19	AMBER			7
				<b>68</b>	<b>45</b>	<b>42</b>
Built Environment						
DBE	DBE PLANNING APPLICATIONS & BUILDING CONTROL	2014-15	GREEN		15	
DBE	DBE CAR PARKS CONTRACT MANAGEMENT	2016-17	GREEN	10		
DBE	TFL LOCAL IMPLEMENTATION PLAN	2017-18	GREEN			10
DBE	BUSINESS CONTINUITY PLANNING	2018-19	WIP			10
DBE	PERFORMANCE MEASURES	2018-19	WIP			5
DBE	PARKING FIXED PENALTY NOTICE OFFICE	2014/15	GREEN		10	
DBE	LOCAL IMPROVEMENT PLAN	NEW		10		
DBE	SECTION 106 CONTROLS	2018-19	RED			5
DBE	STREET CLEANSING INC. FLEET MANAGEMENT	PRE 2014-15	GREEN			10
DBE	CLEANSING AND WASTE CONTRACT	PRE 2014-15	GREEN		10	
				<b>20</b>	<b>35</b>	<b>40</b>
Markets & Consumer Protection						
M&CP	BUDGET-SETTING & FINANCIAL MONITORING	2014-15	GREEN	15		
M&CP	HEATHROW ANIMAL RECEPTION CENTRE - KEY FINANCIAL CONTROLS	2014-15	<b>GREEN</b>	12		
M&CP	CONTRACT MANAGEMENT	2014-15	AMBER		10	
M&CP	IT CONTROLS	NEW				7
M&CP	TRAFFIC / TRANSPORT MANAGEMENT	NEW			8	
M&CP	HEALTH & SAFETY	NEW		15		
M&CP	FEE RECOVERY	NEW			10	
M&CP	REPAIRS & MAINTENANCE	NEW			15	
M&CP	WHOLESALE MARKETS	NEW				8
M&CP	PORT HEALTH	NEW				8

M&CP	PUBLIC PROTECTION	NEW			8	
				42	43	31
COMPTROLLER & CITY SOLICITOR						
CCS	GDPR	2018-19	AMBER	10		
CCS	MANAGEMENT OF FREEDOM OF INFORMATION REQUESTS	NEW		10		
CCS	RECRUITMENT AND RETENTION OF STAFF	NEW				8
CCS	INCOME AND EXPENDITURE - DIRECT CHARGING	NEW		15		
				15	0	8
REMEMBRANCERS						
REM	REMEMBRANCER'S DEPARTMENT INCOME AND EXPENDITURE	2017-18	GREEN			10
REM	ASSET AND STOCK MANAGEMENT	2015-16	GREEN	10		
				10	0	10
MANSION HOUSE AND CENTRAL CRIMINAL COURT						
MH	INCOME AND EXPENDITURE	2018-19	WIP			15
				0	0	15
CITY OF LONDON POLICE						
COLP	ECONOMIC CRIME ACADEMY	2016-17	AMBER		10	
COLP	Project Management	2017-18	AMBER		10	
COLP	Police Bank Accounts (Defendants)	2017-18	RED		15	
COLP	IT TECHNOLOGY REFRESH PROJECT C/fwd 2017-18	NEW		10		
COLP	POLICE PAYROLL & OVERTIME	2018-19	WIP			15
COLP	POLICE PERFORMANCE INDICATORS	2014-15		12		
COLP	INTERPRETERS FEES	2018-19	WIP			5
COLP	POLICE PREMISES EXPENDTIURE	2018-19	WIP			15
COLP	POLICE PROCUREMENT CONTRACT MANAGEMENT	NEW		15		
	POLICE OFFICER EXPENSES - USE OF PROCUREMENT CARDS	2016-17	AMBER	20		
COLP	- PETTY CASH - EXPENSES CLAIMS					
COLP	POLICE FRONT DESKS	2018-19	WIP			10

COLP	ACTION FRAUD TEAM	NEW		10		
	SUPPLIES & SERVICES	PRE 2014-15				
COLP		15	GREEN		20	
COLP	FLEET MANAGEMENT	2016-17	RED		10	
COLP	COMPENSATION CLAIMS	2015-16	AMBER		10	
COLP	FEES & CHARGES	2014-15	GREEN		10	
COLP	IT AUDIT DAYS CONTINGENCY	TBC		30		15
COLP	INFORMANTS' FUNDS	2018-19	WIP			10
COLP	RECRUITMENT & TRAINING	2014-15	AMBER			15
COLP	PROJECT MANAGEMENT	2016-17	AMBER			20
				<b>97</b>	<b>85</b>	<b>105</b>
Police Authority						
COLPA	POLICE FUNDING	NEW		20		
COLPA	POLICE AUTHORITY CONTINGENCY	NEW		20	40	40
				<b>40</b>	<b>40</b>	<b>40</b>
Barbican Centre						
BBC	TICKETING SYSTEM	NEW			12	
BBC	BARS	2017-18			7	
BBC	FACILITIES MANAGEMENT (Barbican and Guildhall School)	NEW		12		
BBC	REPAIRS & MAINTENANCE (Barbican and Guildhall School)	NEW		12		
BBC	PROFESSIONAL DEVELOPMENT & PROGRESSION (ARTISTIC OFFERING / SUPPORTING ARTISTS)	NEW			8	
BBC	DATA SECURITY	NEW		15		
BBC	SPONSORSHIP & DONATIONS	NEW		10		
BBC	SAFEGUARDING	NEW			12	
BBC	HEALTH & SAFETY (Barbican and Guildhall School)	NEW			15	
BBC	SECURITY	NEW		15		
				<b>64</b>	<b>54</b>	<b>0</b>
The Guildhall School						
GSMD	BUDGET-SETTING & FINANCIAL MANAGEMENT	NEW		15		



GSMD	FACILITIES MANAGEMENT (Barbican and Guildhall School)	NEW	12		
GSMD	REPAIRS & MAINTENANCE (Barbican and Guildhall School)	NEW	12		
GSMD	HEALTH & SAFETY (Barbican and Guildhall School)	NEW		15	
GSMD	DATA FUTURES	NEW	12		
GSMD	FRAUD RISK MANAGEMENT	NEW	12		
GSMD	STUDENT PETTY CASH	2013-14	5		
GSMD	Diversifying Funding / Fundraising			12	
GSMD	Internationalisation			12	
GSMD	Under 18s Offer			13	
GSMD	Guildhall School and Barbican Alliance				13
GSMD	GDPR				12
GSMD	IT - Digital & Technology				14
GSMD	Capital Expenditure & Procurement				15
			<b>68</b>	<b>52</b>	<b>54</b>
City of London School for Boys					
CLS	STAFF TRAINING	NEW		7	
CLS	STAFF RECRUITMENT & RETENTION	NEW		7	
CLS	SCHOOL FEES	NEW	7		
CLS	KEY CONTROLS	2015-16			8
			<b>7</b>	<b>14</b>	<b>0</b>
City of London School for Girls					
CLSG	HEALTH AND SAFETY	NEW	10		
CLSG	KEY CONTROLS	2015-16			8
CLSG	SCHOOL EXPANSION PROJECT	NEW	7		
CLSG	ASSET MANAGEMENT	2018-19	3		
CLSG	SCHOOL FEES	NEW		7	
CLSG	STAFF TRAINING	NEW		7	
CLSG	STAFF RECRUITMENT & RETENTION	NEW		7	
			<b>20</b>	<b>21</b>	<b>8</b>

City of London Freeman's School						
CLFS	FINANCIAL MANAGEMENT	NEW				8
CLFS	ASSET MANAGEMENT	NEW				7
CLFS	STAFF RECRUITMENT & RETENTION	NEW		7		
CLFS	STAFF TRAINING	NEW	8			
CLFS	KEY CONTROLS	2015-16	8			
			16	7		15
			TOTAL	1079	787	951

## PREVIOUS AUDIT COVERAGE 2013-14 to 2018-19

Corporate			
CORP	TENDERING & DUE DILIGENCE	2013-14	GREEN
CORP	SPREADSHEET USAGE & CONTROL	2013-14	GREEN
CORP	CONTRACTOR FINAL ACCOUNT VERIFICATION	2013-14	AMBER
CORP	CASH HANDLING & BANKING	2013-14	N/A
CORP	COMPLIANCE WITH CORPORATE PROJECT MANAGEMENT PROCEDURES	2014-15	AMBER
CORP	DATA QUALITY	2014-15	GREEN
CORP	KEY FINANCIAL SYSTEMS FLOWCHARTING	2014-15	N/A
CORP	CASH INCOME COLLECTION & BANKING	2015-16	AMBER
CORP	EXPENSES	2015-16	AMBER
CORP	LIQUIDATIONS	2015-16	AMBER
CORP	VETTING OF STAFF	2016-17	AMBER
CORP	PRE-CONTRACT APPRAISAL	2016-17	AMBER
CORP	USE OF WAIVERS	2017-18	AMBER
CORP	EVALUATION OF SUB £100K TENDERS	2017-18	AMBER
CORP	PROCUREMENT CONSULTATION WITH STAKEHOLDERS	2017-18	WIP
CORP	CORPORATE-WIDE REVIEW OF BUSINESS TRAVEL	2017-18	AMBER
CORP	INFORMATION GOVERNANCE / GDPR - GAP ANALYSIS	2017-18	AMBER
CORP	GDPR READINESS	2018-19	RED
Town Clerk's			
TCK	FINANCE COMMITTEE GRANTS	2014-15	GREEN
TCK	P&R COMMITTEE - POLICY INITIATIVES FUND & CONTINGENCY BUDGET	2014-15	GREEN
TCK	GUILDHALL CLUB ACCOUNTS	2017-18	GREEN

TCK	SOCIAL INVESTMENT FUND	2017-18	GREEN
Chamberlain's			
CHB - IT	ICT BACK-UP REVIEW	2013-14	AMBER
CHB - IT	PAYMENT CARD INDUSTRY DATA SECURITY STANDARDS (PCIDSS)	2014-15	AMBER
CHB - IT	DATA IN TRANSIT	2014-15	AMBER
CHB - IT	TELECOMMUNICATIONS ASSURANCE REVIEW	2014-15	GREEN
CHB - IT	ICT AGILISYS MANAGED SERVICE	2014-15	GREEN
CHB - IT	AGILISYS SERVICE DESK	2014-15	GREEN
CHB - IT	REMOTE ACCESS	2015-16	AMBER
CHB - IT	DATABASE PATCHING & CHANGE CONTROL PROCEDURES	2015-16	AMBER
CHB - IT	BACK-UP STRATEGY & PROCEDURES	2015-16	AMBER
CHB - IT	FIREWALLS	2015-16	AMBER
CHB - IT	WAN (MLPS)	2015-16	GREEN
CHB - IT	GJR SERVER ROOMS	2015-16	AMBER
CHB - IT	ITIL COMPLIANCE	2016-17	AMBER
CHB - IT	WIFI SECURITY & OPERATIONS	2016-17	RED
CHB - IT	CLOUD SECURITY	2016-17	GREEN
CHB - IT	DATA SECURITY	2016-17	AMBER
CHB - IT	IT - CITY PROCUREMENT APPLICATION REVIEW	2016-17	GREEN
CHB - IT	IT ASSET MANAGEMENT	2016-17	RED
CHB - IT	IT NETWORK INFRASTRUCTURE (SEKCHEK)	2016-17	RED
CHB	PP2P SAVINGS VERIFICATION	2013-14	GREEN
CHB	FREEDOM CEREMONIES INCOME	2013-14	GREEN
CHB	CITY PROCUREMENT - ASSISTED PURCHASING	2014-15	AMBER
CHB	USE OF SPREADSHEETS	2014-15	GREEN
CHB	BANKING - CORPORATE RESPONSIBILITY	2014-15	GREEN
CHB	CITY PROCUREMENT - CENTRALISED PURCHASE ORDERING & INVOICE PAYMENT	2014-15	GREEN

CHB	INSURANCE	2014-15	GREEN
CHB	INVESTMENTS - CORPORATE RESPONSIBILITY	2015-16	AMBER
CHB	PROCUREMENT CARDS	2016-17	AMBER
CHB	CENTRAL PROCUREMENT	2016-17	GREEN
CHB - IT	IT DATA MANAGEMENT - STORAGE	2017-18	WIP
CHB - IT	IT MALWARE/ANTI VIRUS/SPYWARE	2017-18	WIP
CHB - IT	IT INCIDENT MANAGEMENT	2017-18	WIP
CHB - IT	IT ORACLE (CBIS) APPLICATION	2017-18	WIP
CHB	MEDIUM TERM FINANCIAL PLANNING	2017-18	WIP
CHB	CITY PROCUREMENT	2017-18	WIP
CHB	COUNCIL TAX & NNDR	2017-18	GREEN
CHB	PENSIONS ADMINISTRATION	2018-19	WIP
COMMUNITY AND CHILDRENS' SERVICES			
DCCS	APPOINTEESHIPS & DEPUTYSHIPS	2013-14	RED
DCCS	HOUSING ESTATE OFFICES	2014-15	AMBER
DCCS	PUBLIC HEALTH CONTRACTS	2014-15	AMBER
DCCS	PROJECTS - VARIATION ORDERS & CHANGE CONTROL	2014-15	AMBER
DCCS	PROJECTS - INTERIM VALUATIONS	2014-15	GREEN
DCCS	ASYLUM SEEKERS -ASSESSMENT, MONITORING & PAYMENT	2014-15	GREEN
DCCS	NURSERY GRANTS	2014-15	GREEN
DCCS	ALMSHOUSES	2015-16	GREEN
DCCS	MAJOR PROJECT COST & PROGRESS MONITORING	2015-16	AMBER
DCCS	DEBTORS	2015-16	AMBER
DCCS	BARBICAN ESTATE CAR PARKS STRATEGIC REVIEW	2016-17	N/A
DCCS	DEPARTMENTAL REVIEW	2016-17	GREEN
DCCS	BARBICAN LIBRARY	2016-17	N/A
DCCS	LIBRARY BOOK AUDIO & VISUAL STOCK	2016-17	AMBER
DCCS	COMMISSIONING & CONTRACT MANAGEMENT	2016-17	AMBER
DCCS	HOUSING ASSET MANAGEMENT STRATEGY	2017-18	GREEN
DCCS	ROUGH SLEEPERS	2017-18	GREEN

DCCS	ACADEMIES	2017-18	AMBER
DCCS	WELFARE REFORM	2017-18	AMBER
DCCS	HEALTH AND SOCIAL CARE INTEGRATION	2017-18	AMBER
DCCS	FINANCIAL ASSESSMENTS	2017-18	AMBER
DCCS	COMMUNITY CENTRE REVENUE	2017-18	RED
DCCS	MENTAL HEALTH PROVISION	2018-19	WIP
DCCS	ASYLUM SEEKERS	2018-19	WIP
DCCS	EARLY HELP STRATEGY	2018-19	WIP
DCCS	ADULT SKILLS & EDUCATION	2018-19	WIP
SJC Foundation School			
SJC	SCHOOLS FINANCIAL VALUE STANDARD	2015-16	AMBER
SJC	SIR JOHN CASS SCHOOL INCOME GENERATION	2017-18	AMBER
City Surveyor's			
SVY	REFURBISHMENT OF THE TRADITIONAL CREMATORIUM	2013-14	AMBER
SVY	BUILDING REPAIRS & MAINTENANCE	2013-14	AMBER
SVY	INVESTMENT PROPERTIES - RECOVERABLE WORKS	2013-14	GREEN
SVY	PROJECT COST & PROGRESS MONITORING	2014-15	AMBER
SVY	DIRECTLY MANAGED PROPERTY LEASE ISSUE	2016-17	AMBER
SVY	GEARED GROUND RENTS	2017-18	AMBER
SVY	ASSET DISPOSAL & CAPITAL RECEIPTS	2017-18	AMBER
SVY	SERVICE BASED PROPERTY CONTRACTS	2017-18	AMBER
SVY	GUILDHALL COMPLEX - PERFORMANCE	2017-18	AMBER
SVY	FACILITIES MANAGEMENT SBR REVIEW	2018-19	WIP
SVY	OPERATIONAL PROPERTY RENT & SERVICE CHARGES	2018-19	WIP
SVY	INVESTMENT PROPERTIES COMMERCIAL LEASES	2018-19	WIP
OPEN SPACES			
OSD	CEMETERY & CREMATORIUM FUEL ISSUE	2014-15	N/A
OSD	TOWER BRIDGE TICKETING SYSTEM	2014-15	GREEN
OSD	CEMETERY & CREMATORIUM ICT REVIEW	2014-15	AMBER
OSD	WEST HAM PARK NURSERIES	2014-15	GREEN

OSD	HERITAGE LOTTERY FUND	2015-16	GREEN
OSD	MONUMENT CASH COLLECTION	2015-16	GREEN
OSD	HAMPSTEAD HEATH	2015-16	AMBER
OSD	MONUMENT CASH REVIEW	2016-17	N/A
OSD	CEMETERY & CREMATORIUM - ESTABLISHMENT REVIEW	2017-18	WIP
OSD	TOWER BRIDGE & MONUMENT MAJOR INCIDENT PLAN	2017-18	AMBER
Built Environment			
DBE	DBE TFL LOCAL IMPLEMENTATION PLAN	2014-15	GREEN
DBE	DBE SECTION 106 AGREEMENTS	2014-15	GREEN
DBE	DBE PUBLIC CONVENIENCES	2014-15	GREEN
DBE	DBE RECOVERABLE WORKS	2015-16	AMBER
DBE	DBE PLANNING	2016-17	GREEN
DBE	DBE BUILDING CONTROL	2016-17	GREEN
Markets & Consumer Protection			
M&CP	MARKET LEASES DUE DILIGENCE	2014-15	GREEN
M&CP	BILLINGSGATE CAR PARK	2014-15	GREEN
M&CP	TRADING STANDARDS	2014-15	AMBER
M&CP	LICENSING	2015-16	AMBER
M&CP	PENALTY CHARGE NOTICES	2015-16	AMBER
M&CP	KEY PERFORMANCE MEASURES	2016-17	GREEN
M&CP	SPITALFIELDS MARKET FORKLIFT TRUCK SAFETY	2016-17	GREEN
M&CP	SPITALFIELDS MARKET CODE OF CONDUCT	2016-17	N/A
M&CP	TRADING STANDARDS & LICENSING - SEIZED GOODS	2017-18	AMBER
M&CP	CONSUMER PROTECTION ENFORCEMENT	2017-18	AMBER
M&CP	MARKETS FRAUD RISK	2017-18	AMBER
M&CP	LICENSING - ELECTRONIC DATABASE	2018-19	WIP
COMPTROLLER & CITY SOLICITOR			
CCS	LEGAL CONSULTATION	2014-15	GREEN
REMEMBRANCERS			
MANSION HOUSE AND CENTRAL CRIMINAL COURT			

MH	INCOME	2014-15	AMBER
MH	SECURITY & ASSET MANAGEMENT	2016-17	GREEN
MH	ANNUAL PLATE REVIEW	2016-17	GREEN
CITY OF LONDON POLICE			
COLP	CITY FIRST PROJECT	2013-14	GREEN
COLP	THIRD PARTY PAYMENTS	2014-15	GREEN
COLP	FEES & CHARGES	2014-15	GREEN
COLP	VEHICLE FLEET - VFM	2014-15	GREEN
COLP	PROJECT OFFICE	2014-15	GREEN
COLP	COMPENSATION CLAIMS	2014-15	GREEN
COLP	TELECOMMUNICATIONS ASSURANCE REVIEW - PBX	2014-15	GREEN
COLP	INTERIM FOLLOW-UP OF DISASTER RECOVERY & PBX RESILIENCE	2015-16	RED
COLP	INVOICES ON HOLD	2015-16	RED
COLP	GIFTS & HOSPITALITY	2015-16	AMBER
COLP	STANDARD OPERATING PROCEDURES	2016-17	AMBER
COLP	COMMUNITY CONSULTATION	2016-17	AMBER
COLP	GRANTS AUDITS	2016-17	GREEN
COLP	USE OF PROCUREMENT CARDS	2016-17	AMBER
COLP	OFFICERS' ALLOWANCES & AD HOC PAYMENTS	2016-17	GREEN
COLP	USE OF FUEL CARDS	2016-17	RED
COLP	DEMAND AND EVENT POLICING	2017-18	WIP
COLP	BUSINESS CONTINUITY PLANNING	2017-18	WIP
COLP	SEIZED GOODS	2017-18	RED
Barbican Centre			
BBC	ICT REVIEW	2013-14	GREEN
BBC	BUSINESS CONTINUITY PLAN	2013-14	GREEN
BBC	BOX OFFICE SYSTEM	2013-14	N/A
BBC	STOCKS & STORES	2013-14	GREEN



BBC	PROJECT VARIATIONS & CHANGE CONTROL	2013-14	AMBER
BBC	PROJECTS - INTERIM VALUATIONS	2014-15	GREEN
BBC	PROJECTS - EXTENSIONS OF TIME	2014-15	GREEN
BBC	TELECOMMUNICATIONS ASSURANCE REVIEW - PBX	2014-15	GREEN
BBC	ICT ANNUAL ASSURANCE	2014-15	GREEN
BBC	BARS	2015-16	AMBER
BBC	MEMBERSHIP SCHEME	2015-16	GREEN
BBC	BUDGET-SETTING & FINANCIAL MANAGEMENT	2015-16	GREEN
BBC	COST ESTIMATING & COST PLANNING	2015-16	GREEN
BBC	SYSTEM CONTROLS (ARTIFAX)	2015-16	GREEN
BBC	INTERNATIONAL ENTERPRISE	2015-16	AMBER
BBC	CONSULTANCY PAYMENTS	2016-17	N/A
BBC	CATERING CONTRACT MANAGEMENT	2016-17	AMBER
BBC	CAR PARKS CONTRACT MANAGEMENT	2016-17	GREEN
BBC	MAJOR INCIDENT PLANNING	2016-17	GREEN
BBC	VISITOR EXPERIENCE	2017-18	AMBER
BBC	EQUALITY AND INCLUSION	2017-18	AMBER
BBC	RETAIL AND BARS	2017-18	RED
BBC	CASH HANDLING	2017-18	AMBER
BBC	STRATEGIC PLANNING, MONITORING & IMPLEMENTATION	2018-19	WIP
BBC	IT PROJECTS (CRM, AGILE WORKING, TICKETING SYSTEM)	2018-19	WIP
BBC	EVENT CONTRACTS (INCLUDING CANCELLATION ARRANGEMENTS)	2018-19	WIP
BBC	FINANCIAL MONITORING & INCOME GENERATION	2018-19	WIP
BBC	FRAUD RISK MANAGEMENT	2018-19	WIP

#### The Guildhall School

GSMD	INCOME (INCLUDING FEES SYSTEM)	2013-14	GREEN
GSMD	SUNDIAL COURT - INCOME & EXPENDITURE	2014-15	GREEN
GSMD	PROFESSORS' CONTRACTS	2014-15	GREEN

GSMD	SITS MANAGEMENT SYSTEM	2014-15	AMBER
GSMD	PROCUREMENT OF GOODS & SERVICES	2015-16	AMBER
GSMD	PRINCIPAL STUDIES	2015-16	AMBER
GSMD	STUDENT FUNDING (SCHOLARSHIPS)	2015-16	GREEN
GSMD	ASSET MANAGEMENT (MUSICAL INSTRUMENTS)	2015-16	GREEN
GSMD	TEMPORARY STAFF & PROFESSIONAL FEES	2015-16	GREEN
GSMD	SUCCESSION PLANNING, TALENT MANAGEMENT & STAFF DEVELOPMENT	2017-18	AMBER
GSMD	SATELLITE OPERATIONS	2017-18	AMBER
GSMD	DATA QUALITY	2017-18	GREEN
GSMD	SUNDIAL COURT PROJECT GOVERNANCE	2017-18	AMBER
GSMD	CATERING (INCLUDING STUDENT BAR)	2017-18	RED
GSMD	STUDENT SUPPORT	2018-19	AMBER
GSMD	STRATEGIC PLANNING	2018-19	WIP
GSMD	INCOME GENERATION	2018-19	WIP
City of London School for Boys			
CLS	TEACHING & NON-TEACHING STAFF RECRUITMENT	2013-14	GREEN
CLS	INSTITUTIONAL REVIEW	2016-17	AMBER
CLS	FINANCIAL MANAGEMENT	2017-18	AMBER
CLS	HEALTH & SAFETY	2018-19	WIP
CLS	CYBER SECURITY	2018-19	WIP
City of London School for Girls			
CLSG	TEACHING & NON-TEACHING STAFF RECRUITMENT	2014-15	GREEN
CLSG	INSTITUTIONAL REVIEW	2016-17	AMBER
CLSG	CYBER SECURITY	2018-19	WIP
CLSG	BUDGET ESTIMATING	2018-19	WIP
City of London Freeman's School			
CLFS	TEACHING & NON-TEACHING STAFF RECRUITMENT	2013-14	GREEN
CLFS	INSTITUTIONAL REVIEW	2016-17	GREEN

CLFS	HEALTH AND SAFETY	2017-18	AMBER
CLFS	INCOME GENERATION	2017-18	AMBER
CLFS	CYBER SECURITY	2018-19	RED

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## Internal Audit Section

DETAILED ANALYSIS OF AVAILABLE DAYS IN  
2019/2020

	HoA&RM	AM(x2)	SA(x2.8)	Mazars Resources	Mazars IT	Total
Gross Days (52 Weeks)	240	520	684	320	40	1804
<b>Less: uncontrollable days</b>						
Bank Holidays (9 days)	8	16	22.4	0	0	46.4
Annual Leave	30	66	86.8	0	0	182.8
Other Leave	0	0	0	0	0	0
Sickness	7	14	21	0	0	42
Maternity Leave	0	0	0	0	0	0
Paternity Leave	0	0	0	0	0	0
<b>Net Available days</b>	<b>195</b>	<b>424</b>	<b>553.8</b>	<b>320</b>	<b>40</b>	<b>1532.8</b>
<b>Admin Support</b>						
General (e.g. time recording/staff meetings/staff monitoring)	24	48	34	0	0	106
MK super user	2	10	15	0	0	27
Other contractual absences (e.g. Jury service/volunteering)	1	3	2	0	0	6
CPD Training	5	10	14	0	0	29.0
Corporate Training	1	2	3	0	0	6
CIPFA/IIA /Apprenticeship Training	0	0	0	0	0	0
	<b>33</b>	<b>73</b>	<b>68</b>	<b>0</b>	<b>0</b>	<b>174</b>
<b>Days Available for direct audits and support work</b>	<b>162</b>	<b>351</b>	<b>485.8</b>	<b>320</b>	<b>40</b>	<b>1358.8</b>

**Audit Support & Development****Risk Management**

Corporate Risk Management	12	0	0	0	0	12
Corporate Fraud Management	12	0	0	0	0	12
ad hoc on-demand support/advice (risks and controls)	25	40	14	0	0	79
Chamberlain Business Continuity Support	20	0	0	0	0	20

**Anti-Fraud & Corruption**

Fraud investigations	0	0	0	0	0	0
Pro-active fraud & prevention	0	0	0	0	0	0

**Audit Planning & Reporting**

Audit Planning	8	16	6	0	0	30
Audit Plan progress reporting	5	30	0	0	0	35
External Audit Liaison/co-ordination	2	0	0	0	0	2

**Audit Development**

Continuous improvement	8	12	7	0	0	27
Audit policy, research and development	3	12	0	0	0	15
Audit intranet	1	0	2	0	0	3

**Member Support**

COL Audit Committee	8	8	0	0	0	16
GSMD Audit Committee	2	6	0	0	0	8
London Councils - Audit Committee	2	2	6	0	0	10
MOL Audit Committee	1	2	6	0	0	6
Police Performance & Resources sub (Police) committee	2	8	0	0	0	10
Barbican Centre Risk/Finance Committee	1	6	0	0	0	7
Other Committees	1	0	0	0	0	1

<b>113</b>	<b>145</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>296</b>
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**AVAILABLE FOR AUDIT PROJECTS:-**

<b>49</b>	<b>209</b>	<b>444.8</b>	<b>320</b>	<b>40</b>	<b>1062.8</b>
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<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee	12 March 2019
<b>Subject:</b> Internal Audit Update Report	<b>Public</b>
<b>Report of:</b> Head of Audit and Risk Management	<b>For Information</b>

## Summary

This report provides an update on internal audit activity since the report to the November 2018 Committee meeting.

Work on the 2017-18 Internal Audit Plan has been completed.

Work on the 2018-19 internal plan is progressing, with 65 reports in the Plan (an increase of 10% on 2017-18). To 21 February, 37% of the plan has been completed to a minimum of draft report stage, with a further 3% of audit reports under review. Fieldwork is on-going 31% of the annual plan, including many audits which are nearing completion.

Of the remaining 19 audits (29%), 12 have been scoped and start days agreed and seven audits are being planned. There have been delays in delivery of the Plan due to the postponement of the CoLP Plan until completion of the Key Financial Controls audit, additional requests for audits and a number of postponements until Q3 and Q4. In addition, our partner, Mazars, has experienced planning delays which have now largely been resolved.

Notwithstanding, the resources are available to deliver the audit plan by year end and both the In-house team and Mazars are focussed on achieving this target. Completion of the current Plan to 95% will provide sufficient coverage to provide an overall Opinion.

## Recommendation

- That this report is noted.

## Main Report

## Background

1. This report sets out internal audit activity since the November 2018 Internal Audit Update Report and the opinion of the Head of Audit and Risk Management in relation to the adequacy and effectiveness of the control environment.

## Internal Audit Delivery

2. Work on the 2017-18 Internal Audit Plan has been completed. Full details of plan progress for 2017-18 are included within **Appendix 1**.
3. Work on the 2018-19 internal plan is progressing, with 65 reports in the Plan (an increase of 10% on 2017-18). To 21 February, 37% of the plan has been completed to a minimum of draft report stage, with a further 3% of audit reports under review. Fieldwork is on-going 31% of the annual plan, including many audits which are nearing completion. Full details of plan progress for 2018-19 are included within **Appendix 2**.
4. Of the remaining 19 audits (29%), 12 have been scoped and start days agreed and seven audits are being planned. There have been delays in delivery of the Plan due to the postponement of the CoLP Plan until completion of the Key Financial Controls audit, additional requests for audits and a number of postponements until Q3 and Q4. In addition, our partner, Mazars, has experienced planning delays which have now largely been resolved.
5. Notwithstanding, the resources are available to deliver the audit plan by year end and both the In-house team and Mazars are focussed on achieving this target. Completion of the current Plan to 95% will provide sufficient coverage to provide an overall Opinion.
6. Ten audits have progressed to Final Report stage since the November 2018 meeting, comprising three red assurance reviews and seven amber assurance reviews.
7. Member Briefings have been circulated in respect of finalised audits and contain assurance rating information, details of the key conclusions and high priority recommendations arising from the audit, as well as the accompanying management responses. Additionally, summary outcomes are shown below for the eight audits finalised since the November 2018 meeting of this Committee. The following table sets out the assurance rating and a breakdown of the number of recommendations made by priority for these audits.

<b>Audit</b>	<b>Assurance</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
CORP – INCOME COLLECTION AND BANKING	AMBER	0	3	0	3
TOWN CLERKS HR – LEARNING AND DEVELOPMENT	AMBER	0	2	1	3
EXPENSES - PROCUREMENT CARDS - PETTY CASH	AMBER	0	12	1	13
CITY PROCUREMENT	AMBER	0	4	1	5
GDPR READINESS	RED	2	0	5	7
PROGRAMMED REPAIRS AND MAINTENANCE	AMBER	1	2	1	4
GSMD - STUDENT SUPPORT	AMBER	0	10	0	10
CLFS – CYBER SECURITY	RED	3	11	0	14
CoLP – KEY FINANCIAL CONTROLS	RED	3	10	0	13
OS – FINANCIAL MANAGEMENT	AMBER	0	3	5	8
	<b>TOTAL</b>	<b>9</b>	<b>57</b>	<b>15</b>	<b>81</b>

8. The nine red priority recommendations, all of which were agreed by management, relate to the following areas:

#### GDPR Readiness

- (i) The review of the third party contracts requires immediate action if data is transferred between third parties, particularly those that are of high risk where CoL is the data controller and those with suppliers. However, we are aware this is a core focus within phase two of the implementation and it should be flagged as vital to continue processing compliantly. Distinction between where COL is a data controller.
- (ii) CoL should ensure that the final retention schedule is put into place rapidly, in order to ensure all staff are aware of how long they should potentially keep their physical and electronic data for. A data cleanse or destruction review is essential in managing data throughout the organisation, in order not to keep information 'for longer than is necessary', particularly if the purposes it was collected for has been completed.

#### Programmed Repairs and Maintenance

The Property Contracts Performance Manager advised Internal Audit that the City Surveyor's department Technical Advisory Group have yet to commence inspection of works to ensure that completion is to the required standard; the Assistant Director, Facilities Management should ensure that the City Surveyor's department Technical Advisory Group commence inspection of works at the earliest opportunity.

#### CLFS – Cyber Security

- (i) The School should perform an in-depth penetration test at the earliest opportunity, prioritising any corrective action according to the risk presented.
- (ii) The School should review access controls in respect of the Oasis system on an on-going basis to ensure that passwords are in accordance with agreed policy and that only valid accounts remain live.
- (iii) The School should either lock down USB drives so they cannot be used or, if their use is essential for business purposes, enforce USB encryption prior to data transfer.

#### CoLP – Key Financial Controls

The budget-setting process should incorporate:

- (i) Stakeholder input to ensure alignment with operational requirements;
- (ii) Clear linkage with the Medium-Term Financial Plan and Workforce Plan;
- (iii) Local arrangements for scrutiny;

- (iv) Retention of documentation to reflect key elements of the process e.g. meetings between Finance Business Partners and budget holders and working papers to support budget calculations.

CoLP should ensure that:

- (i) The aged debtor report is reviewed to confirm the status of debt, identification of amounts for write-off and determination of the potential impact on the accounts in terms of bad debt provision.
- (ii) On an ongoing basis, debt management arrangements should incorporate the following: maintenance of local records to facilitate monitoring of aged debt and recovery action taken, to include evidence of regular review and details of write-off submissions to CoL.

CoLP should:

- (i) Review the AP management information reports in order to identify and take action to clear any processing backlog.
- (ii) Ensure that management information reports are reviewed on a regular, monthly basis and appropriate action taken to improve performance so that corporate targets are met.

9. The Audit Plan for the City of London Police has now been agreed and audit work has started on these. Audit are in on-going discussions with officers to determine what audit work can be undertaken for the Multi Academy Trust for 2019-20; meanwhile, Audit are looking at the current assurance framework in relation to the Trust.

10. Performance against internal audit key performance indicators is summarised in Appendix 2 and demonstrates achievement of the annual target of audits completed to draft report stage for 2018-19. The Internal Audit Team continue to be focused on making improvements in turnaround times with closer engagement with client departments.

## **Conclusion**

11. Internal Audit's opinion of the City's overall internal control environment is that it remains adequate and effective although some areas of the financial, operational and IT frameworks, particularly in CoLP financial management, do require strengthening by management as identified in the Member Briefings circulated to members of this Committee.

## **Appendices**

Appendix 1 Internal Audit Plan Schedule of Audits 2017-18

Appendix 2 Internal Audit Plan Schedule of Audits 2018-19

Pat Stothard, Head of Audit and Risk Management

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## Internal Audit Work 2017-18 (as at 21-02-2019)

## Progress against the plan – Summary

No of Reviews	Planning	Fieldwork	Draft Report	Final Report (Audit Complete)
59	0	0	0	59
100%	0%	0%	0%	100%

Audit status definitions: 'Fieldwork' – audit terms of reference finalised and fieldwork underway, 'Draft Report' – draft report issued and management response awaited, and 'Final Report' – management response received to the draft report and audit completed.

## Progress against the plan – Detail

No	Department	Main Audit Review	Status	Assurance Rating	Recommendations Made				Recommendations Agreed			
					R	A	G	Total	R	A	G	Total
1	CORPORATE	EMERGENCY PLANNING	Completed	Amber	0	1	0	1	0	1	0	1
2	CORPORATE	USE OF WAIVERS	Completed	Amber	0	7	0	7	0	7	0	7
3	CORPORATE	EVALUATION OF SUB £100K TENDERS	Completed	Amber	0	4	2	6	0	4	2	6
4	CORPORATE	PROCUREMENT CONSULTATION WITH STAKEHOLDERS	Completed	Amber	0	2	2	4	0	2	2	4
5	CORPORATE	INCOME COLLECTION AND BANKING	Draft Report	Amber	0	3	0	3	0	3	0	3
6	CORPORATE	EXPENSES - PROCUREMENT CARDS - PETTY CASH	Final Report	Amber	0	12	1	13	0	12	0	12
7	CORPORATE	CORPORATE-WIDE REVIEW OF BUSINESS TRAVEL	Completed	Amber	0	8	0	8	0	8	0	8
8	CORPORATE	CORPORATE FOLLOW-UP EXERCISES	Completed	N/A	-	-	-	-	-	-	-	-
9	CORPORATE	GDPR – GAP ANALYSIS	Completed	Green	0	5	0	5	0	5	0	5

No	Department	Main Audit Review	Status	Assurance Rating	Recommendations Made				Recommendations Agreed			
					R	A	G	Total	R	A	G	Total
10	TOWN CLERK	SOCIAL INVESTMENT FUND	Completed	Green	0	0	0	0	0	0	0	0
11	TOWN CLERK	MEMBERS AND OFFICERS DECLARATIONS INTERESTS	Completed	Red	1	7	3	11	1	7	3	11
12	TOWN CLERK	HUMAN RESOURCES – STARTERS AND LEAVERS	Completed	Amber	0	9	3	12	0	9	3	12
13	TOWN CLERK	STAFF LEARNING & DEVELOPMENT (including Central Training)	Draft Report	Amber	0	2	1	3	0	2	1	0
14	TOWN CLERK	GUILDHALL CLUB ACCOUNTS	Completed	Green	0	0	0	0	0	0	0	0
15	CHAMBERLAIN	IT – INFORMATION MANAGEMENT (DATA STORAGE MANAGEMENT)	Completed	Amber	0	4	0	4	0	4	0	4
16	CHAMBERLAIN	IT – CYBER SECURITY – MALWARE PROTECTION	Completed	Green	0	0	4	4	0	0	4	4
17	CHAMBERLAIN	IT – INFORMATION SECURITY - INCIDENT MANAGEMENT	Completed	Amber	0	4	4	8	0	4	4	8
18	CHAMBERLAIN	IT - SOCIAL MEDIA (HORIZON SCANNING)	Completed	Green	0	0	2	2	0	0	2	2
19	CHAMBERLAIN	IT ORACLE (CBIS) APPLICATION	Completed	Amber	0	3	1	4	0	3	1	4
20	CHAMBERLAIN	IT CONTRACT MANAGEMENT	Completed	Green	0	0	1	1	0	0	1	1
21	CHAMBERLAIN	MEDIUM TERM FINANCIAL PLANNING	Completed	Green	0	1	1	2	0	1	1	2
22	CHAMBERLAIN	CITY PROCUREMENT	Final Report	Amber	0	4	1	5	0	4	1	5
23	CHAMBERLAIN	COUNCIL TAX & NNDR	Completed	Amber	0	2	2	4	0	2	2	4
24	DCCS	ACADEMIES	Completed	Amber	0	2	1	3	0	2	1	3
25	DCCS	WELFARE REFORM	Completed	Amber	0	5	1	6	0	4	1	5
26	DCCS	HOUSING ALLOCATIONS LETTINGS AND VOIDS	Completed	Amber	0	3	0	3	0	3	0	3
27	DCCS	HOUSING RENTS	Completed	Amber	0	5	6	11	0	5	6	11
28	DCCS	BARBICAN ESTATE RENTS	Completed	Amber	0	2	4	6	0	2	4	6
29	DCCS	HEALTH & SOCIAL CARE INTEGRATION	Completed	Amber	0	3	0	3	0	3	0	3
30	DCCS	FINANCIAL ASSESSMENTS	Completed	Amber	0	4	4	8	0	4	4	8
31	DCCS	SIR JOHN CASS SCHOOL INCOME GENERATION	Completed	Amber	0	4	2	6	0	4	2	6

No	Department	Main Audit Review	Status	Assurance Rating	Recommendations Made				Recommendations Agreed			
					R	A	G	Total	R	A	G	Total
32	DCCS	COMMUNITY CENTRE REVENUE	Completed	Red	1	6	1	8	1	6	1	8
33	CITY SURVEYOR	SERVICE BASED PROPERTY CONTRACTS	Completed	Amber	0	3	4	7	0	3	4	7
34	CITY SURVEYOR	GUILDHALL COMPLEX - PERFORMANCE	Completed	Amber	0	2	0	2	0	2	0	2
	OPEN SPACES	FINANCIAL MANAGEMENT	Completed									
35	OPEN SPACES	CEMETERY & CREMATORIUM - ESTABLISHMENT REVIEW	Completed	Green	0	0	5	5	0	0	5	5
36	OPEN SPACES	TOWER BRIDGE MAJOR INCIDENT PLAN	Completed	Green	0	1	0	1	0	1	0	1
37	BUILT ENVIRONMENT	HIGHWAYS FOOTPATH REPAIRS	Completed	Green	0	0	0	0	0	0	0	0
38	BUILT ENVIRONMENT	TFL LOCAL IMPLEMENTATION PLAN	Completed	Green	0	0	0	0	0	0	0	0
39	BUILT ENVIRONMENT	HIGHWAYS ASSETS REGISTER	Completed	Green	0	1	2	3	0	1	2	3
40	M&CP	SEIZED GOODS (Trading Standards & Licensing)	Completed	Amber	0	6	2	8	0	6	2	8
41	M&CP	CONSUMER PROTECTION ENFORCEMENT	Completed	Amber	0	2	1	3	0	2	1	3
42	M&CP	MARKETS FRAUD RISK	Completed	Amber	0	4	5	9	0	4	5	9
43	REMEMBRANCER	FUNCTIONS & GUILDHALL LETTINGS - INCOME (INC. BANKING, SAFES AND SECURITY)	Completed	Green	0	0	0	0	0	0	0	0
44	POLICE	DEMAND POLICING AND EVENT RESOURCING	Completed	Amber	0	1	0	1	0	1	0	1
45	POLICE	POLICE BUSINESS CONTINUITY PLANNING	Completed	Amber	0	6	1	7	0	5	1	6
46	POLICE	POLICE BANK ACCOUNTS	Completed	Red	2	1	2	5	2	1	2	5
47	POLICE	POLICE SEIZED GOODS	Completed	Red	3	12	0	15	3	11	0	14
48	POLICE	PROJECT MANAGEMENT	Completed	Amber	2	8	0	10	2	8	0	10
49	POLICE	FREEDOM OF INFORMATION REQUESTS	Completed	Red	1	3	4	8	1	3	4	8
50	BARBICAN CENTRE	VISITOR EXPERIENCE	Completed	Amber	0	5	5	10	0	5	5	10
51	BARBICAN CENTRE	EQUALITY AND INCLUSION	Completed	Amber	0	10	4	14	0	10	4	14
52	BARBICAN CENTRE	RETAIL AND BARS	Completed	Red	1	9	1	11	1	9	1	11

No	Department	Main Audit Review	Status	Assurance Rating	Recommendations Made				Recommendations Agreed			
					R	A	G	Total	R	A	G	Total
53	BARBICAN CENTRE	CASH HANDLING	Completed	Amber	0	4	1	5	0	4	1	5
54	GUILDHALL SCHOOL	DATA QUALITY	Completed	Amber	0	2	3	5	0	1	3	4
55	GUILDHALL SCHOOL	SUNDIAL COURT PROJECT GOVERNANCE	Completed	Amber	0	3	0	3	0	3	0	3
56	GUILDHALL SCHOOL	CATERING INCLUDING STUDENT BAR	Completed	Red	2	3	1	6	2	3	1	6
57	CLS	FINANCIAL MANAGEMENT	Completed	Amber	0	5	2	7	0	5	2	7
58	CLFS	HEALTH AND SAFETY	Completed	Amber	0	2	1	3	0	2	1	3
59	CLFS	INCOME GENERATION	Completed	Amber	0	2	2	4	0	2	2	4
<b>TOTAL</b>					<b>13</b>	<b>207</b>	<b>93</b>	<b>313</b>	<b>13</b>	<b>205</b>	<b>92</b>	<b>310</b>



## Internal Audit Work 2018-19 (as at 21-02-2019)

## Progress against the plan – Summary

No of Reviews	Planning/ToR issued	Fieldwork	Report under Review	Draft Report	Final Report (Audit Complete)
65	19 (7/12)	20	2	13	11
<b>100%</b>	<b>29%</b>	<b>31%</b>	<b>3%</b>	<b>20%</b>	<b>17%</b>

Audit status definitions: 'Planning/ToR issued' – audit being planned or ToR issued; 'Fieldwork' – audit terms of reference finalised and fieldwork underway/complete, 'Draft Report' – draft report issued and management response awaited, and 'Final Report' – management response received to the draft report and audit completed.

## Progress against the plan – Detail

No	Department	Main Audit Review	Status	Assurance	Recommendations Made				Recommendations Agreed			
					R	A	G	Total	R	A	G	Total
1	Corporate Wide	IR35 – Use of Consultants & Specialists	Fieldwork									
2	Corporate Wide	GDPR Readiness (Mazars)	Final Report	Red	2	0	5	7	2	0	5	7
3	Corporate Wide	Suppliers Financial Health/Resilience	Draft Report									
4	Corporate Wide	Commercial Manager Scorecard Procedures	Fieldwork									
5	Corporate Wide	Budget Estimate Preparation	Fieldwork									
6	Corporate Wide	Follow-up Exercise	On-Going									
	Corporate Wide	Change Control (Mazars)	Defer to 2019/20									
	Corporate Wide	Highways Repairs and Maintenance	Defer to 2019/20									
7	Corporate Wide	Programmed Repairs and Maintenance	Final Report	Amber	1	2	1	4	1	2	1	4
8	Corporate Wide	Operational Property Rent & Service Charges (Mazars)	Draft Report									

[illegible]

[illegible]

No	Department	Main Audit Review	Status	Assurance	Recommendations Made				Recommendations Agreed			
					R	A	G	Total	R	A	G	Total
44	Barbican Centre	Event Contracts	Fieldwork									
45	Barbican Centre	Financial Monitoring & Income Generation (Mazars)	ToR issued									
46	Barbican Centre	Fraud Risk Management	ToR issued									
47	Guildhall School	Student Support	Final Report	Amber	0	10	0	10	0	10	0	10
48	Guildhall School	Strategic Planning	Fieldwork									
	Guildhall School	Budget Setting and Financial Management	Defer to 2019/20									
49	Guildhall School	Accommodation Strategy	March start									
50	Guildhall School	Income Generation (Mazars)	ToR issued									
51	Guildhall School	Student programme	Planning									
52	CLS	Health and Safety	ToR issued									
53	CLS	Cyber Security	Report under review									
54	CLSG	Cyber Security	Fieldwork									
55	CLSG	Budget Setting and Internal Controls	Fieldwork									
56	CLFS	Cyber Security	Final Report	Red	3	11	0	14	3	11	0	14
57	DCCS	Adult Education Skills Service Contract Arrangements	Draft Report									
58	Built Environment	CIL & Section 106 Funding (Mazars)	Draft Report									
59	City Police	Key Financial Controls (Mazars)	Final Report	Red	3	10	0	13	3	10	0	13
60	City Police	Key Financial Controls – additional testing (Mazars)	Fieldwork									
61	Corporate Wide	City Police Accommodation Programme	Draft report									
62	Mansion House	Catering and Hospitality Contract	Final Report	Amber	0	5	0	5	0	5	0	5
63	Open Spaces	Financial Management	Final Report	Amber	0	3	5	8	0	3	5	8
64	City Police	Police Accommodation 2	Fieldwork									
65	Academies	Assurance Framework	Planning									
<b>TOTAL</b>					<b>9</b>	<b>44</b>	<b>14</b>	<b>67</b>	<b>9</b>	<b>44</b>	<b>14</b>	<b>67</b>

## Performance Indicators

Performance Measures	Target	Actual
1 Completion of audit plan	95% of planned audits completed to draft report stage by end of plan review period (31 March 2019)	N/A
2 Timely production of draft report	Average time taken to issue draft reports within 28 days of end of fieldwork i.e. exit meeting date.	23 days
3 Timely response to draft report	Average time taken to obtain a full management response within 28 days of the draft report being issued.	19 days
4 Timely issue of final report	Average time taken to finalise the review within 7 working days on full response from management	5 days
5 Customer satisfaction	Through key question on post audit surveys – target 90%	N/A
6 Percentage (%) of audit section staff with relevant professional qualification	Target 75%	78%

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<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management	12 March 2019
<b>Subject:</b> CR02: Loss of Business Support for the City	<b>Public</b>
<b>Report of:</b> Director of Economic Development	<b>For Information</b>
<b>Report author:</b> Giles French	

## Summary

The following report provides Members with an update and new information on the activities of the Economic Development Office which mitigate Corporate Risk 02: Loss of Business Support for the City.

## Main Report

### Background

1. It is a major corporate risk that the City of London's position as the world's leading international financial centre is adversely affected, and that London loses its ability to attract and retain high value global business activity. This would have a major economic impact on the UK, diminish the attractiveness of London and the UK as a place to do business, and damage the reputation and relevance of the City Corporation as a supporter and promoter of UK based financial and professional services firms.
2. London's place as the world's leading international financial centre is one that is continually challenged by other financial centres around the world, but the business uncertainty created by the ongoing parliamentary process and negotiations between the UK and the EU27 regarding Brexit increases the risk of the potential loss of business support for the City.
3. This report provides Members with an update of recent activity undertaken by the Economic Development Office to mitigate this risk.

## **Current Risk Status**

4. The risk status is amber. This recognises the probability that a post-Brexit trade deal between the UK and EU27 is unlikely to replicate the level of access firms have within the Single Market, and unless the Withdrawal Agreement is approved by Parliament a transitional period is not guaranteed. By way of mitigation, the major financial services firms have implemented contingency plans to prepare for a “No Deal” scenario.

## **Risk Mitigation**

5. EDO’s approach to mitigating the risks associated with Brexit has two elements: first, to engage with policymakers and regulators in the UK and EU27 to ensure the UK’s departure from the EU is as risk-free as possible and to ensure the future trading relationship provides for a high degree of access for financial and professional services; secondly, we support the development of new innovation in tech sector to ensure emerging products and services grow in the UK, and finally we work to identify opportunities for growth in a range of international markets.
6. The implementation of the business plan is the key risk mitigation for CR02.

## **Current Activity**

### **Regulation and Competitiveness**

7. The Regulatory Affairs team works to sustain and enhance the UK’s competitive regulatory and economic environment and enable access to global markets. This team has led our policy response to the challenges of Brexit. Our work is focused on representing the views and needs of the financial and professional services sector to the UK government and regulatory authorities, the EU institutions and the EU Member States; helping to inform the negotiations; and finding solutions to serve the economic interests of the UK and the EU27.
8. Our work is done in partnership with the industry, via the major trade associations such as TheCityUK, UK Finance, Association of British Insurers, Innovate Finance and Investment Association, through our joint venture with TheCityUK the International Regulatory Strategy Group (IRSG) and bilaterally with relevant firms. The Policy Chair is a member of TheCityUK’s Brexit Steering Committee, Deputy Chairman of the IRSG and a member of the European Financial Services Chairmen’s Advisory Committee chaired by Baroness Vadera of Santander.
9. The team has strengthened the City Office in Brussels with the appointment of Nick Collier who has commenced as the City of London’s new Managing Director in Brussels. He will be working very closely with industry, trade associations and policy makers. This has been a key appointment for City Corporation that will ensure the City is playing a full part in representing in the industry’s priorities before and after Brexit, as well as being equipped to engage with the EU institutions after the UK has left the EU.



10. The priority areas for our work at present are to set out the UK financial and professional services industry's favoured position on EU market access post Brexit; and to address cliff edge issues relating to contracts and data. We have recently written to the European Commission and European Data Protection Board to highlight UK industry concerns at the potential lack of awareness and preparedness for a no deal Brexit by EU based firms, in relation to requirements for personal data transfer from the EU to the UK. Much of this policy work has been produced through the International Regulatory Strategy Group (IRSG), a practitioner led body that works to inform the policy making process. Another priority area is to ensure that the future immigration regime enables the industry to attract talented people from across the world. The City Corporation developed a report on streamlining the UK Visa system in collaboration with EY, which sets out practical recommendations for creating a world class visa application process for the UK. We continue to engage with policymakers and the Home Office on these recommendations.
11. All this work contributes to a comprehensive programme of engagement with UK policy makers, regulators, EU institutions and EU Member States including ambassadors based in London, making the case for a comprehensive and mutually beneficial future trading relationship between the UK and EU27. Going forward, the recently established IRSG EU regulation committee will ensure that industry views continue to inform the future EU regulatory agenda.
12. The team has also been working on non-EU international markets. This has included the development of a more coherent programme of engagement with the US. Following the Policy Chair's trip to New York and Washington in late November 2018, the team organised roundtables with the US Treasury's General Counsel, the UK Trade Commissioner Antony Phillipson, and a reception for US Ambassador Woody Johnson. On broader trade work, we produced submissions to UK and US Government consultations on the future of services trade, and coordinated responses to HM Treasury's project on Global Financial Partnerships, which seeks to increase investment flows between London and other major international financial centres.
13. The IRSG Standing Committee on Global Regulatory Coherence is focused on global regulatory standard setters. It brings together financial services firms to engage with these standard setters to promote regulatory coherence and avoid market fragmentation, a key priority under the Japanese 2019 G20 Presidency. The work of this group identifies cross-sector issues where coherence could be improved and maps the key decision-making bodies to engage.
14. EDO organised programmes for both the Lord Mayor and Policy Chair at this year's annual meeting of the World Economic Forum in Davos. It provided an excellent opportunity to engage with high level business leaders, investors and policy makers, to discuss London and the UK as a place for business, the challenges of fragmentation in global trading and the challenges we all face in response to innovation. By having strong policy content and priorities, we were able to inform and engage on the key agendas including digital skills, regulatory coherence and tech transformation.

## Innovation

15. The Policy and Innovation team works to ensure that London is home to a more innovative ecosystem for financial and professional services than its competitors. Its current main areas of focus are Sustainable Finance, including green, climate and development finance, as well as fintech and cyber security. The team works with business and policymakers to make interventions that support and encourage the development of new products and services in the sector, keeping London at the forefront of innovation.
16. Policy & Innovation have achieved several significant outcomes in the last year. Through the Green Finance Initiative (GFI), chaired by Sir Roger Gifford and supported by EDO, London has established a reputation as the leading Green Finance centre. This leadership will be consolidated through the new Green Finance Institute, due to launch later in the summer. The GFI has also developed extensive bilateral partnerships with China, India, Mexico and Brazil, and supports HMG's ambitions to promote UK Green Finance abroad. The GFI identifies specific regulatory and policy proposals that can increase capital flows into green finance products.
17. Announced by the Prime Minister at the UN General Assembly in September 2018, the team launched the Sustainable Development Capital Initiative (SDCI). The SDCI's mission is to position London's financial markets to mobilise the investment and innovation required to meet the UN Sustainable Development Goals (SDGs). The SDCI will coordinate the private and public sector, and work with partner countries to deliver products that will direct capital via London to accelerate the SDGs and realise the trillion-dollar opportunities they present. The team are now working with the support of the Department for International Development (DfID) to deliver the SDCI's first set of outcomes at the UK-Africa Investment Summit in November 2019.
18. To maintain the City Corporation's position at the centre of a collaborative dialogue on the future of UK fintech, we have repurposed the City Corporation's Fintech Network Action Group (NAG) to convene the four key fintech stakeholder groups, including Innovate Finance and the City Corporation's Fintech Steering Group (FSG), the Fintech Delivery Panel, Department of International Trade's Fintech Steering Board and the Financial Services Trade and Investment Board's Fintech Steering Group, as well as the six HMT Fintech Regional Envoys. The NAG will now be a forum for these key market participants to communicate, ensure cooperation and avoid duplication.
19. The team have been working to strengthen the City's strategic advantage on cyber security. We are working with the City Police on the Cyber Griffin initiative to improve cyber resilience in City firms. In addition, we are promoting the UK insurance sector's cyber insurance capabilities to international markets, and have engaged with investors and cyber focused funds in international markets, to encourage them to engage with the thriving UK tech and cyber sector.

## International Engagement

20. The team delivered the Lord Mayor's first international visit of his year to the U.S, Canada and Mexico. The focus was on fintech, infrastructure and Green Finance. Key meetings were held with Facebook and Silicon Valley Bank in San Francisco, as well as the new Finance Minister and Central Bank Governor in Mexico. The Lord Mayor was also joined by a senior FinTech delegation, led by business champion, Charles Mindenhall from Blenheim Chalcot, in San Francisco. The visit established dialogues with US based investors we are keen to see direct more investment into the UK, and provided an opportunity to work with the new Mexican administration so UK based firms can help deliver infrastructure projects.
21. The team delivered a successful visit to the Gulf (Kuwait, Dubai and Abu Dhabi) by the Lord Mayor. Accompanied by a small but senior delegation, including the CEO of Standard Life Aberdeen, HM Trade Commissioner for the Middle East and the Chair of the Green Finance Taskforce, he visited Kuwait, Dubai and Abu Dhabi. The themes of the visit included Sovereign Wealth investment, capital markets, Green Finance and Tomorrow's Cities. The Lord Mayor also reassured key Gulf partners about the City's confidence through and beyond Brexit.
22. The Policy Chair recently visited India. The priorities for the visit were FinTech, insolvency laws and reinsurance, and the Policy Chair met with regulators, businesses and our India Advisory Council. Pre-briefing meetings were held to prepare her for the visit and included the Indian High Commission, the Association of Indian Banks, Members and other key private sector experts.
23. The most recent international visit was to South Korea, Japan, Hong Kong and Singapore. During his visit, the Lord Mayor met with businesses, government officials and trade bodies to promote London as a global financial centre and to offer reassurances about the City of London's future. In Seoul, the main outcome was the Lord Mayor's announcement of the Green is Great campaign. In Tokyo, the Lord Mayor met with Tokyo Metropolitan Government, our partners in our joint Memorandum of Understanding, which is aimed at developing bilateral investments between our cities. In Hong Kong, the meeting with the Hong Kong exchange (HKEX) was focused on how the UK and HKEX could increase collaboration, particularly around raising capital for Belt and Road Initiative infrastructure projects, and how the UK can utilise China's Green Bond market. Finally, the Lord Mayor spent two days in Singapore where he held productive meetings with major banks, Monetary Authority of Singapore, Financial Secretary, Deputy Prime Minister and senior business leaders. Themes covered asset management, banking, financial technology and cyber security.
24. The team delivers relevant follow up events to international visits and recent examples have been a FinTech dinner for the Mubadala Sovereign Wealth Fund from the UAE and a FinTech roundtable event for a delegation from Mexico. Ahead of the Lord Mayor visit to Chicago in June 2019, we hosted the Mayor of Chicago, Rahm Emanuel, for a small high-level dinner at Mansion House with major investors, to explore opportunities to enhance the strong links between London and Chicago.

## Skills and Talent

25. A priority is to ensure that the future immigration regime enables the industry to attract talented people from across the world. The City Corporation developed a report on streamlining the UK Visa system in collaboration with EY, which sets out practical recommendations for creating a world class visa application process for the UK. We continue to engage with policymakers and the Home Office on these recommendations.
26. Following the inaugural programme during the 2017/18 Mayoral year, a cohort of aspiring future City leaders have been recruited to take part in the 2019 Leaders of Tomorrow programme, which will support and reflect the Mayoral theme of Shaping Tomorrow's City Today. The Leaders of Tomorrow – Leading the Digital City, commencing in March 2019, is a leadership development programme and network bringing together some 40 ambitious young business leaders to help develop and understand the digital skills, leadership approaches and attitudes that will be crucial to individual and organisational success both now and in the future.
27. Participants, nominated by senior individuals within a wide range of businesses spanning financial and professional services and including sectors such as fintech and technology more widely, are all passionate next generation leaders with an interest in digital skills and developing their own leadership potential. The programme will comprise five core facilitated development sessions with expert speakers complemented by wider engagement in City Corporation events. In the longer term, this year's cohort will be invited to join a Leaders of Tomorrow alumni network alongside participants in the 2017/18 programme.
28. Our work on skills aims to ensure that UK financial and professional services have the skilled workforce it needs to be competitive and to drive productivity and innovation. By working with businesses, policy makers, industry bodies and training providers, the team helps to build the skills the sector needs and to widen access to domestic talent. Considering possible changes to how the sector accesses international talent, the team's focus is on the domestic supply of skills and training to ensure a long-term, sustainable supply of skilled talent for the sector.
29. The team are supporting initiatives to boost the supply and availability of digital skills to address the acute shortages in this area. The team has worked closely with the Lord Mayor to create the *Shaping Tomorrow's City Today* programme and with colleagues to create the City Corporation's Digital Skills Strategy. This includes the implementation of a Coalition for Digital Intelligence seeks to build digital skills across society and help develop common standards for digital skills, establishing a common understanding of digital literacy.
30. In partnership with the Department for Business Energy and Industrial Strategy (BEIS), the team published research into how City employers are using apprenticeships to address skills gap and how the apprenticeship system can be improved to better meet the needs of employers. Reflecting insights gained from 129 employers employing 329,000 people, *"Apprenticeships London's Financial*

*and Professional Services*” is being used by BEIS and the Professional Business Services Council to inform the government review of apprenticeships and form part of the sector deal for professional services.

31. Finally, we are actively supporting HM Treasury’s Financial Services Skills Taskforce, chaired by Mark Hoban, that is due to report later this year. The Policy Chairman is a member of this taskforce which will make recommendations on actions required to ensure the UK financial and professional services sector has the skills required to support digital transformation to remain globally competitive.

## **Conclusion**

32. Members are asked to note the actions taken and the activities underway to mitigate Corporate Risk 02: Loss of Business Support for the City.

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<b>Committee(s):</b> Audit and Risk Management	<b>Date(s):</b> 12.03.2019
<b>Subject:</b> CR26 Brexit – Organisational Impact	<b>Public</b>
<b>Report of:</b> Town Clerk & Chief Executive	<b>For Information</b>
<b>Report author:</b> Simon Latham, Town Clerk's Department	

## Summary

This report provides Members with an update on Corporate Risk 26, Brexit – Organisational Impact, and an overview of the actions being taken across the City of London Corporation to mitigate this risk.

## Recommendation(s)

Members are asked to:

- Note the report.

## Main Report

### Background

1. Following the referendum on 23 June 2016, in which the decision was taken for the United Kingdom to leave the European Union, the City of London Corporation has undertaken a wide range of work to assess the potential impact of Brexit on the work of the City Corporation, in whatever form this takes, and to identify the mitigating actions that can be taken.
2. The outcome of the Brexit negotiations could impact the work of the City Corporation in a number of ways, including disrupting our ability to deliver or commit to the delivery of services. The possible impacts include disruption to our supply chains and the need to reassess contracts, potentially leading to increased costs and the reprioritisation of resources, disruption to the City Corporation's income streams and access to funding, and also, limiting our ability to access specialist skills and talent.
3. This report provides Members with an update on recent activity undertaken by the City Corporation to mitigate Corporate Risk 26 – Brexit – Organisational Impact.

### Current risk status

4. As shown in Appendix 1, CR 26, under which sits nine departmental Brexit risks, has a current risk rating of Amber with a current risk score of 12. The target risk score for CR 26 is Amber 6.

## Current activity

5. A wide range of activity is being undertaken by the City Corporation's departments and institutions to prepare for the UK's departure from the European Union, in whatever form this takes.
6. A Brexit Planning Meeting, chaired by the Town Clerk & Chief Executive, takes place on a weekly basis, attended by chief officers and representatives from key departments and institutions. The purpose of these meetings is predominantly to review the Brexit risks and mitigations, and to provide departments with the opportunity to raise any issues and to share information.
7. Progress is also reported monthly to Summit Group and are a standing agenda item at service committees, providing an opportunity to update Members on the work taking place.
8. To assist departments in managing the risks to services and support the City Corporation in achieving its strategic aims during the period of negotiation and transition to the new operating environment post-Brexit, the decision was taken by Members at the end of last year to create a £2m Brexit Contingency Fund for 2018/19 from which departments can bid. To date, there have been three approved bids. Two from the Communications Team to, firstly, fund a short-term post to assess and mitigate all committee reports and other external committee output for reputational risk relating to Brexit and secondly, for a time-limited advertising campaign in key City newspapers to direct businesses to our website where a dedicated information resource has been created. One bid was also received from the Remembrancer's Office to develop and bring into effect an engagement action plan and to provide for the City Corporation's participation in a cross-sectoral project to enhance the City's soft power potential.
9. The ongoing uncertainty around the form of Brexit limits the detailed planning that can take place, but the City Corporation continues to monitor developments closely in terms of the negotiations, guidance from Government and potential impacts on our communities, and work is being undertaken to understand the extent of the potential impacts. This includes work to look at the extent of EU grants across the Corporation, work by HR to identify any critical roles held by EU employees, as well as the research undertaken by EDO to track the movement of businesses in the City. Research has also been commissioned from external consultants, including the deep dive assessment commissioned by Procurement on the City Corporation's key categories of spend and the independent report on the potential implications of Brexit on animal health and port health.
10. The findings from this work are being used to identify and progress mitigating actions. The Food Standards Agency has approved a bid for additional funding for imported food and feed controls, up to £281k from 2018/19 and a minimum of £125k in 2019/20. An application has also been made to DEFRA for funding for the potential additional workload at the Heathrow Animal Reception Centre. To mitigate the risk of potential loss of qualified staff where there is a scarcity in the UK employment market, such as Official Veterinarians, in house training is ongoing.



11. The City Corporation is also engaging widely with external stakeholders from across Government, local government, City businesses, the emergency services, our suppliers, local communities, among others to share information and ensure effective contingency planning measures are in place.
12. This external engagement includes the Town Clerk attending regular meetings with the GLA, London Resilience, London Councils and the Metropolitan Police, as well as officers attending the City of London Police Brexit Planning Meetings, the Gold Command Meetings and taking part in the London Borough Single Point of Contact teleconferences, coordinated by London Councils. Information is also submitted weekly to London Councils, who are collating information on behalf of MHCLG to identify the risks for London and any emerging trends.
13. In addition, the Town Clerk chairs the London Strategic Coordination Group and the Director of Communications sits on the London Communications Gold Group.

### **Corporate & Strategic Implications**

14. The outcome of the Brexit negotiations presents a risk to the City Corporation's vision of a 'vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK', and our ability to achieve, in particular, the following outcomes:
  - Communities are cohesive and have the facilities they need.
  - We have the world's best legal and regulatory framework and access to global markets.
  - We have access to the skills and talent we need.
  - Our spaces are secure, resilient and well maintained.

### **Conclusion**

15. The outcome of the Brexit negotiations could impact the work of the City of London Corporation in a number of ways, with potential to disrupt the delivery or our ability to commit to the delivery of services. The City Corporation is undertaking all reasonable steps to mitigate these risks, as outlined in Appendix 1, and the potential impact on our services.

### **Appendices**

- Appendix 1 – CR26 Brexit – Organisational Impact, Detailed Risk Report

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# CR26

**Report Author:** Paul Dudley  
**Generated on:** 26 February 2019



Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR26 Brexit - Organisational Impact	<p><b>Cause</b> – The outcome of Brexit negotiations does not secure continuity of contracts, access to talent, ongoing grant funding and/or security of supply chains</p> <p><b>Event</b> – The City Corporation services fail to prepare appropriately for the UK departure from the EU in March 2019</p> <p><b>Effect</b> – There are a range of potential impacts. The City Corporation's services are disrupted as supply chains and contracts are reassessed, potentially increasing cost and reprioritisation of resources. Uncertainty over multi-year grants may undermine the City Corporation's ability to deliver or commit to services. The City Corporation may be unable to access the specialist talent and supply chains it needs to deliver some of its services.</p>	<p>Likelihood</p> <p>Impact</p>	12	<ul style="list-style-type: none"> <li>Corporation officers attending City of London Police Brexit Planning and Gold Command meetings.</li> <li>Submissions in respect of Corporation Brexit risks have been made to MHCLG, via London Councils</li> <li>Town Clerk attending regular meetings with the GLA, LLAG and London Councils on Brexit Preparedness.</li> <li>Simon Latham &amp; Emma Lloyd have been nominated as the Corporation's point of contact for London Councils briefings and work on this.</li> <li>A review of the various Brexit risks was undertaken by Summit and a number of changes to scores agreed.</li> </ul>	<p>Likelihood</p> <p>Impact</p>	6	29-Mar-2019	

11-Oct-2018 John Barradell				<ul style="list-style-type: none"> <li>• The rhythm of Brexit Planning and review meetings has been increased to weekly</li> </ul> <b>22 Feb 2019</b>				Constant
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR26b  Page 70	Progress on all departmental Brexit risks and their mitigations be reported monthly to Summit Group	<ul style="list-style-type: none"> <li>• Corporation officers attending City of London Police Brexit Planning and Gold Command meetings.</li> <li>• Submissions in respect of Corporation Brexit risks have been made to MHCLG, via London Councils</li> <li>• Town Clerk attending regular meetings with the GLA, LLAG and London Councils on Brexit Preparedness.</li> <li>• Simon Latham &amp; Emma Lloyd have been nominated as the Corporation's point of contact for London Councils briefings and work on this.</li> <li>• A review of the various Brexit risks was undertaken by Summit and a number of changes to scores agreed.</li> <li>• The rhythm of Brexit Planning and review meetings has been increased to weekly.</li> </ul>	Simon Latham	22-Feb-2019	29-Mar-2019

<b>Committee(s):</b>	<b>Date:</b>
Audit & Risk Management Committee	12 March 2019
<b>Subject:</b> Organisational Change Management Risk	<b>Public</b>
<b>Report of:</b> Chrissie Morgan, Director of HR Kate Smith, Head of Corporate Strategy & Performance	
<b>Author:</b> Kate Smith, Head of Corporate Strategy & Performance	<b>For information</b>

## Summary

This paper provides further information regarding the organisational change management risk that was approved for inclusion in the Corporate Risk Register by this Committee on 15 January 2019.

## Recommendation

It is recommended that Members:

- i. Note the update provided.

## Main Report

### Background

1. 'Change' in the business context is the process an organisation goes through to move from one way of doing things to another way of doing things, including scaling its activities up or down.
2. Changes are planned to achieve one or a combination of the following purposes:
  - to adapt to changing circumstances (e.g. funding, customer expectations, markets);
  - to deliver improvements (financial or non-financial benefits); or
  - to comply with the law (e.g. GDPR).
3. If an organisation is working strategically at an organisational level, the changes will be aimed at achieving as much as possible against corporate goals using resources available.
4. As an organisation with a history spanning over 800 years, the City Corporation has had to change and adapt to ensure that it remains relevant. In recent times, because of its federated and highly-devolved organisational structure, its institutions and departments have largely taken the lead in promoting and managing this change.

## Current position

5. The structure, scope and ambition of the Corporate Plan and the limitation on our various funding sources mean that, now more than ever, departments and institutions will need to work together towards corporate aims and ensure that any changes identified are fully scoped and implemented.
6. This will require:
  - good co-ordination of plans, to avoid duplication and conflicts of efforts; and
  - and clarity of purpose and requirements for those involved so that corporate goals (benefits realisation) are kept in mind, especially when plans need to be flexed.
7. To mitigate the risks posed by poor organisational change management, the Chief Officer Risk Management Group (CORMG) tasked the Head of Corporate Strategy and Performance, working with HR, with drafting a risk relating to organisational change for including in the Corporate Risk Register.
8. The risk was approved for inclusion in the Corporate Risk Register by Audit & Risk Management Committee on 15 January 2019. The latest version, including updates on the mitigation actions, is shown at **Appendix 1**. More detail can be found in the section below.

## Further details regarding how the risk is being managed

9. A number of steps have already been taken that to help with the co-ordination of plans, such as including the following information in departmental Business Plans now include the following information:
  - All activities, including departmental and corporate projects;
  - Risk registers that track mitigation status;
  - Outline plans for the next 2-3 years (subject to approvals); and
  - How the department is planning to develop its capability and capacity over the medium term, in the form of departmental workforce plans and Economy, Efficiency and Effectiveness Health Checks.
10. Together with the recently introduced informal Business Plan Scrutiny sessions, which probe how departmental resources are being used to address corporate priorities, and last year's refresh of the Project Gateway process, this helps provide an overview for Members and senior officers of work underway and support services with the advance notice they need to advise on and support delivery of plans.
11. As a result, departmental workforce plans are being used to inform Corporate HR's medium-term corporate workforce plan. This corporate overview also helped make the case for a dedicated Senior HR Change Business Partner who supports Chief Officers in planning cross-cutting or significantly impactful change to team structures.

12. The more challenging aspect of change management however is persuading those affected that there are good reasons why change is necessary and getting them to change their ways of working (including stopping doing things the old way). This requires the organisation to speak to its staff with one voice and to be consistent and persistent in its messaging and managers to have skills in landing changes locally with their staff.
13. To support managers, HR's enhanced Organisational and Development Team is working directly with departments and teams to help embed structural changes and will soon be offering training in change management. The new behavioural framework and performance development approach have also been designed to support good change management.
14. As for speaking with one voice as an organisation, the Internal Communications team acts as the adviser, editor and often the mouthpiece for messages, however, it is not its role to make sure that the messages make sense in the round. To work between Comms and those leading change programmes across the organisation a new post is being piloted in the Corporate Strategy & Performance Team for twelve months. Two months in, the Corporate Engagement Lead is proving invaluable in helping co-ordinate messaging, particularly in respect of the staff survey results and the actions being taken in response.

## **Conclusion**

15. The actions already underway are putting the City Corporation on a strong footing to mitigate risks relating to organisational change management. Having this risk included in the Corporate Risk Register will help Members and officers ensure that the right actions are taken to support the successful delivery of the City Corporation's ambitions over the years ahead.

## **Appendices**

1. Corporate Risk Register Entry for the Organisational Change Management Risk

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## Corporate Risk CR 27 - Organisational Change Management

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CR27 Change Management</b> 05-Dec-2018 Chrissie Morgan; Kate Smith	<b>Cause:</b> Failure to appreciate the scale, complexity and impact of change and take the necessary steps to ensure the organisation has the capability and capacity to change (to stay relevant) <b>Event:</b> poorly managed and ineffective change <b>Effect:</b> <ul style="list-style-type: none"> <li>• Disruption to service, poor performance and damage to reputation</li> <li>• Outcomes not achieved, reduction in benefits (financial and non-financial)</li> <li>• Failure to change or keep up with change, organisational paralysis and reduction in ability to remain relevant</li> <li>• Adverse impacts on external stakeholders including businesses and residents.</li> <li>• Loss of valued staff and / or negative mental health impacts for staff.</li> </ul>	 Likelihood	6	New risk	 Likelihood	4	31-Mar-2020	 Constant

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CR27a	To build the capability to look across existing and proposed programmes of work and assess their comparative benefits, risks and resource requirements and understand their interdependencies	- Corporate Strategy & Performance's Corporate Engagement Lead role 12m pilot in place Dec 2018 - PMO's Programme Management Review running concurrently - Plan to bring these capabilities together as part of a single, streamlined officer governance system - Departmental workforce plans are being embedded in Business Plans with a forward look to show full upcoming requirements			Kate Smith	05-Dec-2018	31-Mar-2020

## Appendix 1

CR27b	To help staff understand why, how and what we're changing to increase engagement and take-up and deliver benefits	Corporate Engagement Lead and Internal Communications delivering a corporate change campaign starting by feeding back and communicating actions in response to the Staff Survey results.	Kate Smith	05-Dec-2018	31-Jan-2020
CR27c	To build capacity and develop and grow our in-house capability and skills to manage change	<ul style="list-style-type: none"> <li>- A dedicated Senior HR Change Business Partner has been appointed to support Chief Officers in planning cross-cutting or significantly impactful change and to produce a Change Management Manual to support managers and employees through change and an enhanced Organisational and Development Team is working directly with departments and teams to embed change.</li> <li>- Departmental workforce plans are being used to inform Corporate HR's medium-term corporate workforce plan and in turn the Corporate Learning and Development Strategy.</li> <li>- Classroom learning is being brought in-house with dedicated trainers to better align business need with development strategies and delivery.</li> </ul>	Chrissie Morgan	05-Dec-2018	31-Jul-2019
CR27d	To put in place a new behavioural framework that is accessible and achievable at every level within the organisation to support collaboration and innovation	- New corporate behaviours and a revised performance appraisal process have been consulted on and piloted along with an electronic appraisal system with a view to both being verified and adopted for use from April 19.	Chrissie Morgan	05-Dec-2018	30-Apr-2019

<b>Committee(s):</b>	<b>Date(s):</b>
Audit and Risk Management Committee	12 March 2019
<b>Subject:</b> Health and Safety Accident / Incident Data	<b>Public</b>
<b>Report of:</b> Director of Human Resources	<b>For Information</b>
<p style="text-align: center;"><b>Summary</b></p> <p>This report provides a summary of accidents / incidents for the City of London Corporation during the three-year period 2016 – 2018. Details of accident/incident types are given along with further analysis concerning severity, status of persons involved, and reasons etc. Most accidents across all departments resulted in minor injuries. Accidents and incidents are investigated, and the lessons learned are shared across the City Corporation.</p> <p><b>Recommendation(s)</b></p> <p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• Note this report</li> </ul>	

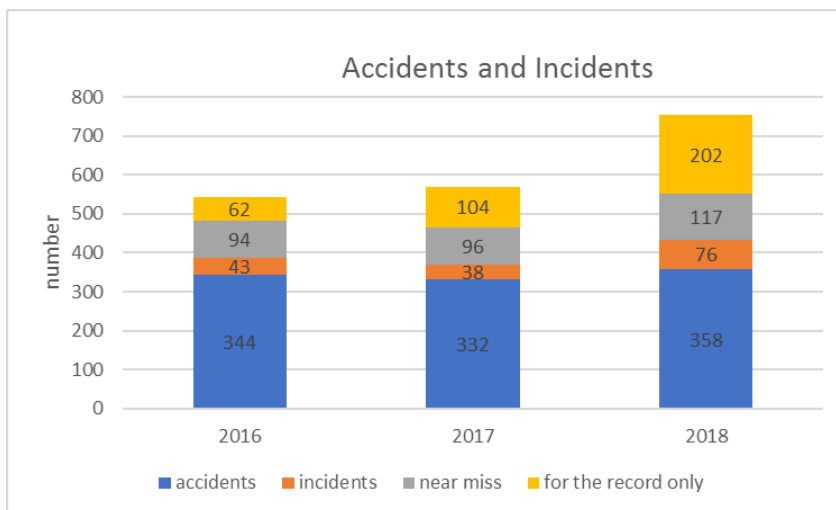
## Main Report

### Background

1. In accordance with Health and Safety legislation, all accidents, incidents and near misses in the workplace must be recorded and investigations carried out where necessary. The City of London Corporation has an accident/incident reporting line (020 7332 1920) which is available 24/7.
2. At the last Health and Safety Deep Dive (Corporate Risk 09) Members requested and overview of corporate accident / incident data. This short information report fulfils that request. The data excludes the City of London Police.

### Accidents and Incidents

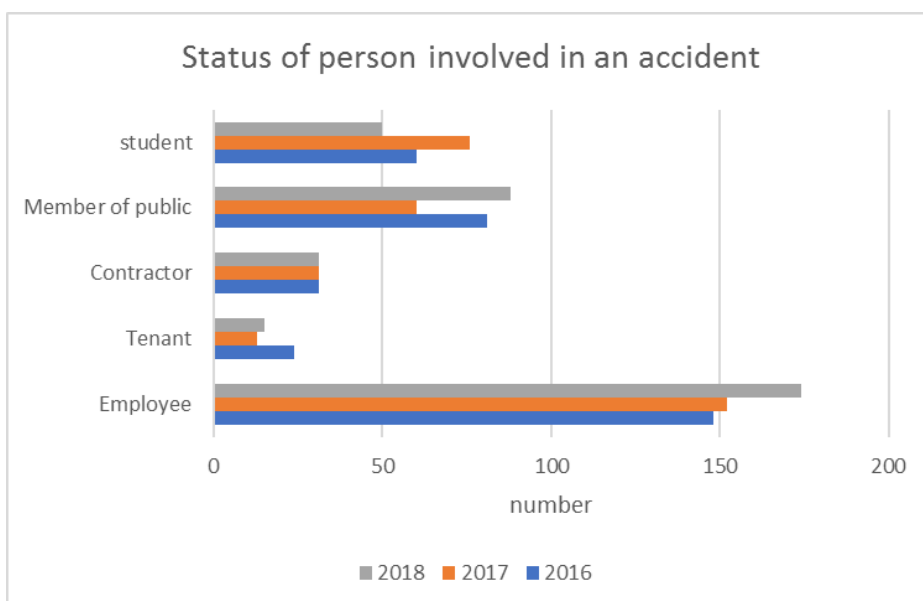
3. There were 1866 accidents and incidents recorded in the calendar years 2016 2018 of which 955 resulted in injury. **Figure 1** (below) shows this graphically.
4. There was an overall increase in reporting near misses and for the record only incidents from 156 in 2016 to 319 in 2018. There continues to be good reporting of incidents which did not result in injuries and this points to a positive, open culture around health and safety, and the reporting of near misses and less serious incidents.
5. Verbal abuse (non-injury) was reclassified from “accidents” to “incidents” during 2017 so this is reflected in the subsequent data fields.



**Figure 1** Accidents (resulting in injuries) and other Incidents

### Status of person involved in an accident

6. The number of accidents resulting in injuries between 2016 and 2018 occurs significantly more among employees than other groups (**Figure 2**). The number of reported accidents to contractors is remarkably stable over the last three years (31 each year).
7. The number of accidents to members of the public has increased between 2017 and 2018. However, this may reflect the better reporting, and were mostly minor injuries. However, they have now returned to about the level seen in 2016.



**Figure 2: Status of person involved in accident (injury)**

8. Accidents involving tenants are most associated with the City Corporation's Markets, and those involving students include sporting injuries.

9. **Table 1** (below) shows the number of employee accidents per year and expressed in terms of the national benchmark (accident rate per 100,000 workers). It may be difficult to directly compare the City Corporation with any specific industry because of the diverse work undertaken, for example, from our Open Spaces to Education. Higher than average accident rates may simply reflect better than average reporting.

**Table 1: Employee accident numbers and rates (2016 – 2018)**

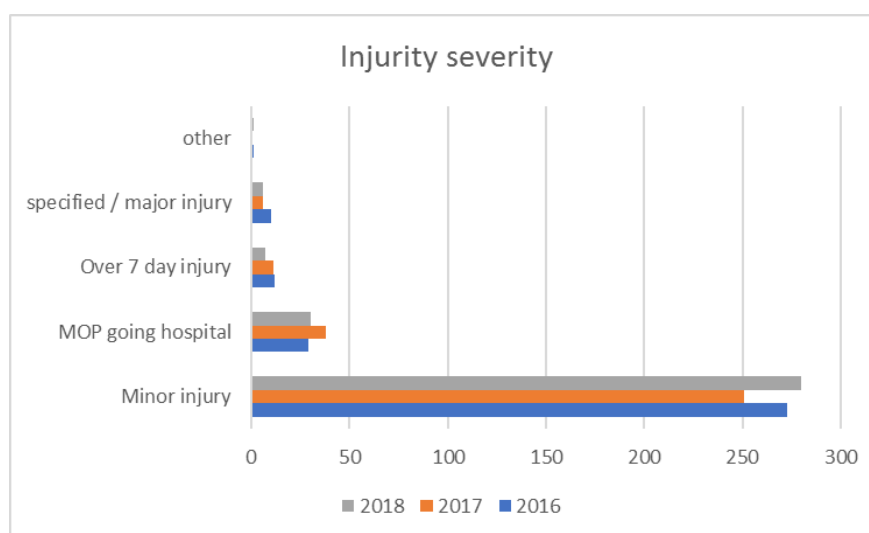
Year	2016	2017	2018
<b>No. Employees Accidents</b>	<b>148</b>	<b>152</b>	<b>174</b>
<b>No. Employees, FTE (Mid-year count, June)</b>	<b>3100.66</b>	<b>3279.33</b>	<b>3417.93</b>
<b>Accident rate per 100,000 workers</b>	<b>4733</b>	<b>4635</b>	<b>5091</b>
<b>Accident rate per 100,000 workers [National Benchmark, All Industries Average**]</b>	1970 [2016/2017]	1780 [2017/18]	N/a [Data not available yet]

\*Data excludes City of London Police

\*\*National averages vary significantly by industry from 3690 in agriculture, forestry and fishing to 2190 in public administration in 2017/18.

### Severity of accidents

10. **Figure 3** below shows the severity of injury during 2016 to 2018, indicating most were minor injuries.



**Figure 3 Injury severity**

11. The City Corporation is legally required (under the Reporting of Disease and Dangerous Occurrences Regulations (RIDDOR) 2013) to report certain accidents and incidents to the Health and Safety Executive (HSE). These

tend to be more serious accidents or where a member of public is taken to hospital for any treatment.

12. During the reporting period 2016 to 2018 there were 32, 35 and 21 reportable (under RIDDOR) accidents/incidents respectively. This totalled 88 over the three-year period. Thirty-four of these RIDDOR reportable accidents to our employees involved over 7-day incapacitations where staff were unable to work or do their normal duties for more than seven days.

13. The top five reasons for all accidents (where injury has occurred) during 2016 – 2018 were:

- Slips, trips fall on the same level (26%)
- Injured while handling, lifting or carrying (17%)
- Hit by moving, flying or falling object (16%)
- Hit something fixed or stationary (9%)
- Falls from height\*\*\* (9%)

\*\*\*Note: Falls from height is very broad category and includes falls on stairs, off vehicles, bikes and horses.

14. The top five reporting departments in order during 2016 to 2018 were:

1. Markets and Consumer Protection
2. Open Spaces
3. Guildhall School of Music and Drama
4. Barbican Centre
5. Children's and Community Services

## **Conclusion**

15. 2018 saw an overall increase in accident/incident numbers compared to the previous two calendar years. There is an increase in the reporting of incidents including incidents of minor damage to property, near misses and those for the record only. Most accidents across all departments resulted in minor injuries however, eighty-eight warranted reporting to the Health and Safety Executive under RIDDOR over a three-year period.

16. Accidents and incidents are investigated, and the lessons learned are shared across the City Corporation. There continues to be good reporting of incidents which did not result in injuries and this points to a positive, open culture around health and safety, and the reporting of near misses and less serious incidents.

## Appendices

- None

## Further information

### City Corporation: -

- [Accident / Incident Reporting Procedure](#)
- [Accident / Incident Investigation Guidance](#)
- [Guidance on Schools Accident / Incident Reporting](#)

### Health and Safety Executive Statistics:

- From: <http://www.hse.gov.uk/statistics/> [Last accessed 25.01.2019]

## Definitions:

### Accident

An event that results in injury or ill health

### Near miss Incident

An event that, while not causing harm, has the potential to cause injury or ill health

### For the Record Only

Certain incidents not arising out of, or in connection with work where a record may be required such a medico incident where a member of the public becomes unwell

## Reporting of Injuries Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013

[RIDDOR](#) is the law that requires employers, and other people in control of work premises, to report and keep records of:

- work-related accidents which cause death;
- work-related accidents which cause certain serious injuries (reportable injuries);
- work-related accidents which lead to incapacitation for over 7-days or more
- diagnosed cases of certain industrial diseases;
- certain 'dangerous occurrences' (incidents with the potential to cause harm);
- there are also special requirements for gas incidents

Note: The threshold for reporting accidents involving non-employers / members of public are different for those involving employees.

**Justin Tyas**, Health Safety and Wellbeing Manager (People)  
Town Clerks/Human Resources  
020 7332 1440

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<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	12 March 2019
<b>Subject:</b> Annual Governance Statement – Methodology	<b>Public</b>
<b>Report of:</b> The Town Clerk and the Chamberlain	<b>For Decision</b>
<b>Report author:</b> Tom Conniffe, Corporate Performance Manager	

## Summary

The City of London Corporation is required to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) alongside the annual Statement of Accounts.

This report proposes that the production of the AGS for 2018/19 follows the process established in previous years and drafted jointly by officers from the Town Clerk's and Chamberlain's Departments to reflect the need for corporate ownership. As part of this process, officers will consider the progress made in implementing the future developments identified in last year's AGS.

The draft AGS will be presented for approval to this Committee in May 2019, accompanied by a schedule of supporting evidence. If approved it will be signed by the Chair of the Policy and Resources Committee and the Town Clerk and Chief Executive.

## Recommendation(s)

Members are asked to:

- Consider and approve the methodology set out in this report for the production and presentation of the Annual Governance Statement for 2018/19, and
- Consider whether any additional areas should be added to the Annual Governance Statement for 2018/19.

## Main Report

### Background

1. The AGS is required by the Accounts and Audit Regulations 2015 and prepared in accordance with proper practice guidance. It has to be approved each year by an appropriate committee of the authority and signed by the most senior member and the most senior officer. In 2012, the Policy and Resources Committee considered a report on the process for producing the AGS, and approved the practice whereby the AGS is approved by the Audit and Risk Committee and then signed by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.

2. The AGS is published on the City of London website, and reviewed by an external auditor. The external auditor is required to report if the AGS does not comply with proper practices, or if it is misleading or inconsistent with other information the external auditor is aware of from the audit of the Statement of Accounts. To date the external auditor has been content with the City Corporation's AGS.

### **Current Position**

3. The AGS for 2017/18 was approved by Audit and Risk Committee in May 2018. A supporting schedule of assurances was also presented to your Committee. This report outlines the proposed methodology for the production of the AGS for the financial year 2018/19.

### **Proposals**

#### Format:

4. It is proposed that the AGS for 2018/19 will follow a similar format to that used in previous years. This includes standard paragraphs in the first two sections: Scope of Responsibility and The Purpose of the Governance Framework. The other sections generally follow a standard structure with a description of the key controls/processes followed by a summary of key developments during the year. The AGS also includes a section on the work of the Audit and Risk Management Committee. An outline of the draft 2018/19 AGS, following this format, is attached at Appendix 1.
5. It is proposed that the draft AGS be presented to this Committee in the same format as last year, i.e. showing all of the additions, amendments and deletions as "track changes" from the approved and published 2017/18 statement.

**Members are requested to approve these proposals for the production and presentation of the Annual Governance Statement for 2018/19.**

#### Content:

6. The AGS is concerned with corporate controls and governance, rather than being confined to financial issues. To emphasise the need for corporate ownership, the AGS will be produced jointly by officers from the Town Clerk's and Chamberlain's Departments, as in previous years.
7. In producing the statement, officers will review the balance between the standing information on the internal control framework, and changes implemented during 2018/19, taking into consideration the overall length of the statement. The outcomes in respect of the Future Work Programme identified in the 2017/18 AGS (listed in Appendix 1) will be incorporated into the relevant sections.
8. In previous years, Members have made suggestions as to additional items that should be included in the AGS.

**Members are requested to consider whether any additional areas should be added to the AGS for 2018/19.**

#### Timetable:

9. In recognition of the importance of the AGS as a corporate document, CIPFA states that it is essential that there is buy in at the top level of the authority. It is therefore proposed to present the draft AGS as follows:
- April 24: Summit Group.
  - May 7: Audit and Risk Management Committee
  - May 31: City Fund Statement of Accounts due for publication

#### Supporting Evidence:

10. It is proposed that an updated supporting schedule of assurances is presented to Members with the draft AGS, in the same format as that used in 2017/18. This demonstrates the wide range of on-going assurance provided to Members generally during the period covered by the AGS. In particular, this will provide assurance to Members of the Audit and Risk Management Committee regarding governance issues that fall within the remit of other Boards or Committees.

### **Delivering Good Governance in Local Government**

11. Following consultation in 2015, CIPFA and Solace introduced a new governance framework for local government in 2016. The framework requires councils to produce an AGS, published with the annual accounts, to report publicly on how they have complied with their governance code and describe any governance issues, including how they will be addressed.

12. The framework states that an AGS should include:

- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
- reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate;
- an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
- reference to how issues raised in the previous year's AGS have been resolved, and
- a conclusion – a commitment to monitoring implementation as part of the next annual review.

13. The framework also states that the AGS should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority, and should be approved at a meeting of the authority or delegated committee. Local authorities are required to include the AGS with their statement of accounts.

## **Appendices**

- Appendix 1 – Outline Annual Governance Statement 2018/19

## **Background Papers**

- CIPFA/SOLACE - Delivering good governance in Local Government:
  - Framework (2016 Edition)
  - Guidance Note for English Authorities (2016 Edition)

## **Tom Conniffe**

Corporate Performance Manager

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## **ANNUAL GOVERNANCE STATEMENT 2018/19: OUTLINE**

### **Scope of Responsibility**

1. The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK. It aims to contribute to a flourishing society, support a thriving economy and support outstanding environments. Its unique franchise arrangements support the achievement of these aims.
2. Although this statement has been prepared to reflect the City of London Corporation in its capacity as a local authority and police authority, the governance arrangements are applied equally to its other funds – City’s Cash and Bridge House Estates.
3. The City of London Corporation (“the City”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively; and that arrangements are made to secure continuous improvement in the way its functions are operated.
4. In discharging this overall responsibility, the City is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
5. The City has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on the City’s website at [www.cityoflondon.gov.uk](http://www.cityoflondon.gov.uk). This statement explains how the City has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

### **The Purpose of the Governance Framework**

6. The governance framework comprises the systems and processes by which the City is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the City to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
7. The system of internal control is a significant part of that framework and is designed to manage all risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable rather than absolute assurance of effectiveness. The City’s system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the City’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
8. The governance framework has been in place at the City for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

### **Key Elements of the Governance Framework**

Code of Corporate Governance

Standards Committee

Business Strategy and Planning Process

Information Management Strategy

Financial Management Arrangements

Risk Management

Health & Safety

Business Continuity  
Role of Internal Audit  
Performance Management  
Audit and Risk Management Committee

## Review of Effectiveness

## Head of Internal Audit's Opinion

## Future Developments

**NB:** The following items constitute the Future Work Programme from the 2017/18 Annual Governance Statement (see paragraph 7 of the covering report):

- Review the City Corporation's governance arrangements against the requirements of the CIPFA/Solace framework *Delivering Good Governance in Local Government 2016*.
- Roll out the refreshed Corporate Plan, for the period 2018-23, and both develop and begin collecting data against a set of outcome-based measures for the whole City Corporation, that demonstrate impact and progress towards delivering the Plan.
- Undertake an annual update for the registration and publication of declarations of interest by the City Corporation's Members and Co-opted Members.
- Deliver the benefits from the programme of cross-cutting efficiency and effectiveness reviews resulting from the service-based review, the 2% budget efficiency target and the Chief Officer Peer Reviews.
- Publish a new Information Management (IM) Strategy with recommendations for an Information Management Operating Model, which will require:
  - the set-up of an IM organisation with additional job roles.
  - a change to the method of information management in the City Corporation.
  - specific projects and "units of work" to be delivered in 2018/19.
- Implement the new risk appetite framework for the City Corporation, which reflects its capacity to manage risk and willingness to take risk in order to meet the strategic objectives.
- Review the corporate risk register following the adoption of the City Corporation's new Corporate Plan.
- Review project and programme governance arrangements, to improve the handling of corporate and departmental projects, including reviewing the terms of reference of relevant governance groups and a process for escalating risks to the appropriate levels.
- Investigate ISO22301 accreditation for our business continuity services.
- Extend the remit of the Audit & Risk Management Committee to undertake periodic reviews of the risk management procedures, financial capabilities, controls, and safeguarding procedures of the City of London School, the City of London School for Girls, the City of London Freeman's School, the City of London Academies Trust (including its embedded academies) and the City Academies that are free-standing entities.

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

John Barradell  
 Town Clerk and Chief Executive  
 Date:

Catherine McGuinness  
 Chair, Policy and Resources Committee  
 Date:

<b>Committee(s)</b>	<b>Dated:</b>
Digital Services subcommittee Audit and Risk Management Committee	4 <sup>th</sup> February 2019 12 <sup>th</sup> March 2019
<b>Subject:</b> General Data Protection Regulation (GDPR/Data Protection Act 2018 (DPA))	<b>Public</b>
<b>Report of:</b> Michael Cogher, Comptroller & City Solicitor	<b>For Decision</b>
<b>Report author:</b> Michael Cogher, Comptroller & City Solicitor	

## Summary

This report provides a general update on the progress of phase 2 of the GDPR/DPA Implementation Project and the planned outcomes for the final phase of the work to embed GDPR/DPA implementation into the Corporation.

## Recommendations

1. Members are asked to note the report.
2. To determine the frequency of further GDPR/DPA monitoring reports in particular in relation to data breaches.

## Introduction

1. This Report outlines the status of phase 2 of the GDPR/DPA project. Including the steps taken to address the recommendations of the internal audit by Mazars previously reported to Committee.

## GDPR Project Progress

2. Phase two of the GDPR project commenced on 25 May 2018 and has been extended to 31 March 2019. This is to further assist departments to embed GDPR compliance with the following priorities identified in the May 2018 Mazars' GDPR compliance audit:
  - Reviewing third party contracts for GDPR compliance/data processing agreements.
  - Reviewing and refining the overarching Corporation records retention policy and developing detailed departmental records retention policies.

The GDPR Project Team identified the following additional priority:

- Auditing departmental compliance with GDPR requirements via a Compliance Monitor system, advising and further embedding GDPR compliance as business as usual.

## **GDPR Departmental Compliance Monitor**

3. All Departments which process high-volume potentially high-risk personal data were issued with a self-audit template in November 2018 which covers the key activities, processes and arrangements that are required to ensure GDPR/DPA compliance. All audits have been completed by the departments listed below:

Markets and Consumer Protection

DBE

City Surveyors

CoL School – Boys / CoL School – Girls / CoL Freeman's School

DCCS and Community Safety

Open Spaces

Human Resources

Remembrancers

Chamberlains

The following departments/teams are due to complete the self-audit by the end of February 2019:

Electoral Services

Comptroller & City Solicitor

Mansion House

Central Criminal Court

Contact Centre

Culture and Libraries

Economic Development

Occupational Health

Guildhall School of Music & Drama

4. The GDPR team undertook a full analysis and audit of the completed returns and produced a compliance monitor; in terms of the core tasks which need to be completed to achieve full compliance as at 21<sup>st</sup> January 2019, 51 % are fully implemented, 32% are partially implemented, only 2 % are not yet started and 15% do not apply to the department in scope. For example, processing of children's data and use of electronic communications used for marketing are not applicable to most departments. The current Self-Audit Monitors are updated every two months with the next return due at the end of February. A RAG summary of the departmental compliance self-audits is attached at Appendix 1. An example of a compliance self-audit is attached as Appendix 2.
5. Work is being undertaken with the responsible officers in each department (Access to Information Representatives (AIN)) and line managers to move partially implemented actions to fully implemented status during February. This is to ensure that work commences on the 2% of activities not yet started.
6. IT Services are covered by two separate monitors, one which covers the GDPR specific compliance tasks and a second for Systems and Data Security.



### **Third Party Contractors/Data Processors**

7. This is an area rated as high priority by the Mazar's audit. The standard data protection provisions for Contractors/Data Processors was revised and has now been incorporated into all new contracts. All existing Contractors/Data Processors were issued with a written request to confirm that they are GDPR compliant and agreements have been amended where appropriate, of the 29 contracts which were outstanding in November 2018, all have reviewed, and appropriate amendments made. In some cases, contracts have been terminated or no longer used. This work is completed but data processing arrangements will continue to be audited using the compliance monitor.

### **Records retention policy and schedules.**

8. The perceived lack of a record retention schedule was rated as a high priority in the Mazar's audit. Good progress has been made by departments in putting revised retention schedules in place, it is acknowledged that some departments have more complex records than others.
9. All but three departments have finalised data retention schedules in place. City of London Girl's School, Markets and Consumer Protection and Open Spaces are currently finalising their data retention schedules.

### **Information governance**

10. Information governance was rated as low risk by the Mazar's report.
11. GDPR Corporate Risk CR 25 was created, agreed by Audit & Risk Committee and continues to be actively managed, monitored and reported to both the Corporate Risk Management Group and to committee.
12. Project delivery is controlled at bi-weekly Project Team stage control meetings. These meetings monitor progress, capture GDPR issues and risks, assess required changes, associated corrective action and allocate work packages. The Project Team reports to the Information Management Board and Digital IS Steering Group, additionally update reports and revised policies are reported to Policy & Resources and Establishment Committees and to the Digital Services Committee.
13. Regular liaison with IT workstreams is taking place which are reported to the GDPR Project Team for action and to the Information Management Board.

### **Training and communication**

14. Six half day training sessions for AIN representatives and key staff were given by the Comptroller & City Solicitor and Senior Information Compliance Officer. In 2018 all AIN representatives have undertaken the initial training.

15. Further focused training has been provided to the HR Department, Remembrancer's Events Team and EDO. Quarterly AIN representatives' training and networking events have commenced with the third session taking place in April 2019.
16. Five training sessions for Members were delivered in 2018, and a Member's guidance booklet was substantially revised to incorporate GDPR requirements. Template forms were also issued including RoPA and Privacy notices. Newly elected Members are being offered individual briefing sessions.
17. A mandatory GDPR e-learning training package was launched on City Learning on 23 April 2018. Compliance levels were monitored by the Data Protection Officer and reported to Chief Officers. The current take-up is 94.44% as of the 8<sup>th</sup> February. Full details are provided in Appendix 3. Due to staff turnover 94% constitutes a high level of compliance but the position will be kept under review. The ICO's expectation is that staff should have received training within the last two years.

## **Data Breaches**

18. Under GDPR there is a duty to notify the ICO of data breaches posing a risk to individuals' rights without undue delay, and where feasible within 72 hours of becoming aware of the breach. Where there is a high risk to data subjects they must also be informed. The Corporation has suitable arrangements in place for dealing with data breaches. Since 25<sup>th</sup> May to 20<sup>th</sup> February there have been 60 breaches notified to the Data Protection Officer. Of those 60, 7 were judged to be notifiable to the ICO. The ICO has responded to all 7 indicating no action will be taken.
19. Of the 7, two related to mechanical problems with payslips/P60s; one to an email held on an outlook folder which was visible to third parties; one to a phishing attack; one to third party data sent to the incorrect applicant as part of the recruitment process and two due to insecure use of post. In all cases departments have been advised of appropriate steps to be taken to prevent future occurrences. Data Subjects were notified in 6 cases. Additionally, of the 7 reported to the ICO, 2 were in relation to activities undertaken by a processor on behalf of the Corporation.
20. The breach notification policy has been revised to provide that the Town Clerk, relevant Chief Officer(s), the Chairman of the Digital Services Committee and the relevant service committee Chairmen are notified of breaches notified to the ICO.
21. Members may wish to receive separate and more detailed reports, for example on a six-monthly basis on data breaches.

## **Conclusion**

22. GDPR places significant obligations on the Corporation in relation to the processing of personal data to protect the rights and freedoms of everyone.

23. The GDPR project has made significant progress after achieving material compliance with GDPR requirements in May 2018. We are on target to meet the date of 31<sup>st</sup> March 2019 to close the project and move to business as usual. A final compliance audit will be undertaken by Mazars and has been scheduled for May 2019. The Information Compliance Team will continue to monitor and audit departmental compliance with GDPR/DPA, but ownership and management of compliance will rest with departments with advice, training, support and monitoring provided by the Data Protection Officer.

## **Appendices**

1. GDPR Compliance Monitor RAG Summary
2. Sample Departmental GDPR self-audit template
3. GDPR e-learning take up

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## RAG Summary of Phase One GDPR Self Audit Monitor Returns

v0.4 February 2019

	Dept / Compliance Action															M&CP		DRE		City Surveyors				Schools			DCCS & Comm Safety						Open Spaces						HR	Remembrancers				Chamberlains (Non IT)							IT Services
	Billinggate	Smithfield	New Spitalfields	Port Health & Public Protection	Transportation & Public Realm	District Surveyor	Planning Policy	Planning & Development Mgt.	Operations Group	Corporate Property Group	Investment Property Group	Projects	Business Performance & Directorate	CPAT	Col.S	Col.G	Fremens	People	Barbican Estates	Housing & Neighbourhoods	Housing Benefits	Barbican and Comm Libraries	Commissioning & Partnerships	Property	Public Health	Community Safety	The Commons	Epping Forest	Directorate	Cemetery and Crematorium	WH Park and City Gardens	H Heath / Highgate Wood / QP / KH	All	Busines Support	Parliamentary Council	Parliamentary Briefings Manager	City Events	Private Events	City Proc	Anti Fraud	City Revenues	Corp Treasury	Pensions	Dept faaing finance units	Payroll	Corp Accountancy	Chamb Court	Directorate	IT Non Systems and Data Security		
GDPR Risks																																																			
Areas where there are risks to GDPR compliance such as insecure data handling are notified to AIN reps and the Compliance Team.																																																			
Awareness - Communication & Guidance																																																			
Any job-specific training needs are identified and being managed																																																			
All staff are aware of the GDPR issues and queries process																																																			
ROPA and Records Management																																																			
Records Retention Schedule in place																																																			
Process for updating Retention Schedule is in place																																																			
ROPA in place																																																			
Process for updating ROPA is in place																																																			
Communicating privacy information																																																			
Privacy notices (how the City of London Corporation as a data controller collects and uses personal information) are in place																																																			
Lawful basis for processing personal data - consent																																																			
Records are kept for where consent has been received from the data subject																																																			
Contracts																																																			
There are written agreements in place for new contracts with third party service providers and processors, including those who process personal data on behalf of the City of London Corporation as a data controller, that ensure the personal data that they access and process is protected and secure.																																																			
Data Subjects Rights																																																			
All relevant staff are aware of the process for an individuals' requests to access their personal data (SAR , Right to Access )																																																			
Guidance is in place to respond to individuals' other rights																																																			
Right to rectification																																																			
Right to Erasure																																																			
Right to Restriction																																																			
Right to Data Portability																																																			
Right to Object																																																			
Right to Object to Automated Decision Making / Profiling																																																			
Guidelines for processing children's data are in place																																																			
Data Protection																																																			
All staff have read the Col. Data Protection Policy 2018																																																			
All staff are aware of the Data Protection Impact Assessment Procedure & Guidance																																																			
All relevant staff are aware of the process for identifying and reporting a Data Protection breach																																																			
Electronic communications conform to PECR (Privacy and Electronic Communications Regulations) i.e marketing by phone, email, text ; use of cookies or a similar technology on the Col. website; or compiling a telephone directory (or a similar public directory)																																																			
Guidance in place for transferring data securely outside of the EU																																																			
Guidance in place for transferring data securely between Col. and 3rd parties																																																			
All staff have read the Col. Security Policy - People																																																			
IT Services - Systems and Data Security																																																			
Secure storage arrangements are in place and documented to protect records and equipment in event of loss, damage, theft or compromise of personal data.																																																			
Documented procedure in place to securely dispose of records and equipment when no longer required.																																																			
Hardware and software assets are documented; management policy in place																																																			
Security of mobile working and the use of mobile computing devices in place.																																																			
New and existing hardware configured to reduce vulnerabilities and provide only the functionality and services required.																																																			
Controls in place to manage the use of removable media in order to prevent unauthorised disclosure, modification, removal or destruction of personal data stored on it.																																																			
User accounts to authorised individuals set up to provide the appropriate permissions and access to information.																																																			
Password security policy and rules' in place to detect any unauthorised access or anomalous use.																																																			
Anti-malware defences in place to protect computers from malware infection.																																																			
Routine back-up of electronic information in place to help restore information in the event of disaster.																																																			
User and system activity logged and monitored to identify and help prevent data breaches.																																																			
Security patching policy is place to prevent the exploitation of technical vulnerabilities																																																			
Boundary firewalls in place to protect computers from external attack																																																			
Personal data (structured and unstructured) and information under management to identify / rectify potential risks to security (Data Discovery)																																																			
Key																																																			
Not yet started																																																			
Partially implemented																																																			
Fully implemented																																																			
Not applicable to this department																																																			

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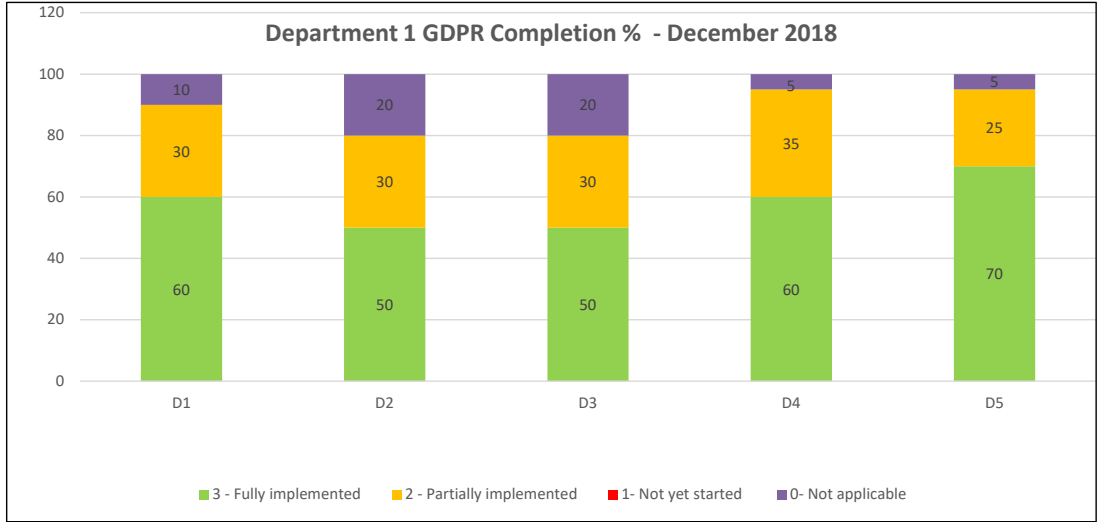
Example GDPR Self-Audit Monitor. Dummy information for demonstration purposes only.

GDPR Departmental Self-Audit Monitor						Exceptions
Department : 1 Reporting Period: February 2019	D1	D2	D3	D4	D5	
Compliance Action	Enter a number between 0-3 using the definitions below against each compliance action					
<b>GDPR Risks</b>						
Areas where there are risks to GDPR compliance such as insecure data handling are notified to AIN reps and the Compliance Team.	3	3	3	3	3	
<b>Awareness - Communication &amp; Guidance</b>						
Any job-specific training needs are identified and being managed	2	2	2	2	2	New system being introduced : staff to receive additional training
All staff are aware of the GDPR issues and queries process	3	3	3	3	3	
<b>ROPA and Records Management</b>						
Records Retention Schedule in place	3	3	3	3	3	
Process for updating Retention Schedule is in place	2	2	2	2	2	Team meeting to review these
ROPA in place	3	3	3	3	3	
Process for updating ROPA is in place	3	3	3	3	3	
<b>Communicating privacy information</b>						
Privacy notices (how the City of London Corporation as a data controller collects and uses personal information) are in place	3	0	0	3	3	
<b>Lawful basis for processing personal data - consent</b>						
Records are kept for where consent has been received from the data subject	3	0	0	3	3	
<b>Contracts</b>						
There are written agreements in place for new contracts with third party service providers and processors, including those who process personal data on behalf of the City of London Corporation as a data controller, that ensure the personal data that they access and process is protected and secure.	0	0	0	2	3	
<b>Data Subjects Rights</b>						
All relevant staff are aware of the process for an individuals' requests to access their personal data (SAR , Right to Access )	2	2	2	2	2	Compliance team to resend policy document.
Guidance is in place to respond to individuals' other rights						Compliance team to resend policy document.
Right to rectification						
Right to Erasure						
Right to Restriction						
Right to Data Portability						
Right to Object						
Right to Object to Automated Decision Making / Profiling						
Guidelines for processing children's data are in place	0	0	0	0	0	
<b>Data Protection</b>						
All staff have read the CoL Data Protection Policy 2018	3	3	3	3	3	
All staff are aware of the Data Protection Impact Assessment Procedure & Guidance	3	3	3	3	3	
All relevant staff are aware of the process for identifying and reporting a Data Protection breach	3	3	3	3	3	
Electronic communications conform to PECR (Privacy and Electronic Communications Regulations) i.e marketing by phone, email, text ; use of cookies or a similar technology on the CoL website; or compiling a telephone directory (or a similar public directory)	2	2	2	2	3	Compliance team to forward guidance notes
Guidance in place for transferring data securely outside of the EU	3	3	3	3	3	
Guidance in place for transferring data securely between CoL and 3rd parties	3	3	3	3	3	
All staff have read the CoL Security Policy - People	2	2	2	2	2	Compliance team to resend policy document.

DO NOT ENTER DATA IN THESE CELLS					
Count	D1	D2	D3	D4	D5
3 - Fully implemented	60	50	50	60	70
2 - Partially implemented	30	30	30	35	25
1- Not yet started	0	0	0	0	0
0- Not applicable	10	20	20	5	5

**Supplementary Notes**  
These questions and definitions are largely taken from the ICO GDPR self-assessment tool

Completion Graph





Appendix 3 Table: Departments completion of the Data Protection E-Learning Programme, as of 4 February 2019

Department	Complete	Percentage	In Progress	Percentage	Not yet started	Percentage	Exempt	Percentage	Temporary Exempt**	Percentage	Total	Overall Percentage***
Barbican	369	81.64%	14	3.10%	38	8.41%	21	4.65%	10	2.21%	452	<b>88.50%</b>
CCC/Mansion House	143	96.62%	0	0.00%	3	2.03%	2	1.35%	0	0.00%	148	<b>97.97%</b>
Chamberlain's	291	95.41%	4	1.31%	2	0.66%	6	1.97%	2	0.66%	305	<b>98.03%</b>
City Surveyors Department	239	89.51%	1	0.37%	3	1.12%	20	7.49%	4	1.50%	267	<b>98.50%</b>
Comptroller's and City Solicitors	61	96.83%	0	0.00%	0	0.00%	2	3.17%	0	0.00%	63	<b>100.00%</b>
Dept. of the Built Environment	256	96.97%	4	1.52%	0	0.00%	4	1.52%	0	0.00%	264	<b>98.48%</b>
Dept. of Communities and Children's Services	339	81.88%	4	0.97%	9	2.17%	57	13.77%	5	1.21%	414	<b>96.86%</b>
Guildhall School of Music and Drama	288	87.27%	17	5.15%	22	6.67%	2	0.61%	1	0.30%	330	<b>88.18%</b>
Markets and Consumer Protection	255	91.40%	1	0.36%	2	0.72%	19	6.81%	2	0.72%	279	<b>98.92%</b>
Misc.****	4	50.00%	0	0.00%	4	50.00%	0	0.00%	0	0.00%	8	<b>50.00%</b>
Open Spaces	331	68.67%	6	1.24%	30	6.22%	113	23.44%	2	0.41%	482	<b>92.53%</b>
Remembrancers	31	93.94%	0	0.00%	1	3.03%	1	3.03%	0	0.00%	33	<b>96.97%</b>
Schools*	521	89.67%	10	1.72%	25	4.30%	15	2.58%	10	1.72%	581	<b>93.98%</b>
Town Clerks Department	380	89.83%	7	1.65%	18	4.26%	9	2.13%	9	2.13%	423	<b>94.09%</b>
<b>Total</b>	<b>3508</b>		<b>68</b>		<b>157</b>		<b>271</b>		<b>45</b>		<b>4049</b>	

\* The totals provide for schools, is a combined total for the city of London School, City of London School for Girls and the City of London Freeman's School.

\*\* Those marked temporary exempt will need to complete the course on their return to work, for example they are on a period of long term absence, maternity leave, etc.

\*\*\* The overall percentage is a combined total of those who have completed the course, have been made exempt or are temporarily exempt.

\*\*\*\* Anyone who has not been assigned a department e.g. Contractors

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<b>Committee:</b>	<b>Date:</b>
Financial Investment Board Audit and Risk Management Committee	22 November 2018 12 March 2019
<b>Subject:</b>	<b>Public</b>
Mid-Year Treasury Management Review 2018-19	
<b>Report of:</b>	<b>For Information</b>
The Chamberlain	
<b>Report author:</b>	
James Graham – Chamberlain's Dept.	

## Summary

The Treasury Management Strategy Statement and Annual Investment Strategy for 2018/19 was approved by the Financial Investment Board and the Finance Committee in February 2018 and by the Court of Common Council on 8 March 2018 and came into effect on 8 March 2018. This allowed the City to make investments of £50M each in two short dated bond funds (Legal & General and Royal London) before the end of the financial year.

Under CIPFA's Code of Practice on Treasury Management, which was adopted by the Court of Common Council on 3 March 2010, there is a requirement to provide a mid-year review. The main points to note are as follows:

- As at 30 September 2018, the City had cash balances totalling £885.4m. Most of the balances are held for payment to third parties or are restricted reserves.
- No approved counterparty limits were breached during the first half of 2018/19 and the City has experienced no liquidity concerns.
- A total of £100M has been invested in two short dated bond funds
- There may be a requirement to undertake external borrowing on behalf of City's Cash during 2018/19 but this is under review. At this stage it is not anticipated that City Fund will require any external borrowing during the remainder of the financial year.

## Recommendation

Members are asked to note the report.

## **Main Report**

### **Introduction**

1. The City of London Corporation (the City) is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the City's low risk appetite, providing adequate liquidity initially before considering investment return.
2. The second main function of the treasury management service is the funding of capital expenditure plans. The City anticipates that there may be a requirement to undertake external borrowing on behalf of City's Cash for capital purposes 2018/19. The City does not at this stage anticipate any external borrowing in the remainder of 2018/19 in respect of the City Fund.
3. The City's treasury management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) which was adopted by the Court of Common Council on 3 March 2010.
4. The City defines its treasury management activities as:

*The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

### **Treasury Management Strategy Statement and Annual Investment Strategy Update**

5. The Treasury Management Strategy Statement and Annual Investment Strategy for 2018/19 was approved by the Financial Investment Board (1 February 2018), the Finance Committee (20 February 2018) and the Court of Common Council (8 March 2018).
6. It came into effect on 8 March 2018 thus allowing the City to invest £50M each into two short dated bond funds, one with Legal & General and one with Royal London prior to the end of the financial year.

### **Investment Portfolio**

7. It is the City's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with its risk appetite. The pace of increases to the Bank of England's base rate remains the key determinant driving returns in the UK sterling money markets. The Bank's Monetary Policy Committee increased interest rates from 0.5% to 0.75% at its meeting in August 2018, and the change has subsequently led to a marginal improvement in the

returns available on the City's treasury investments. However, interest rates remain at historic lows compared to the previous decade and this situation continues to depress the City's investment income.

8. The City held £885.4m of investments as at 30 September 2018 (£790.5m at 31 March 2018). Most of the balances are held for payment to third parties or are restricted reserves. The average rate of return on the City's treasury management portfolio at the end of September was 0.82%.
9. No approved counterparty limits were breached during the first half of 2018/19 and the City has experienced no liquidity concerns. The Treasury Management Strategy remains appropriate in enabling the City to pursue its prime objectives of security and liquidity, followed by yield.

### **Regulatory Guidance**

10. The regulatory framework for treasury management in local government was updated in December 2017 and February 2018, with several key documents being revised including:
  - The Ministry of Housing, Communities and Local Government's Statutory Guidance on Local Government Investments (2018)
  - MHCLG's Statutory Guidance on Minimum Revenue Provision (2018)
  - The CIPFA Treasury Management Code of Practice (2017)
  - The CIPFA Prudential Code for Capital Finance (2017)
11. Local authorities must follow the statutory guidance in their first strategies presented to full Council after 1 April 2018 and comply with the CIPFA codes from 2019/20. Therefore, the City will adopt full compliance in the 2019/20 Treasury Management Strategy Statement and Annual Investment Strategy.

### **Borrowing Strategy**

12. The City anticipates that there may be a requirement to undertake external borrowing on behalf of City's Cash for capital purposes in 2018/19 and proposals are currently under review. The City does not at this stage anticipate any external borrowing in the remainder of 2018/19 in respect of the City Fund.

### **Economic Review**

13. A detailed commentary on the economy and interest rates as provided by Link Asset Services (the City's Treasury Management advisors) can be found at Appendix 1.
14. With the domestic economy developing broadly in line with the Bank of England's expectations in Q2, the Monetary Policy Committee voted unanimously to increase Bank Rate from 0.50% to 0.75% in August 2018. Although growth has been modest in 2018, the Bank has employed some policy tightening to manage

above target inflation. The Bank now expects GDP to grow by 1.3% for 2018 as a whole and 1.7% in 2019.

15. Following the MPC's November meeting, the City's treasury management advisors, Link, issued revised interest rate forecasts and now expect the Bank of England to increase base rates to 1.00% in May 2019 (previously August 2019). The MPC has repeatedly stated that any interest rate increases will be gradual. There remains uncertainty over the UK's withdrawal from the European Union and this, amongst other risks, could have an impact on the direction of any interest changes. A summary of salient risks to the forecast is included in Appendix 1.

## **Conclusion**

16. The City has effectively executed the 2018/19 Treasury Management Strategy during the first six months of the year. The investment strategy remains appropriate for the second half of the year.

## **Appendices**

Appendix 1 – Economy and Interest rates Commentary

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## Commentary on the Economy and Interest Rates provided by Link Asset Services

### Economics update

**UK.** The first half of 2018/19 has seen UK **economic growth** post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase **Bank Rate** on 2<sup>nd</sup> August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.3% in 2018, the Bank of England's November Quarterly Inflation Report forecast that growth will pick up to 1.7% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to 2.1%, near the 2% inflation target, over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second quarter of 2019.

As for the **labour market**, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

**USA.** President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in

inflationary pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

**EUROZONE.** Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

**JAPAN** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

### Interest rate forecasts

The City's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View														
	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. However, in view of the hawkish stance of the MPC in November, we have moved forward our first increase in



Bank Rate from August 2019 to May 2019. The next increases then occur in February and November 2020 before ending up at 2.0% in February 2022. Financial markets are now expecting a first increase in February 2019 and then further increases only in February 2020 and then May 2021, to end 21/22 at only 1.50%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

### **Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:**

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**, possibly **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. At the time of writing, the EU has rejected the proposed Italian budget and has demanded cuts in government spending which the Italian government has refused. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold Italian debt. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of

electoral support for both the CDU and SPD which could also undermine her leadership.

- **Other minority eurozone governments.** Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy**, this year, has also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. In October 2018, we have seen a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks**, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

#### **Upside risks to current forecasts for UK gilt yields and PWLB rates**

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Report to the Audit and Risk Management Committee

# CITY OF LONDON CORPORATION

Audit Planning: year ending 31 March 2019

IDEAS | PEOPLE | TRUST



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# WELCOME

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We have pleasure in presenting our Audit Planning Report to the Audit and Risk Management Committee of the City of London Corporation (the 'Corporation'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

In communicating with the Corporation, we consider those charged with governance of the other entities within the scope of this report to be informed about matters relevant to their charity, company or fund. Please let us know if this is not appropriate.

It summarises the planned audit strategy for the year ending 31 March 2019 in respect of our audit of the financial statements of the City Fund, Pension Fund, Bridge House Estates, City's Cash, Guildhall School of Music and Drama, City's Cash Trusts, other Sundry Trusts and the Lord Mayor's Show; and our review of the arrangements in place for the use of resources of the City Fund. It comprising our proposed materiality levels, key audit risks and the planned approach to these, together with timetable and the BDO teams.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

This report contains matters which should properly be considered by the Court of Common Council. We expect that the Audit and Risk Management Committee will refer such matters to the Court, together with any recommendations, as it considers appropriate.

We look forward to discussing this plan with you at the Audit and Risk Management Committee meeting on 12 March 2019 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.

Leigh Lloyd-Thomas



28 February 2019

Fiona Condron



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Audit Assistant Manager

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This report has been prepared solely for the use of the Audit and Risk Management Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

# SCOPE

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This summary provides an overview of the significant audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the planned audit strategy for the Corporation for the year ending 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

### Audit scope

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and other guidance issued by the NAO and Charity Commission.

### City Fund

The scope of the City Fund audit, in exercising the Corporation's functions as a local authority, is determined by the NAO's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014.

This includes: auditing the financial statements included in the Statement of Accounts; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties.

### Pension Fund

The scope of the pension fund audit, as the administering authority providing the local government pension scheme for the Corporation and other scheduled and admitted bodies, is also determined by the NAO's Code of Audit Practice and the Local Audit and Accountability Act 2014.

This includes: auditing the financial statements included in the Statement of Accounts, and reviewing the pension fund annual report to check the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the Statement of Accounts.

### Bridge House Estates

Bridge House Estates is an unincorporated charity registered with the Charity Commission. The principal objective of Bridge House Estates is to maintain Tower Bridge, London Bridge, Southwark Bridge, Blackfriars Bridge and the Millennium Bridge. It may also use surplus funds to support other charitable activities across London.

### Bridge House Estates (continued)

The Corporation, as the Corporate Trustee, is responsible for preparing and filing an annual report and financial statements which show a true and fair view and are prepared in accordance with FRS 102 and the Charities SORP.

The Corporation has delegated responsibility in respect of management of this charity to various committees of the Common Council.

### City's Cash and Sundry Trusts

City's Cash is a fund of the Corporation that can be traced back to the 15th Century and has built up from a combination of properties, land, bequests and transfers under statute since that time. Investments in properties, stocks and shares are managed to provide a total return that supports the provision of services that are of importance nationally and internationally as well as to the City and Greater London.

There is no legislation that governs the reporting requirements for City's Cash and the Corporation has elected to prepare the financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The Sundry Trusts are unincorporated charities whose financial statements are prepared in accordance with FRS 102 and the Charities SORP.

### Guildhall School of Music and Drama (GSM&D)

Guildhall School of Music & Drama is a designated Higher Education (HE) institution and as such is required to produce a set of financial accounts for the year ended 31 July. The School is part of the City of London Corporation (not a separate legal entity) and as such is not required to produce full statutory accounts. The Income and Expenditure Account is prepared following the general format of the Further and Higher Education SORP. An independent accountant's report is required to cover "regularity" (use of OfS funds) and compliance with the Terms and Conditions of Funding for HEIs.

### Lord Mayor's Show Limited

The Lord Mayor's Show is a private company limited by guarantee with a 31 May year end whose financial statements are prepared in accordance with Company Law and FRS 102.

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### Materiality

As the main funds of the Corporation have custody of significant public assets through the ownership of property assets and managed investments that are used to generate income to support each fund, overall financial statements planning materiality has been determined by reference to a benchmark using Statement of Financial Position / Net Assets Statement for relevant assets.

We also consider that a misstatement at a lower level through income and expenditure would be material where this may impact on available resources to support each fund, or where significant transactions or classes of transaction would be important in understanding the financial performance. Therefore, we will apply a lower level of specific materiality to income and expenditure transactions in the performance statement / statement of financial activity for each of the main funds. Planning materiality has been based on balances and transactions disclosed in the prior year financial statements. Materiality will be revisited when the draft financial statements are received for audit.

The basis for setting materiality for the sundry trusts, is expenditure for all Trusts whose deficits are funded by City of London Corporation and gross assets for all other Trusts / entities. A lower specific materiality has been set for those entities whose items of income and expenditure are significantly lower than the asset base. Specific materiality is applied to those areas of the financial statements where a misstatement would normally affect net income before investment gains and losses.

Although materiality is the judgement of the engagement lead, the Audit and Risk Management Committee is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.

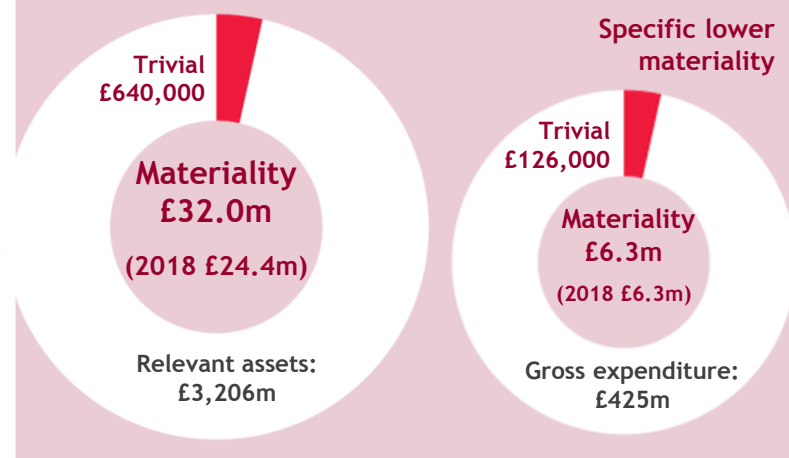
### City Fund

We have applied a benchmark total comprising the combined value of long term assets, managed investments and cash resources as a suitable value for materiality. Materiality has been set at 1% of this Balance Sheet amount.

We consider that a misstatement at a lower level through revenue expenditure would be material where this may impact on setting future council tax or HRA rent levels. Revenue reserves and resources available to the City Fund at 31 March 2018 was £122m million, comprising the General Fund balance £66m, Housing Revenue Account balance £4m and earmarked reserves £52m. Therefore, we will apply a lower specific level of materiality at 1.5% of gross expenditure (cost of services) to income and expenditure transactions in the Comprehensive Income and Expenditure statement (CIES) and Movement in reserves statement (MiRS) that impact on revenue resources to reduce the risk of material misstatements.

The clearly trivial amount is based on 2% of the materiality level.

### Financial statements materiality



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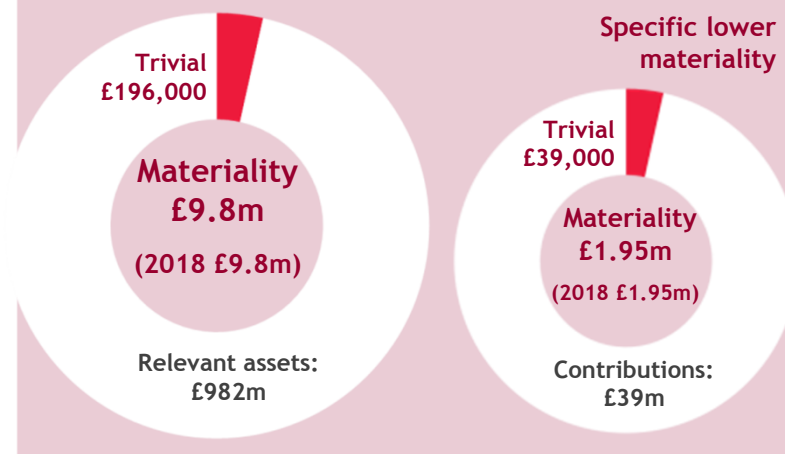
### Pension Fund

We have applied a benchmark total comprising the gross value of investment assets as a suitable value for materiality. Materiality has been set at 1% of this Net Asset Statement amount.

Specific materiality for the Fund Account, for income and expenditure classes of transactions, has been set at 5% of contributions receivable.

The clearly trivial amount is based on 2% of the materiality level.

### Financial statements materiality



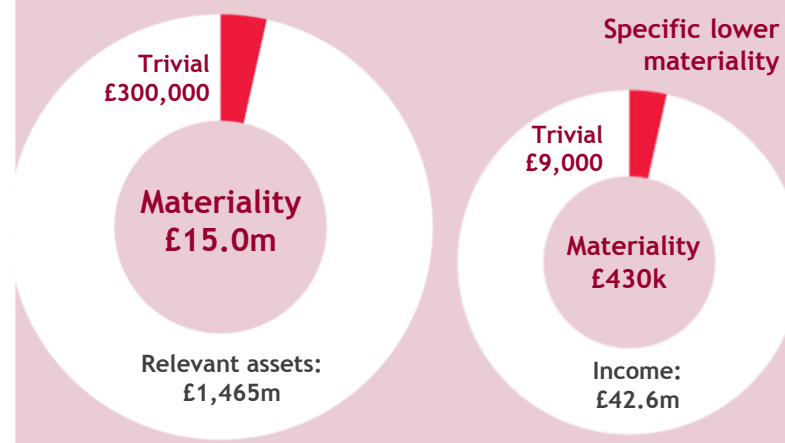
### Bridge House Estates

We have applied a benchmark comprising the gross assets of the charity as a suitable basis for materiality. Given the relative significance of the assets held by Bridge House Estates, and in line with BDO methodology taking into account that this is the first audit, materiality has been set at 1% of gross assets.

Specific materiality for the Statement of Financial Activities has been set at 1% of total income. BDO methodology suggests a possible range of 1-2% of income for specific materiality. The selected percentage reflects our judgement of a variety of aspects including our assessment of the level of public interest and the first year of our audit.

The clearly trivial amount is based on 2% of the materiality level.

### Financial statements materiality





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### City's Cash (and Sundry Trusts)

With respect to City's Cash, we have applied a benchmark comprising the gross assets as a suitable basis for materiality. Given the relative significance of the assets held by City's Cash, and in line with BDO methodology taking into account that this is the first audit, materiality has been set at 1% of gross assets.

Specific materiality for the Statement of Comprehensive Income of City's Cash has been set at 1% of gross income and the clearly trivial amount is based on 2% of the materiality level.

The materiality levels for the Sundry Trusts are based on 1.5% of expenses, for those entities whose deficits are funded by City of London Corporation, and 1.5% of gross assets for all other Trusts. Specific materiality is applied where appropriate. Further details are included in the appendices.

### Guildhall School of Music and Drama

We have applied a benchmark comprising the total income of the School as a suitable value for materiality. Materiality has been set at 1% of total income in line with BDO methodology taking into account that this is the first audit.

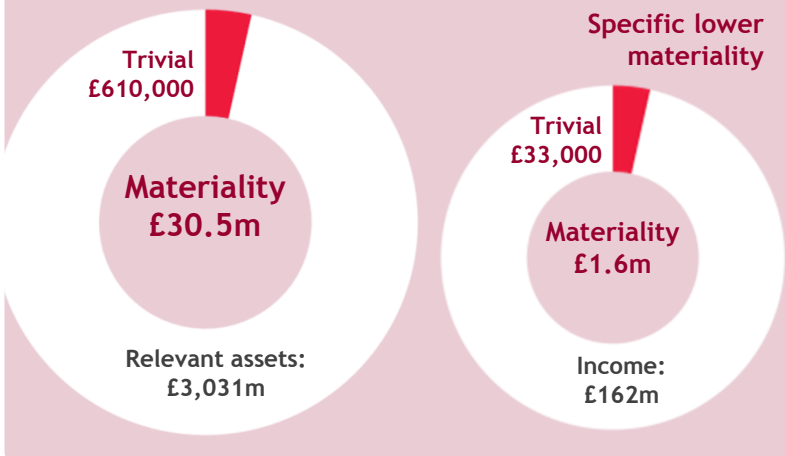
The clearly trivial amount is based on 2% of the materiality level.

### Lord Mayor's Show

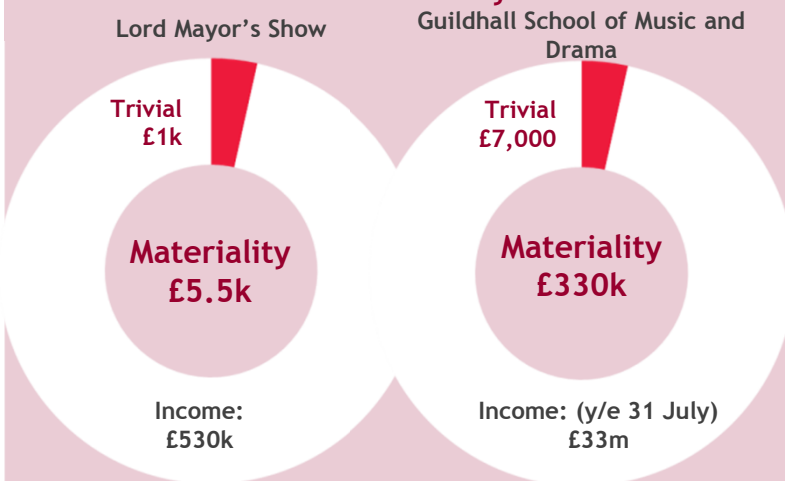
We have applied a benchmark comprising the total income of the company as a suitable value for materiality. Materiality has been set at 1.5% of total income.

The clearly trivial amount is based on 2% of the materiality level subject to a de-minimis limit of £1k which we seek the Committee's agreement to apply.

### Financial statements materiality



### Financial statements materiality



# AUDIT STRATEGY

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Our Audit Strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher, and (for City Fund) where there is a risk that the organisation has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have discussed the changes to the business, systems and controls in the year with management and obtained their own view of potential audit risks in order to update our understanding of each entity's activities and to determine which risks impact on the numbers and disclosures in the financial statements, or (for City Fund) on its arrangements for securing economy, efficiency and effectiveness in its use of resources.

A lower level of materiality is applied to the areas of the financial statements that are considered to be sensitive, such as senior management remuneration disclosures, auditor's remuneration disclosures and related party disclosures.

We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

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### Risk identified - Financial statements

■ Significant risk

■ Normal risk

	City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts	GSM&D	Lord Mayor's Show	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	■	■	■	■	■	■	■	Yes	Substantive	High
Revenue recognition	■	■	■	■	■	■	■	Yes	Substantive	High
Property, plant & equipment and investment property valuations	■	■	■	■	■	■	■	No	Substantive	High
Pension liability valuation	■	■	■	■	■	■	■	No	Substantive	High
Accounting for leases	■	■	■	■	■	■	■	No	Substantive	Medium
Acquisition of Barking Power Limited	■	■	■	■	■	■	■	No	Substantive	Medium
Fund accounting	■	■	■	■	■	■	■	No	Substantive	High
Investment valuations	■	■	■	■	■	■	■	No	Substantive	Medium
City's Cash basis of consolidation	■	■	■	■	■	■	■	No	Substantive	Medium
Classification and measurement of financial instruments (IFRS 9)	■	■	■	■	■	■	■	No	Substantive	Low
Revenue from contracts with customers (IFRS15)	■	■	■	■	■	■	■	No	Substantive	Medium
Non-collection allowances for receivables and arrears	■	■	■	■	■	■	■	No	Substantive	Medium
Related party transactions disclosure	■	■	■	■	■	■	■	No	Substantive	Low
Pension contributions	■	■	■	■	■	■	■	No	Substantive	Low
Pension benefits payable	■	■	■	■	■	■	■	No	Substantive	Low
NDR appeals provision	■	■	■	■	■	■	■	No	Substantive	Medium
NDR pooling arrangements	■	■	■	■	■	■	■	No	Substantive	Low

# AUDIT RISK OVERVIEW

## Executive summary

### Risk identified - Use of resources

■ Significant risk

■ Normal risk

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Detailed review

Sustainable finances

Detailed review

# INDEPENDENCE AND FEES

## Executive summary

### Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.



Fees	2018/19 £	2017/18 £
<b>Corporation audit fees</b>		
City Fund	80,000	<sup>(1)</sup> 106,275
Pension Fund	15,000	21,000
City's Cash and Sundry Trusts	100,000	<sup>(2)</sup> 91,260
Bridge House Estates	40,000	<sup>(2)</sup> 38,240
The Lord Mayor's Show	<sup>(6)</sup> 6,500	<sup>(4)</sup> 6,000
Heart of the City of London Ltd	<sup>(6)</sup> 3,500	-
<b>Subsidiaries audit fees</b>		
Barking Power Limited and Thames Power Services Limited	<sup>(5)</sup> 35,000	-
<b>Total audit fees</b>	<b>280,000</b>	<b>262,775</b>
<b>Non audit fees</b>		
- Grants and subsidy certification	16,000	<sup>(3)</sup> 18,326
- Report on Guildhall School of Music and Drama financial statements	8,000	<sup>(1)</sup> 10,000
<b>Non audit fees</b>	<b>24,000</b>	<b>28,326</b>
<b>Total fees</b>	<b>304,000</b>	<b>291,101</b>

<sup>(1)</sup> Our planned fees for 2017/18 were £86,383 but additional costs were incurred on some areas of the audit.

<sup>(2)</sup> Moore Stephens LLP were the appointed auditor for these audits in 2017/18 and we have reported their fees above.

<sup>(3)</sup> The final fees for grants and subsidy certification is subject to final agreement as additional work was required this year for testing of errors in the housing benefit subsidy return and corrections required to other returns.

<sup>(4)</sup> Prager Metis LLP were the appointed auditor for this audit in 2017/18 and we have reported their fees above.

<sup>(5)</sup> This is the indicative fee based on the initial scoping meeting with directors of these subsidiary companies.

<sup>(6)</sup> We have included additional fees for these entities not initially included in the tender specification.

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# OVERVIEW

Key components of our audit objectives and strategy for the Corporation are highlighted and explained on the following pages.

Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

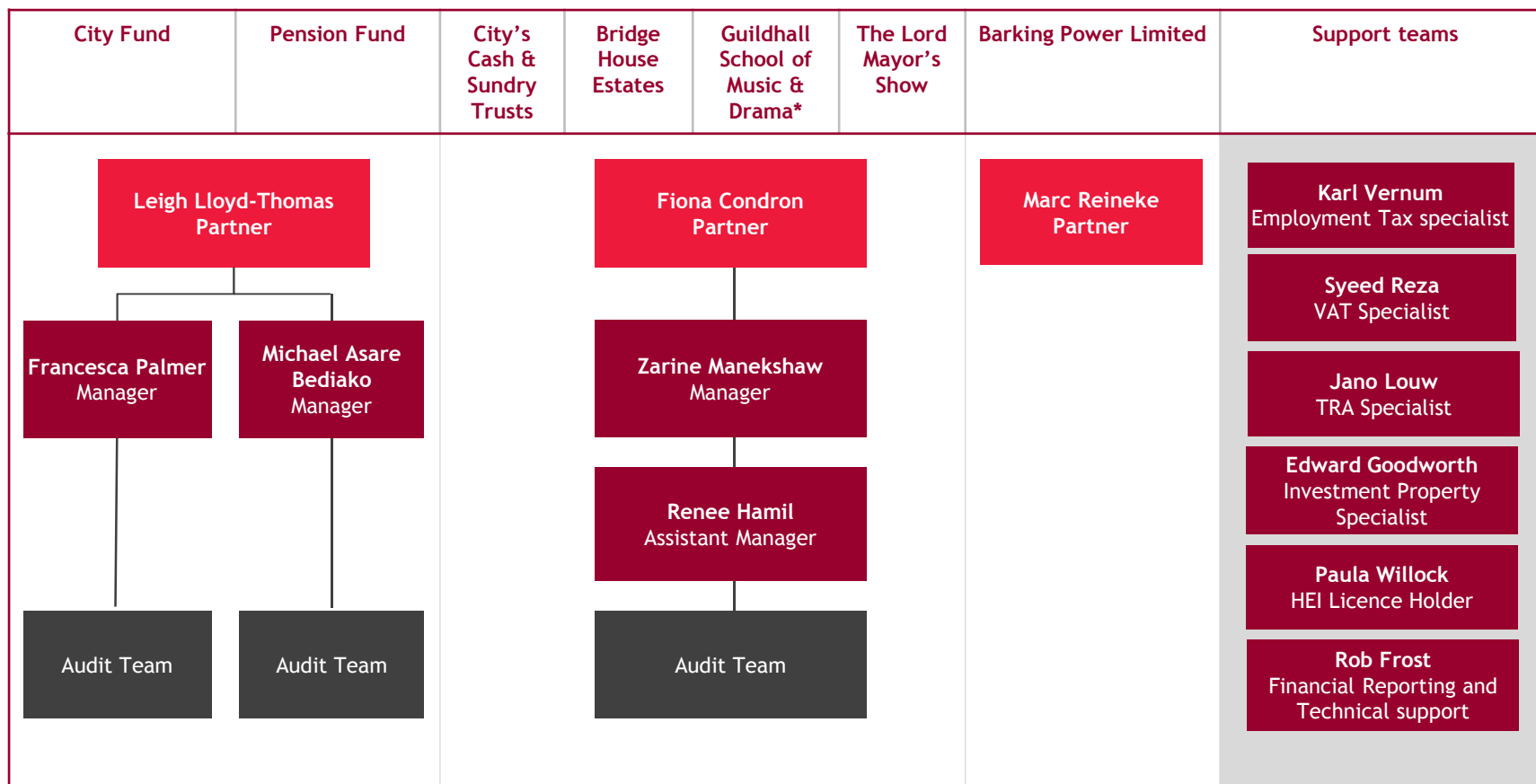
Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the NAO, Charity Commission and HEFCE.
Financial statements	We will express an opinion on the financial statements for each entity, prepared in accordance with the relevant financial reporting framework. For City Fund and the Pension Fund this is the CIPFA Code of Practice on Local Authority Accounting 2018/19. For City’s Cash this is UK GAAP. For Bridge House Estates and the Sundry Trusts this is UK GAAP, the Charities Act 2011 and the Charities SORP 2015. For Guildhall School of Music and Drama this is the Further and Higher Education SORP 2015 and for the Lord Mayor’s Show this is UK GAAP.
Statement of Accounts / Annual Reports	<p>In addition to our objectives regarding the financial statements, we will also:</p> <ul style="list-style-type: none"><li>• Read and consider the ‘other information’ contained in the Statement of Accounts / Annual Reports such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.</li><li>• For statutory other information (defined by the Charities SORP) for the charities we will form an opinion on whether the information given in the other information is consistent with the financial statements and our knowledge obtained in the audit and whether the reports have been prepared in accordance with applicable legal requirements.</li></ul>
Use of resources (City Fund)	We will report to the Corporation, in respect of the activities of the City Fund, whether it has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
WGA (City Fund)	We will review the Whole of Government Accounts (WGA) return and express an opinion on the return whether it is consistent with the audited financial statements.
Additional powers and duties (City Fund)	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to the Corporation; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Report to the Audit and Risk Management Committee	Prior to the approval of the financial statements, we will discuss our significant findings of our audit for each fund, charity or entity with the Audit and Risk Management Committee. As noted in the introduction, in communicating with the Corporation, we consider those charged with governance of the other entities within the scope of this report to be informed about matters relevant to their charity, company or fund. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.





# TEAM ORGANISATION

## Our structure





# BDO TEAM

## Team responsibilities - engagement leads



**Leigh Lloyd-Thomas**  
**Engagement Lead**

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e: leigh.lloyd-thomas@bdo.co.uk

I will have primary responsibility to ensure that the appropriate audit opinions are given for City Fund and the Pension Fund.

I will ensure that we have undertaken sufficient work to assess the Corporation's arrangements, in respect of the City Fund, for securing economy, efficiency and effectiveness in the use of its resources against the guidance published by the NAO.

I am also responsible for co-ordinating the audit work across the funds and on various grants and certification returns.



**Fiona Condrón**  
**Engagement Lead**

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I will have primary responsibility to ensure that the appropriate audit opinions are issued for Bridge House Estates, City's Cash and the Sundry Trusts and the Lord Mayor's Show.

Leigh and Fiona will work closely together to ensure that the audits across all the funds and trusts are properly coordinated.

In meeting this responsibility, we ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

# BDO TEAM

## Team responsibilities - audit managers

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**Francesca Palmer**  
**Audit Manager**

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e: francesca.palmer@bdo.co.uk

I will lead on the audit of the City Fund and on various grants and certification returns.



**Michael Asare Bediako**  
**Audit Manager**

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e: michael.asarebediako@bdo.co.uk

I will lead on the audit of the Pension Fund.



**Zarine Manekshaw**  
**Audit Manager**

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e: zarine.manekshaw@bdo.co.uk

I will lead on the audit of City's Cash and the Sundry Trusts, Bridge House Estates, Guildhall School of Music and Drama and the Lord Mayor's Show.



**Renee Hamil**  
**Assistant Manager**

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e: renee.hamil@bdo.co.uk

I will be assisting on the audit of City's Cash and the Sundry Trusts, Bridge House Estates, Guildhall School of Music and Drama and the Lord Mayor's Show.

The audit managers work closely with Leigh and Fiona to develop and execute the audit strategy for each fund and the trusts. Each manager has been assigned as a key point of contact on a day to day basis for these audits and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to management and the Audit and Risk Management Committee are highlighted on a timely basis.

# BDO TEAM

## Team responsibilities - other key team members



**Syeed Reza**  
**VAT Specialist**

t: 020 7893 3665  
e: syeed.reza@bdo.co.uk

I will provide VAT support to the engagement team and will liaise with management with regards to the VAT audit assist across all entities and funds.



**Karl Venum**  
**Employment Tax Specialist**

t: 020 7893 3549  
e: karl.venum@bdo.co.uk

I will provide employment tax support to the engagement team and will liaise with management with regards to the employment taxes audit assist across all entities and funds.



**Jano Louw**  
**TRA Specialist**

t: 020 7893 2523  
e: jano.louw@bdo.co.uk

I will provide IT and data analytics support to the engagement team across all entities and funds.



**Edward Goodworth**  
**Investment Property Specialist**

t: 020 7893 2788  
e: edward.goodworth@bdo.co.uk

Edward is a partner in Real Estate assurance and his team will provide comparative benchmark data to the audit team to review the valuations and yields used by the valuers for investment property valuations.



**Paula Willock**  
**HEI Licence Holder**

t: 0129 384 8970  
e: paula.willock@bdo.co.uk

I will provide support to the engagement team with respect to the Guildhall School of Drama and Music. I am an education licence holder and have experience of working with Higher Education Institutions.

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OVERVIEW

We have assessed the following as financial statements audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Description of risk	City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts	GSM&D	Lord Mayor's Show	Overview of risk
■ Significant risk ■ Normal risk								
Management override of controls								ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
Revenue recognition								<p>Under ISA (UK) 240 there is a presumed, albeit rebuttable, significant risk of fraud in relation to revenue recognition</p> <p>For City Fund, there is risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).</p> <p>For City's Cash and the Sundry Trusts, Bridge House Estates, Guildhall School of Music and Drama and the Lord Mayor's Show, there are material revenue streams from a variety of sources: rental income, tourism fees and charges, tuition fees, investments, grants and donations. We consider the risk to be related to the completeness of the amounts recognised in the year and the appropriate identification of any relevant restrictions. For charities, the risks can be identified as affecting the completeness of income, although there are also risks regarding restrictions, accuracy and existence of income.</p>
PPE and Investment property valuation								The Corporation holds an extensive portfolio of land, buildings, dwellings and investment properties. There is a risk over their valuation where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end.
Pension liability valuation								<p>The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The accounting estimate for the defined benefit pension liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liabilities. The calculation is complex and inputs can be part of a range of appropriate percentages / ages. The inputs are usually highly sensitive to change and due to the amounts being highly material, a small change in input could result in an amount that is materially different to what was recorded.</p> <p>As noted in the prior year financial statements, the proportion of the Pension Fund that relates to City Fund, City's Cash and Bridge House Estates is not separately identifiable and therefore the share of pension contributions paid to the scheme by the Trust is calculated pro rata to employer's contributions paid by each of the Corporation contributors to the scheme. For these entities, the risk is therefore also focussed on the accuracy of this calculation.</p>

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Description of risk	City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts	GSM&D	Lord Mayor's Show	Overview of risk
<div>■ Significant risk</div> <div>■ Normal risk</div>								
Accounting for leases								<p>City Fund, Bridge House Estates and City's Cash has a significant number of leases i.e. is party to a significant number of lease arrangements as lessor. The premiums and rents are apportioned between the land element, which will ordinarily be an operating lease recognised as revenue, and the building element which is likely to be a finance lease and recorded as a capital disposal.</p> <p>The element of the premium relating to the land is treated as deferred income and released to revenue over the term of the lease. There is also likely to be complex calculations around the recognition of rental income, rent free calculations, lease extension/ lease premiums, dilapidations and the relevant disclosures.</p>
Acquisition of Barking Power Ltd								<p>During the year, City's Cash acquired Barking Power Limited and Thames Power Services Limited. The acquisition is a business combination and the results of the company will be consolidated in the Group results for City's Cash for the year ended 31 March 2019.</p> <p>The key assumptions relating to fair value measurement of the assets and liabilities at acquisition date will be an area of focus. Additionally, goodwill may not be correctly calculated.</p>
Fund accounting								<p>Bridge House Estates had a significant prior year restatement of funds associated with endowment funds having not been correctly identified and accounted for historically. We will review the opening balances and the detailed work performed to calculate the restatement. The allocation of income, expenditure and investment gains/ losses to restricted/endowment funds may continue to require some judgement. We therefore consider the risk of the accuracy and presentation of the closing funds position and the net assets by fund.</p>
Investment valuations								<p>There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.</p>
City's Cash basis of consolidation								<p>City's Cash is a non statutory consolidation comprising the results of the services provided directly along with a number of entities and unincorporated charities. In addition there are a number of other unincorporated charities which are not consolidated within City's Cash. We understand that the rationale for including or excluding entities / charities within City's Cash was last formally considered in 2013. We therefore consider the risk of the completeness of the consolidated accounts of City's Cash given that circumstances may have changed over time.</p>
Financial instruments								<p>There is a risk that financial instruments are not classified and measured in accordance with the new financial reporting standard IFRS 9.</p>

# OVERVIEW

## Financial statements audit risks

Description of risk	City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts	GSM&D	Lord Mayor's Show	Overview of risk
■ Significant risk ■ Normal risk								
Revenue from contracts with customers								There is a risk that revenue from contracts with customers is not measured in accordance with the new financial reporting standard IFRS 15.
Non-collection allowances								There is a risk over the valuation of the allowance for non-collection of receivables and arrears if incorrect assumptions or source data are used, or an inappropriate methodology is applied.
Related party transactions								There is a risk that related party disclosures are not complete and accurate, and disclosed in accordance with the applicable reporting framework for each fund. Historically members have provided declarations but the requirements to consider other connected parties (including family and business connections) may not have been explicitly considered.
Pension contributions								There is a risk that the Corporation or other admitted and scheduled employers may not be calculating contributions correctly or paying over the full amount due to the pension fund.
Pension benefits payable								There is a risk that pension benefits payable may not be correct based on accrued benefits of members or may not be in calculated in accordance with the scheme regulations. Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.
NDR appeals provision								There is a risk in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.
NDR pooling arrangements								There is a risk that the arrangements put in place for the London-wide NDR Pooling and Strategic Investment Fund are not appropriately disclosed within the financial statements.

# MANAGEMENT OVERRIDE OF CONTROLS

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ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.				
City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			
Fraud risk				
Assess design & implementation of controls to mitigate				
Significant Management estimates & judgements				
Controls testing approach				
Substantive testing approach				
Risk highlighted by Corporation				

**Risk detail**

ISA (UK) 240 - The auditor’s responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

**Planned audit approach**

Our audit procedures will include the following:

- Consideration of estimates and judgements applied in the financial statements to assess their appropriateness and the existence of any systematic bias;
- Review and checking of high value and unusual journal entries made in the year, agreeing the journals to supporting documentation. We will determine key risk characteristics to filter the population of journals. We will use our IT team to assist with the journal extraction; and
- Consideration of unadjusted audit differences for indications of bias or deliberate misstatement.





# REVENUE RECOGNITION

**Under auditing standards there is a presumption that income recognition presents a fraud risk.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			
Fraud risk				
Assess design & implementation of controls to mitigate				
Significant Management estimates & judgements				
Controls testing approach				
Substantive testing approach				
Risk highlighted by Corporation				

## Risk detail

Under auditing standards there is a presumption that there is a risk of fraud in revenue recognition.

For the City Fund, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the Comprehensive Income and Expenditure statement (CIES).

For Bridge House Estates, we consider there to be a significant risk in respect of the completeness of investment property income which accounts for approximately 75% of total income.

For City's Cash, we consider there to be a significant risk in respect of the completeness of education income (including tuition fees, grants, donations and charges for the use of facilities) and investment income. Together these account for approximately 88% of total income.

The Sundry Trusts we consider there to be a significant risk in respect of the completeness of the contribution from City's Cash, grants, donations and legacies, fees and charges (including admissions), rental income and investment income. For grants, donations and legacies we also consider there to be a risk that any relevant restrictions are not correctly identified.

For Guildhall School of Music and Drama, we consider there to be a significant risk in respect of the completeness of academic fees and contracts, funding council grants, research grants and contracts and other operating income (including support from City of London Corporation and residencies, catering and conference income).

For the Lord Mayor's Show, we consider there to be a significant risk in respect of the completeness of participation fees, grandstand ticket sales and other sundry income.

We have rebutted revenue recognition as a risk for the Pension Fund as revenue is principally monthly payroll contributions from a small number of employers.

## Planned audit approach

Our audit procedures will include the following:

- Test a sample of grants included in income to documentation from grant paying bodies and check whether recognition criteria have been met;
- Carry out audit procedures to gain an understanding of the group's internal control environment for the significant income streams, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period. This will include substantive testing on the material income streams and cut off testing to ensure income is recognised in the correct period and appropriately classified as restricted or unrestricted funds (charity entities only);
- Test a sample of fees and charges to ensure that income has been recorded in the correct period and that all income that should have been recorded has been;
- We will select a sample of grants and donations to ensure completeness, accuracy, existence and classification (as restricted or unrestricted) in the financial statements;
- We will select a sample of investment income and confirm to third party investment manager reports;
- A sample of property rental income will be agreed to lease agreements and recalculations performed to determine whether the amounts are accurate and recorded in the correct period. Please also refer to the risk on 'accounting for leases'.



# PPE AND INVESTMENT PROPERTY VALUATION

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**There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

## Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

## Risk detail

Land, buildings and dwellings are reported at fair value / carrying value. For City Fund, operational assets are valued at current value and surplus assets / assets held for sale at fair value at the balance sheet date. For Bridge House Estates and City's Cash, operational assets are carried at cost.

For all entities, investment properties are reported at fair value at the balance sheet date.

The Corporation applies an annual revaluation process for investment properties and higher value operational assets to provide assurance that carrying values are not materially misstated; with the remainder of the non material value assets being revalued every 5 years. The Corporation has appointed four different valuers for investment property and other operational land and buildings. Internal valuers also carry out some valuations at year end.

Due to the significant value of the land, buildings, dwellings and investment properties and the high degree of estimation uncertainty, there is a risk over the valuation of these assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.

The Pension Fund does not carry any Property, plant & equipment or Investment property.

## Planned audit approach

Our audit procedures will include the following:

- Assess the qualifications and competence of the valuers used;
- Review the instructions provided to the valuers and review the values' skills and expertise in order to determine if we can rely on the management expert;
- Confirm that the basis of valuation for assets valued in year is appropriate based on their usage;
- Review accuracy and completeness of asset information provided to the valuer such as rental agreements and land plot / building sizes;
- Review assumptions used by the valuers and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual;
- Discuss with our Real Estate Team the reasonableness of assumptions on benchmark and yields range for investment properties;
- We will compare movements in the valuation of assets year-on-year and investigate unusual movements; and
- Complete disclosure checklist.

# PENSION LIABILITY VALUATION

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**There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			
<b>Fraud risk</b> Assess design & implementation of controls to mitigate Significant Management estimates & judgements Controls testing approach Substantive testing approach Risk highlighted by Corporation				

## Risk detail

The LGPS pension fund is required to report the pension liability for estimated promised future benefits for the whole fund. The Corporation's share of the net liability, including its share of the assets held in the pension fund, is allocated across the funds in proportion to the payroll cost for each fund. This is currently 51% City Fund, 47% City's Cash and 2% Bridge House Estates.

The City Fund also reports the pension liability for the City Police pension scheme. This is an unfunded scheme.

An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise for the LGPS and the 2017 triennial valuation for the police pension, updated at 31 March 2019 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

The proportion of the Pension Fund that relates to City Fund, City's Cash and Bridge House Estates is not separately identifiable and therefore the share of pension contributions paid to the scheme by the Trust is calculated pro rata to employer's contributions paid by each of the Corporation contributors to the scheme. For these entities, the risk is therefore also focussed on the accuracy of this calculation.

## Planned audit approach

Our audit procedures will include the following:

- Assess the qualifications and competence of the actuary through the use of PwC consulting actuary (auditor's expert);
- Review the reasonableness of the assumptions used by Barnett Waddingham (management's expert) for the calculation of the liability against other local government and police pension actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by PwC consulting actuary (auditor's expert);
- Review the controls for providing accurate membership data to the actuary;
- Check whether any significant changes in membership data have been communicated to the actuary;
- Check the accuracy of the calculations relating to the allocation of the share of the net assets across the funds in proportion to the employer's contribution's paid to the scheme; and
- Review the reasonableness of the relevant disclosures in City Fund, Bridge House Estates and City's Cash relating to the basis of apportioning the net pension liability of the Corporation.

# ACCOUNTING FOR LEASES

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**There is a risk leases may not be correctly accounted.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

## Risk detail

City Fund, Bridge House Estates and City's cash have a significant number of leases i.e. is party to a significant number of lease arrangements as lessor. The premiums and rents are apportioned between the land element, which will ordinarily be an operating lease recognised as revenue, and the building element which is likely to be a finance lease and recorded as a capital disposal. The element of the premium relating to the land is treated as deferred income and released to revenue over the term of the lease.

There is also likely to be complex calculations relating to the recognition of rental income, rent free calculations, lease extension/ lease premiums, dilapidations and the relevant disclosures.

## Planned audit approach

- Lease income will be tested substantively by selecting a sample of leases, obtaining the relevant agreements, calculating the expected income and agreeing it to the accounts, including any amounts of deferred income, rent free calculations, lease extension/ lease premiums, dilapidations and the relevant disclosures.
- We will check the disclosures to ensure that these are in line with the relevant accounting standard.

# ACQUISITION OF BARKING POWER LTD

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There is a risk the assets and liabilities acquired may not be identified and recorded as well as assets and liabilities may not be correctly valued.				
City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			
Fraud risk				
Assess design & implementation of controls to mitigate				
Significant Management estimates & judgements				
Controls testing approach				
Substantive testing approach				
Risk highlighted by Corporation				

### Risk detail

During the year, City's Cash acquired Barking Power Limited and Thames Power Services Limited. The acquisition is a business combination and the results of the company will be consolidated in the Group results for City's Cash for the year ended 31 March 2019.

The key assumptions relating to fair value measurement of the assets and liabilities at acquisition date will be an area of focus. Additionally, goodwill may not be correctly calculated.

### Planned audit approach

- We will obtain and review board minutes relating to the purchase and well as due diligence reports prepared prior to acquisition;
- A copy of the sales agreement and other supporting documents relating to the sale will be obtained and reviewed to determine information such as details of purchase consideration and assets acquired;
- We will review the financial statements of the companies acquired;
- We will review management's assessment of the fair value of assets and liabilities recognised at acquisition date as required by the financial reporting standards;
- We will perform a recalculation of the amounts recorded such as goodwill; and
- We will review the consolidation results for City's Cash to ensure that the acquisition has been consolidated appropriately.

# FUND ACCOUNTING

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**There is a risk that fund accounting is not being correctly applied.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

**Fraud risk**

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

**Risk detail**

Bridge House Estates had a significant prior year restatement of funds associated with endowment funds having not been correctly identified and accounted for historically. We therefore consider as a risk, the accuracy and presentation of the closing funds position and the net assets by fund.

We have committed to reviewing the prior year adjustment and rationale early to ensure any feedback can be considered by management.

- Planned audit approach**
- We will review:
- Review in detail the papers documenting the issue as prepared by management and the previous auditor;
  - The opening balances;
  - The allocation of income, expenditure and investment gains / losses to restricted / endowment funds as this may require some judgement; and
  - The disclosure of the net assets by fund for each entity as this will need consideration of the evidence available to support the disclosure.

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**There is a risk that investment valuations may not be corrected reported at year end.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

## Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

## Risk detail

The managed investment portfolio across the funds (including pension fund assets) comprises unquoted infrastructure, private equity holdings and pooled investment vehicle (held through unit trust). The unquoted infrastructure funds and private equity funds are valued by the General Partner or fund manager using valuations obtained from the underlying partnerships and investments. The valuation of other funds are provided by individual fund managers and reported on a monthly basis.

Valuations for private equity are provided at dates that are not coterminous with the Corporation's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) up to 31 March. There is a risk that private equity investments valuations may not be appropriately adjusted to include additional contributions or distributions at the year end.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

## Planned audit approach

Our audit procedures will include the following:

- For unquoted infrastructure and private equity investments, obtain direct confirmation of investment valuations from the General Partner or fund manager and request copies, where applicable, of the audited financial statements of the underlying partnerships (and member allocations). We will confirm that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds;
- For pooled investments, obtain direct confirmation of investment valuations from the fund managers and agree independent valuations, where available, provided by the custodian;
- Obtain independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds; and
- Agree the allocation of amounts for each fund where there is pooling of investments across the funds.

# CITY'S CASH BASIS OF CONSOLIDATION

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**There is a risk over the completeness of the consolidation of entities within City's Cash.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

**Fraud risk**

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

**Risk detail**

City's Cash is a non statutory consolidation comprising the results of the services provided directly along with a number of entities and unincorporated charities. In addition there are a number of other unincorporated charities which are not consolidated within City's Cash.

We understand that the rationale for including or excluding entities/charities within City's Cash was last formally considered in 2013. We note that Keat's House was consolidated for the first time in 2017/18.

We therefore consider the risk of the completeness of the consolidated accounts of City's Cash given that circumstances may have changed over time.

**Planned audit approach**

Our audit procedures will include the following:

- Reviewing the evidence provided by management setting out the current rationale (rolled forward as at 31 March 2019) to support including or excluding entities within the scope of the consolidation of City's Cash;
- Reviewing the attributes which could indicate that City's Cash does or does not have the ability to control the operations, activities and management of each of the sundry trusts or entities; and
- Consider whether the disclosures in both the non statutory financial statements of City's Cash and in each of the sundry Trusts provides adequate and appropriate explanation to support the accounting treatment adopted.



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**There is a risk that financial instruments are not classified and measured in accordance with the new financial reporting standard IFRS 9.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

## Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

## Risk detail

For City Fund, IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and loans provided to others) and liabilities (principally borrowing) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.

CIPFA has published guidance to assist with the required review and any restatement required where the classification needs to be amended.

City Fund will need to undertake a review of all relevant assets and liabilities to determine the appropriate classification in the financial statements.

Initial review suggests that IFRS 9 will have limited impact on the Pension Fund as investment assets fair value movements are already reported through the Fund Account.

The requirements of IFRS 9 has not yet been adopted into UK GAAP and might very well take a few years to catch up. As such, the new requirements currently has no impact on the financial statements of City's Cash and Bridge House Estates.

## Planned audit approach

Our audit procedures will include the following:

- Review the work performed by the Corporation, once undertaken, to assess the new classification of financial instruments in accordance with the guidance; and
- Review the disclosures required relating to the adoption of the new accounting standard.



# REVENUE FROM CONTRACTS WITH CUSTOMERS

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**There is a risk that revenue from contracts with customers is not measured in accordance with the new financial reporting standard IFRS 15.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

## Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

## Risk detail

For City Fund, IFRS 15 revenue from contracts with customers has been implemented for 2018/19 and requires all relevant revenue streams to be reviewed under a new '5-step model' to determine the appropriate point at which revenue can be recognised.

CIPFA has published guidance to assist with the required review including what revenue falls within IFRS 15 or IPSAS 23 revenue from non-exchange transactions, and the process for determining the correct recognition points and amounts for revenue.

City Fund will need to undertake a review of all relevant revenue streams to determine the appropriate recognition date and amounts in the financial statements.

Initial review suggests that IFRS 15 will have limited impact on the Pension Fund as income primarily represents contributions from employers and investment income.

The requirements of IFRS 15 has not yet been adopted into UK GAAP and might very well take a few years to catch up. As such, the new requirements currently has no impact on the financial statements of City's Cash and Bridge House Estates.

## Planned audit approach

Our audit procedures will include the following:

- Review the work performed by the City Fund, once undertaken, to assess the impact of the new '5-step model' on revenue streams for the City Fund; and
- Review the disclosures required relating to the adoption of the new accounting standard.

# NON-COLLECTION ALLOWANCES

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**There is a risk over the valuation of the allowance for the non-collection of arrears and debt.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

## Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

## Risk detail

The City Fund recognises an allowance for the non-collection of receivables primarily in respect of council tax, NDR, housing benefit overpayments, housing rents and parking charges. Management assesses each type of receivable separately in determining how much to allow for non-collection.

There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.

The implementation of IFRS 9 financial instruments (City Fund only) has also changed the basis for estimating losses for non-collection of receivables and debt from an incurred loss model to an expected credit loss model that takes in account assumptions about the future credit losses. However, this includes only receivables and debt deemed to be financial instruments and excludes receivables under statute such as council tax, NDR and parking charges that CIPFA has stated will continue to be accounted for on an incurred loss model.

The Pension Fund does not carry significant amounts for receivables.

City's Cash and Bridge House Estates do not carry any significant provisions for receivables.

## Planned audit approach

Our audit procedures will include the following:

- Review the provision model for significant income streams and receivables and debt balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears;
- Check that information has been accurately extracted from systems to support the modelling of collection rates by age; and
- Confirm that City Fund has applied an expected credit loss model for receivables classified as financial instruments, and that all other receivables across the funds continue to apply an incurred credit loss model.

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**There is a risk that related party disclosures are not complete and accurate.**

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GSM&D	Lord Mayor's Show			
<b>Fraud risk</b> Assess design & implementation of controls to mitigate Significant Management estimates & judgements Controls testing approach Substantive testing approach Risk highlighted by Corporation				

## Risk detail

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit and Risk Management Committee.

There is a risk that related party disclosures are not complete and accurate, and disclosed in accordance with the applicable reporting framework for each fund / entity.

Historically members / trustees of each entity have provided year end declarations but the requirements to consider other connected parties (inc. family and business connections) may not have been explicitly considered.

## Planned audit approach

Our audit procedures will include the following:

- Review management processes and controls to identify and disclose related party transactions;
- Review relevant information concerning any such identified transactions;
- Discuss with management and review members' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertaken Companies House and Charity Commission searches for potential undisclosed interests.

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**There is a risk that the Corporation or other admitted and scheduled employers may not be calculating contributions correctly or paying over the full amount due to the pension fund.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

## Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

## Risk detail

Employers are required to deduct amounts from employee pay based on tiered pay rates and to make employer contributions in accordance with rates agreed with the actuary. Additional contributions are also required against pension strain for early retirements.

There is a risk that the Corporation or other admitted and scheduled employers may not be calculating contributions correctly or paying over the full amount due to the pension fund.

## Planned audit approach

Our audit procedures will include the following:

- Test amount payable by employers / receivable by the pension fund for normal contributions including checking to employer payroll records;
- Ensure that income is recognised in the correct accounting period where the employer is making payments in the following month;
- We will perform tests over pension strain contributions due from employers;
- Agree total contributions payable by the Corporation (as employer) to the amounts received in the pension fund;
- Review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate; and
- Discuss with the actuary the potential impact of GMP equalisation and the McCloud / Sargeant judgement regarding age discrimination on the pension fund liability and impact on employer fund.

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**There is a risk that pension benefits payable may not be correct or paid to non-existent members.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

## Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

## Risk detail

There is a risk that pension benefits payable may not be correct based on accrued benefits of members or may not be in calculated in accordance with the scheme regulations.

Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.

## Planned audit approach

Our audit procedures will include the following:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, we will check a sample of calculations of pension entitlement;
- Check the correct application of annual pension uplift for members in receipt of benefits;
- Test a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also review the results of the checks undertaken by ATMOS on the existence of pensioners;
- Review the results of the latest National Fraud Initiative data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches; and
- Cross check payments to movements in the membership statistics.

# NDR APPEALS PROVISION

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**There is a risk in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

**Fraud risk**

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

**Risk detail**

City Fund as a billing authority is required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled.

Management use this information to calculate a success rate for specific business types for settled appeals, and applies an appropriate rate to each type of business appeal still outstanding at year end.

- Planned audit approach**
- Our audit procedures will include the following:
- Review of the accuracy of the appeals data to confirm that it is complete based on the VOA list, and that settled appeals are removed; and
  - Review of the assumptions used in the preparation of the estimate including the historic success rates to confirm if the rates applied are appropriate.

# NDR POOLING ARRANGEMENTS

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**There is a risk that the arrangements put in place for the London-wide NDR Pooling and Strategic Investment Fund are not appropriately disclosed.**

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

## Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

## Risk detail

City Fund are acting as host for the London-wide NDR Pool. As part of this it is responsible for calculating how much of the total NDR raised in across London should be retained by each authority and how much is due to the GLA and Central Government.

In addition City Fund is also responsible for the Strategic Investment Fund which pays out a part of the fund surplus to various projects within London.

There is a risk that the amounts to be paid to other bodies or retained by each billing authority may be incorrect due to the complexity of the aggregation of the 33 NDR submissions across London.

There is a risk that the presentation and disclosure of the Strategic Investment Fund in the City Fund financial statements, where it acts as host, may not appropriately reflect the arrangement as a principal or agent for these amounts.

## Planned audit approach

Our audit procedures will include the following:

- Review the arrangements for calculating the appropriate share of retained NDR surplus for each London billing authority and what assurances and controls are put in place to confirm that the information provided by each is complete and accurate; and
- Review the appropriate presentation for the retained Strategic Investment Fund monies, where City Fund act as host and GLA provide cash management, to reflect the nature of the arrangement either as principal or agent.

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# OVERVIEW

## Use of resources audit risks

We have assessed the following as use of resources audit risks. These are matters assessed as most likely to impact on our use of resources conclusion and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Description of risk	Significant risk	Normal risk	Overview of risk
Police financial management			City of London Police has been under increased financial pressure for a number of years and a recurrent underlying budget deficit has been identified in the region of £4m to £5m annually. Therefore there is a need to develop an MTFS with significant savings to ensure that it can continue to deliver the level of policing required in the City.
Sustainable finances			The Corporation will need to deliver planned savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.



# POLICE FINANCIAL MANAGEMENT

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**There is a need for City Police to develop an MTFS with significant savings to ensure that it can continue to deliver the level of policing required in the City.**

## City Fund

Assess design & implementation of controls to mitigate

Review work of other inspectorates

Review work undertaken by internal audit

Detailed review

Risk highlighted by Corporation

## Risk detail

City of London Police has been under financial pressure for a number of years with a recurrent underlying budget deficit between £4m to £5m a year.

In 2017/18 it initially reported a surplus of £3.5m that was later found to be cost slippage and not a surplus.

Issues with budget monitoring have been identified in 2018/19. At Month 9 there is a forecast overspend of £2.3m. This included £5.8m increase in pay costs compared to the original budget as a result of the budget significantly underestimating the costs of employing the planned workforce numbers, combined with spend on overtime and 'agency' resourcing. The increase has been largely masked until recently by an erroneous double inclusion of £4.5m National & International City Grant in income as well as funding when loading the 2018/19 budget onto the system. We note that £2.8m of forecast in-year mitigations have been incorporated to reduce the overspend to £2.3m.

## Planned audit approach

Our audit procedures will include the following:

- Review the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures, the amount of Government grant reductions applied and increases in the business premium;
- Monitor the delivery of the budgeted savings in 2018/19 and the plans to reduce costs from 2019/20;
- Review the strategies and any transformation programmes to close the budget gap after 2019/20;
- Review work undertaken by the Her Majesty's Inspectorate of Constabulary where this relating to use of resources and finances; and
- Review work undertaken by internal audit relating to the financial management.

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**The Corporation will need to deliver planned savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.**

## City Fund

Assess design & implementation of controls to mitigate

Review work of other inspectorates

Review work undertaken by internal audit

Detailed review

Risk highlighted by Corporation

## Risk detail

The City Fund has not been subject to the same level of financial pressures compared to other authorities. However, at Month 9 there is a forecast overspend of £2.5m mainly relating to the deficit on the Police budget.

For 2019/20 City Fund is budgeting a £20m surplus and this is being seen as a holding year. From 2020/21 the financial pressures are expected to increase and currently the City Fund is expecting to budget for a deficit position.

In response to this the Corporation is planning to undertake a fundamental review of income and expenditure to inform their future planning.

## Planned audit approach

Our audit procedures will include the following:

- Review the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures, the level of Government grant reductions applied and increases in business rates and council tax;
- Monitor the delivery of the budgeted savings in 2018/19 and the plans to reduce costs from 2019/20; and
- Review the strategies and any transformation programmes to close any budget gap after 2020/21.

# OTHER MATTERS REQUIRING FURTHER DISCUSSION

## Fraud

Whilst the Chamberlain and the Court of Common Council have ultimate responsibility for the prevention and detection of fraud, and the Audit and Risk Management Committee has oversight of the Anti-Fraud and Corruption strategy as those charged with governance, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

For City Fund, we have been made aware of a number of low value actual, alleged or suspected incidences of fraud committed by users of the Corporation's services (misuse of blue badges, benefits fraud, RTB discounts, sublet of housing, claiming of council tax or NDR reliefs etc.). We request confirmation from the Audit and Risk Management Committee on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

We have not been made aware of any instances of actual/ suspected fraud at the other entities.

We will review the fraud register and liaise with internal audit to determine any actual, suspected or alleged fraud known to them. We will discuss with management any knowledge they have of suspected or alleged fraud.

We will consider management's process for identifying and responding to the risks of fraud, including the nature, extent and frequency of such assessments. In particular, we will make enquiries of management outside of the finance function where the risk of fraud could originate.

## Significant estimates

We will report to you on significant estimates. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historic judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

## Predecessor auditors (City's Cash and the Sundry Trusts, Bridge House Estates, Guildhall School of Music and Drama and the Lord Mayor's Show)

We will review the work performed by the predecessor auditor, Moore Stephens LLP. We will perform additional audit procedures on the comparatives if we conclude that sufficient reliance can not be placed on the predecessor auditors work.

## Laws and regulations

We will consider compliance with laws and regulations. The most significant of these for your business includes VAT legislation and Employment Taxes. We will make enquiries of management and review correspondence with the relevant authorities.

## Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

## Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with the applicable financial reporting framework for each fund, relevant accounting standards or other direction under the circumstances.

## Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

## Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

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# IT GENERAL CONTROLS

IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data centre and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy, supported by our Technology Risk Assurance specialists, includes a tailored range of data analytics, system configuration and IT environment testing.



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# INDEPENDENCE

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**Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.**

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ending 31 March 2019.

**Non-audit services**

Details of services and fees other than audit, provided by us to the Corporation during the period and up to the date of this report are set out in the appendices.

Details of rotation arrangements for key members of the audit team and others involved in the engagement are set out in the appendices.

Details of other threats and safeguards applied are given in the appendices.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Corporation.

We also confirm that we have obtained confirmation of independence external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Corporation.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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# SUMMARY

Fees summary for year ending 31 March 2019	2018/19 £	2017/18 £
Corporation audit fees		
City Fund	80,000	<sup>(1)</sup> 106,275
Pension Fund	15,000	21,000
Bridge House Estates	40,000	<sup>(2)</sup> 38,240
City’s Cash	100,000	<sup>(2)</sup> 91,260
The Lord Mayor’s Show	<sup>(6)</sup> 6,500	<sup>(4)</sup> 6,000
Heart of the City of London Ltd	<sup>(6)</sup> 3,500	
Subsidiaries audit fees		
Barking Power Ltd and Thames Power Services Ltd	<sup>(4)</sup> 35,000	-
Total audit fees	280,000	262,775
Non audit fees		
Grants and subsidy certification	16,000	<sup>(3)</sup> 18,326
Assurance report on Guildhall School of Music and Drama financial statements	8,000	<sup>(2)</sup> 10,000
Non audit fees	24,000	28,326
Total fees	304,000	291,101

	2018/19 £	2017/18 £
Grants and subsidy certification		
Housing benefit subsidy (AuP)	10,000	11,396
Teachers Pensions Return - Sir John Cass Primary School (AuP)	3,000	4,500
Teachers Pensions Returns (others)	TBC	TBC
Pooled housing capital receipts (AuP)	3,000	2,340
Total	16,000	18,236

Agreed upon Procedures (AuP) - Scope of testing mandated by the sponsoring Government department.

<sup>(1)</sup> Our planned fees for 2017/18 were £86,383 but additional costs were incurred on some areas of the audit.

<sup>(2)</sup> Moore Stephens LLP were the appointed auditor for these audits in 2017/18 and we have reported their fees above.

<sup>(3)</sup> The final fees for grants and subsidy certification is subject to final agreement as additional work was required this year for testing of errors in the housing benefit subsidy return and corrections required to other returns.

<sup>(4)</sup> Prager Metis LLP were the appointed auditor for this audit in 2017/18 and we have reported their fees above.

<sup>(5)</sup> This is the indicative fee based on the initial scoping meeting with directors of these subsidiary companies.

<sup>(6)</sup> We have included additional fees for these entities not initially included in the tender specification.



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Audit quality

# CORPORATION’S RESPONSIBILITIES

## The Corporation’s responsibilities and reporting

### Financial reporting

The Corporation is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the Corporation accounts for its stewardship and use of the public and charitable money at its disposal.

The form and content of the Corporation’s financial statements for each fund/entity should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

### City Fund and Pension Fund

The Chamberlain (as Section 151 Officer) is responsible for preparing and publishing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

The Corporation is also required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury’s Whole of Government Accounts for the City Fund.

### City’s Cash

The Corporation is responsible for preparing the annual report and financial statements for City’s Cash. The Corporation has elected to prepare the financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

### Bridge House Estates and the Sundry Trusts

The Trustee is responsible for preparing and filing an annual report and financial statements which show a true and fair view and are prepared in accordance with the Charities Act 2011, FRS 102, the Charities SORP and the provisions of the charities’ governing documents.

### Guildhall School of Music and Drama

The Trustee is responsible for preparing an Income and Expenditure report in accordance with the Further and Higher Education SORP 2015.

### The Lord Mayor’s Show

The Trustee is responsible for preparing and filing an annual report and financial statements which show a true and fair view and are prepared in accordance with FRS 102 and the Companies Act.

### Use of resources - City Fund

Local authorities are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, the City Fund is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement.

In preparing its governance statement, the Corporation will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.



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## Corporation's responsibilities

- Maintain adequate accounting records and maintain an appropriate system of internal control for the organisation
- Prepare the annual report and the financial statements which give a true and fair view
- Safeguard the assets of the organisation and take reasonable steps for the prevention and detection of fraud and other irregularities.

To make available to us, as and when required, all the organisation's accounting records and related financial information.

To provide us with relevant committee papers on key issues including but not limited to:

- Review of business risks
- Going concern assessments
- Impairment reviews
- Any key judgments and estimates.

Having made enquiries of fellow members of the Corporation and the organisation's auditors, state that:

- So far as they are aware, there is no relevant audit information of which the organisation's auditors are unaware
- They have taken all reasonable steps they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the organisation's auditors are aware of that information.

## What this means

Further information regarding these responsibilities is provided in the engagement letters.

We are happy to explain these in more detail to you.

This includes information required from subsidiary companies incorporated in the UK and officers, employees or auditors of those subsidiary companies.

In addition to answering our queries, this requires proactive behaviour in order to make us aware of any relevant information. Relevant information is very broad and includes any information needed in connection with our report.

It would, for example, include (but clearly not be limited to) the details of any contracts and agreements (including side contracts and agreements), or any matters that could affect our assessment of your going concern review such as any matters that you are aware of that might affect future trading or any special arrangements with HRMC or your inclusion in a Banks 'special lending division' or equivalent.

# OUR RESPONSIBILITIES

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### Our responsibilities and reporting - financial statements

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on the financial statements of each fund of the Corporation. We report our opinion on the financial statements to the members of the Corporation.

We read and consider the 'other information' contained in the annual report for each fund such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

For statutory other information (defined by the Charities SORP) for the charities we will form an opinion on whether the information given in the other information is consistent with the financial statements and our knowledge obtained in the audit and whether the reports have been prepared in accordance with applicable legal requirements.

### Our responsibilities and reporting - use of resources

We are required to satisfy ourselves that the Corporation, in respect of the activities of the City Fund, has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

This means that we have regard to relevant guidance issued by the NAO and undertake sufficient work to be able to satisfy ourselves as to whether the Council has put arrangements in place that support the achievement of value for money.

### What we don't report

Our audit is not designed to identify all matters that may be relevant to the Corporation and Audit and Risk Management Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



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## Those charged with governance

References in this report to Those Charged With Governance are to the Corporation as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

In communicating with the Corporation, we consider those charged with governance of the other entities within the scope of this report to be informed about matters relevant to their charity, company or fund. Please let us know if this is not appropriate.

## Communication, Meetings and Feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

## Planning Report

The Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

## Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

## Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report for each fund to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the Report.

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# TEAM MEMBER ROTATION

These tables indicate the latest rotation periods normally permitted under the FRC’s Ethical Standards for independence.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

	City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts	GSM&D	Lord Mayor's Show	Rotation to take place before
Senior team members								
Leigh Lloyd-Thomas - Engagement Lead	4	4						10 years
Fiona Condron - Engagement Lead			1	1	1	1	1	10 years
Francesca Palmer - Audit Manager	2							10 years
Michael Asare Bediako - Audit Manager		3						10 years
Zarine Manekshaw - Audit Manager			1	1	1	1	1	10 years
Renee Hamil - Audit Assistant Manager			1	1	1	1	1	10 years
Independence - audit quality control								
Engagement Quality Control Reviewer (EQCR)	TBC	TBC						

## City Fund and Pension Fund

Regulations prescribe that any local public body with gross income or expenditure greater than £500 million, or maintains a pension fund with assets greater than £1 billion or more than 20,000 members, is classified as a ‘major local audit’. A major local audit is subject to enhanced independent quality control review. It also falls within the scope of the Financial Reporting Council’s Audit Quality Review Team.

The City Fund reported gross income of £498m (including valuation gains on investment properties reported in the CIES) and gross expenditure of £425m in 2017/18. The Pension Fund reported gross investment assets of £982m and had 13,332 members in the scheme at 31 March 2018. In the event that the City Fund or Pension Fund exceeds the thresholds above and becomes a ‘major local audit’, this will require the appointment of an Engagement Quality Control Review to provide an additional independent review of the audit.

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# MATERIALITY: DEFINITION AND APPLICATION

## Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern
- Instances when greater precision is required (e.g. senior managers remuneration and related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the Corporation, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the financial statements.

## Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

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If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

## Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Audit and Risk Management Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.



# MATERIALITY: ALL ENTITIES

The basis for setting materiality for the funds is set out in the Executive Summary. Overall financial statement materiality has been assessed against a benchmark of assets held by each entity. A lower, specific materiality, has been set with reference to income and expenditure in the performance statement.

	2018/19				2017/18		
	Materiality	Trivial	Specific materiality	Specific triviality	Materiality	Specific materiality	Trivial
City Fund	£32.0m	£640,000	£6.3m	£126,000	£24.4m	£6.3m	£488,000
Pension Fund	£9.8m	£196,000	£1.95m	£39,000	£9.8m	£1.95m	£196,000
Bridge House Estates	£15.0m	£300,000	£430,000	£9,000	(audited by Moore Stephens LLP)		
City's Cash	£30.5m	£610,000	£1.6m	£33,000	(audited by Moore Stephens LLP)		

The basis for setting materiality for the sundry trusts, is expenditure for all Trusts whose deficits are funded by City of London Corporation and gross assets for all other Trusts/entities. A lower specific materiality has been set for those entities whose items of income and expenditure are significantly lower than the asset base. Specific materiality is applied to those areas of the financial statements where a misstatement would normally affect net income before investment gains and losses.

	2018/19			
	Materiality	CT	Specific materiality	Specific CT
	£	£	£	£
<b>Ashtead Common</b> Preservation of the common at Ashtead	5,000	1,000	-	-
<b>Burnham Beeches</b> Preservation of the open space known as Burnham Beeches	10,000	1,000	-	-
<b>Epping Forest</b> Preservation of Epping Forest in perpetuity	79,000	2,000	67,000	1,500
<b>Hampstead Heath (consolidated)</b> Preservation of Hampstead Heath for the recreation and enjoyment of the public	540,000	10,000	91,000	2,000

In accordance with BDO audit methodology, clearly trivial should be set at 2% of materiality for both financial statement and specific materiality. For many of the smaller charities, this results in a very small value in absolute terms.

We therefore **seek the Committee's approval** to report to you individual clearly trivial items of a value greater than £1,000. Our audit procedures will however consider any items at the lower levels of clearly trivial both individually and in aggregate.

# MATERIALITY: ALL ENTITIES

		2018/19			
	Materiality	CT	Specific materiality	Specific CT	
	£	£	£	£	
<b>Highgate Wood &amp; Queens Park Kilburn</b>	15,000	1,000	-	-	
Preservation of Hampstead Heath for the recreation and enjoyment of the public					
<b>West Ham Park</b>	15,000	1,000	-	-	
To maintain and preserve the Open Space known as West Ham Park					
<b>West Wickham Common and Spring Park Coulsdon &amp; Other Commons</b>	15,000	1,000	-	-	
Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons					
<b>Hampstead Heath Trust</b>	333,000	7,000	12,000	1,000	
To meet a proportion of the maintenance cost of Hampstead Heath					
<b>Keats House</b>	4,000	1,000	-	-	
Maintenance of Keats House					
<b>Sir Thomas Gresham Charity *</b>	1,000	-	-	-	
To provide a programme of public lectures					
<b>Ada Lewis Winter Distress Fund</b>	3,000	1,000	-	-	
Assistance and relief for the poor and distressed during winter months					
<b>Charities Administered ICW the City of London Freemen's School</b>	2,000	1,000	-	-	
Promotion of education through prizes					
<b>City Educational Trust Fund</b>	40,000	1,000	1,000	-	
Advancement of education through grants					
<b>City of London Almshouses</b>	32,500	1,000	3,500	1,000	
Almshouses for poor or aged people					

In accordance with BDO audit methodology, clearly trivial should be set at 2% of materiality for both financial statement and specific materiality. For many of the smaller charities, this results in a very small value in absolute terms.

We therefore **seek the Committee's approval** to report to you individual clearly trivial items of a value greater than £1,000. Our audit procedures will however consider any items at the lower levels of clearly trivial both individually and in aggregate.

\* Given the low volume and value of transactions a de-minimus level of £1,000 is proposed for materiality.



# MATERIALITY: ALL ENTITIES

		2018/19		
	Materiality	CT	Specific materiality	Specific CT
<b>City of London Corporation Combined Education Charity</b> Advancing education by the provision of grants and financial assistance	12,000	1,000	-	-
<b>City of London Corporation Relief of Poverty Charity **</b> Relief of poverty for widows, widowers or children of a Freemen of the City of London	4,000	1,000	-	-
<b>City of London Freemen's School Bursary Fund</b> Promotion of education through bursaries	9,500	1,000	-	-
<b>City of London School Bursary Fund</b> Promotion of education through bursaries, scholarships and prizes	40,500	1,000	-	-
<b>City of London School Education Trust *</b> Advancing education	1,000	-	-	-
<b>City of London School for Girls Bursary Fund</b> Promotion of education through bursaries, scholarships and prizes	45,000	1,000	6,000	1,000
<b>Corporation of London Charities Pool</b> Investments pool for Sundry Trusts	196,000	4,000	51,500	1,000
<b>Emmanuel Hospital</b> Payment of pensions and financial assistance to poor persons	27,000	1,000	-	-
<b>Guildhall Library Centenary Fund *</b> Provision of education and training in library, archives, museum, and gallery services	1,000	-	-	-

In accordance with BDO audit methodology, clearly trivial should be set at 2% of materiality for both financial statement and specific materiality. For many of the smaller charities, this results in a very small value in absolute terms.

We therefore **seek the Committee's approval** to report to you individual clearly trivial items of a value greater than £1,000. Our audit procedures will however consider any items at the lower levels of clearly trivial both individually and in aggregate.

- Given the low volume and value of transactions a de-minimus level of £1,000 is proposed for materiality.
- \*\* We understand that during the year this charity has received a gift of assets amounting to £365,000 from another charity. Materiality is therefore based on 1% of the income anticipated for the year to 31 March 2019

# MATERIALITY: ALL ENTITIES

		2018/19		
		Materiality	CT	Specific materiality Specific CT
<b>King George's Field</b> Open space for sports, games and recreation	1,000	-	-	-
<b>Samuel Wilson's Loan Trust</b> Granting of low interest loans to young people who have or are about to set up in business	25,000	1,000	1,100	-
<b>Signore Pasquale Favale Bequest *</b> Granting of assistance to eligible persons in the form of marriage portions	1,000	-	-	-
<b>Sir William Coxen Trust Fund</b> Granting of assistance to eligible charitable trusts in the form of donations	29,000	1,000	-	-
<b>Vickers Dunfee Memorial Benevolent Fund</b> Financial assistance to distressed past and present members of the City of London Special Constabulary and their dependents	2,300	1,000	-	-
<b>Guildhall School of Music and Drama **</b> A Higher Education Institution offering professional training in music, acting and technical theatre arts	330,000	7,000	-	-
<b>The Lord Mayor's Show</b> Organisation of The Lord Mayor's of the City of London's annual show	5,500	1,000	-	-
<b>Heart of the City</b> Mission to inspire business leaders to build successful companies.	7,000	1,000	-	-

In accordance with BDO audit methodology, clearly trivial should be set at 2% of materiality for both financial statement and specific materiality. For many of the smaller charities, this results in a very small value in absolute terms.

We therefore **seek the Committee's approval** to report to you individual clearly trivial items of a value greater than £1,000. Our audit procedures will however consider any items at the lower levels of clearly trivial both individually and in aggregate.

- Given the low volume and value of transactions a de-minimis level of £1,000 is proposed for materiality.
- \*\* Materiality based on 1% of income

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# AUDIT QUALITY

**BDO’s audit quality cornerstones underpin the firm’s definition of audit quality.**

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest entities.

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)



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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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<b>Committee</b>	<b>Dated:</b>
Community and Children Services Safeguarding Sub Committee Audit and Risk	11/01/2019 08/02/2019 12/03/2019
<b>Subject:</b> Ofsted Focused Visit on Care Leavers	<b>Public</b>
<b>Report of:</b> Andrew Carter, Director of Community and Children's Services	<b>For Information</b>
<b>Report author:</b> Chris Pelham, Assistant Director People	

## Summary

This report provides Members with an update on the outcome of the Ofsted focused visit undertaken in October 2018, which looked at City of London's offer for care leavers.

This visit was conducted under the new Ofsted Inspections of Local Authority Children's Services (ILACS) framework. Notice of the visit was given on 17 October 2018. Two inspectors were on-site on 24 October 2018, and provided feedback on 25 October 2018.

The visit generated a letter setting out the findings of the visit and recommendations for improvement. The visit does not generate a graded judgement of effectiveness – this is given during standard (two-week) or short (one-week) inspections.

The findings of the focused visit are set out in the Ofsted Letter (Appendix 1). The visit found much evidence demonstrating a strong offer for our care leavers, including:

- Care leavers in the City of London benefit from a strong service that ensures they are very well supported. They receive effective help which enables most to achieve good outcomes.
- Skilled, determined social workers are persistent in engaging effectively with care leavers.
- The accommodation needs of young people are being met effectively and all are in suitable accommodation.
- The emotional and physical health needs of care leavers are well considered and well met.
- Senior leaders and managers are making efforts to ensure that care leavers' views and experiences are being used to help inform service improvements.

Inspectors identified three areas for improvement:

- Risk assessments should more clearly articulate measures to address and minimise risk.

- The demonstration of young people's involvement in preparing their pathway plans should be more explicit and consistent.
- Social workers should receive consistently reflective, analytical supervision and clear management oversight.

There were no priority actions identified.

These findings have been built into our Service Improvement Plan. One key area of work that addresses the improvement recommendations involves the Children's Social Care workforce engaging in a system-wide development programme with the College of Social Work Systemic Practice. This issue was already in development prior to the focused visit. This 12-month programme will commence in April 2019. It will involve all qualified social workers up to assistant director level who are engaged in theory and practice-based learning that supports the implementation of the systemic model of social work practice in the City of London. This, in turn, will assist in further improving the quality of assessment, supervision and recording.

### **Recommendation**

Members are asked to:

- Note the report.

### **Main Report**

### **Background**

1. In 2018, Ofsted introduced a new ILACS framework. This replaced the previous Single Inspection Framework and introduced a risk-based approach to determine the type and frequency of inspections that local authorities would receive.
2. This framework includes:
  - local authorities sharing an annual self-evaluation of the quality and impact of social work practice with Ofsted
  - an annual engagement meeting between Ofsted regional representatives and the local authority to review the self-evaluation and to reflect on what is happening in the local authority
  - Ofsted analysing their local authority intelligence system which compiles data and information into a single record
  - undertaking focused visits that look at a specific area of service or cohort of children
  - undertaking standard inspections (usually for local authorities judged 'requires improvement to be good') and short inspections (for local authorities judged 'good' or 'outstanding')
  - joint targeted area inspections carried out by Ofsted, Care Quality Commission, and Her Majesty's Inspectorate of Constabulary.

3. Focused visits evaluate an aspect of service, a theme or the experiences of a cohort of children – in this case care leavers. The visits happen between standard and short inspections. Following five days' notice, two inspectors are on-site for up to two days in one week. Focused visits include some or all of the same inspection activity as a standard or short inspection.
4. Each focused visit will cover part of the scope of standard and short inspections. Leadership is a feature of all focused visits, principally through the lens of the impact of leaders on practice with children and families.
5. In carrying out a focused visit on care leavers, Ofsted inspected:
  - looked-after children aged 16 and 17
  - care leavers aged 18 to 25
  - accommodation
  - employment, education and training
  - transition to adulthood
  - staying close and in touch.
6. During the focused visit, inspectors evaluate the effectiveness of:
  - performance management
  - management oversight
  - supervision
  - quality assurance
  - continuous professional development of the workforce.
7. Inspectors do not make graded judgements at the outcome of a focused visit. Nor will they indicate what the grade may have been if the visit had been a short or standard inspection. The outcome will include findings about strengths and areas for improvement, reported in a published letter (see Appendix 1).
8. Where inspectors find serious weaknesses, they will identify areas for priority action. An area for priority action is either:
  - an area of serious weakness that is placing children at risk of inadequate protection and significant harm; or
  - unnecessary delay in identifying permanent solutions for children in care that results in their welfare not being safeguarded and promoted.
9. Priority actions may result from particular or localised failings to protect or care for children, as well as from systemic failures or deficits.
10. Inspectors will use findings from focused visits when planning their next short or standard inspection. The evidence from a focused visit will not be used as

primary evidence but may enable inspectors to target their evidence gathering more effectively.

### **Current Position**

11. In September 2018, Ofsted held the annual engagement meeting with the Director of Community and Children's Services, the Independent Chair of the City and Hackney Safeguarding Children Board and senior managers from Community and Children's Services. This meeting noted that City of London had a good self-evaluation that was clear and well evidenced.
12. On 17 October 2018, City of London received notice of a focused visit in respect of care leavers. The visit took place on 24 October 2018, with feedback on 25 October 2018.
13. The focused visit involved meeting with social workers, partners, young people, managers and the Chairman of Community and Children's Services in their capacity as Lead Member for Children's Services.
14. The findings from the visit are detailed in the letter at Appendix 1. The letter highlighted the following good practice areas:
  - Care leavers in the City of London benefit from a strong service that ensures that they are very well supported. They receive effective help which enables most to achieve good outcomes. There is a determined and appropriately ambitious political and corporate focus to sustain and improve outcomes for care leavers. The service knows itself well and is aware of areas where further improvement is required.
  - Skilled, determined social workers are persistent in engaging effectively with care leavers. All care leavers are in suitable, safe accommodation and 'staying put' arrangements are actively promoted. There is a strong and consistent determination to ensure that care leavers access education, employment and training. Care leavers receive effective help in developing the necessary skills to live independently.
  - Social workers are consistently tenacious in their efforts to stay in touch with young people who leave care. The local authority has meaningful contact with all its care leavers. Young people who had been spoken to by inspectors reported that they felt safe where they lived.
  - The accommodation needs of young people are being met effectively and all are in suitable accommodation. The different levels of support needed by young people are well understood, including the need for staying put arrangements where this is indicated by the level of need.
  - Care leavers who are unaccompanied asylum seekers or refugees receive good support from their social workers. This includes help with understanding how to progress their application to stay in the UK.



- The emotional and physical health needs of care leavers are well considered and well met. Health assessments are conducted regularly and are of good quality. Care leavers consistently receive their health histories in a written form and meet with the designated nurse for children in care.
- The Independent Reviewing Officer is effective in improving planning for young people aged between 16 and 17 years.
- Senior leaders and managers are making efforts to ensure that care leavers' views and experiences are being used to help inform service improvements.

15. The report also identified areas for further development:

- Risk assessments to more clearly articulate measures to address and minimise risk.
- More explicit and consistent demonstration of young people's involvement in preparing their pathway plans.
- Supervision of social workers to consistently demonstrate reflective, analytical supervision and clear management oversight.

16. These development areas have been built into the Service Improvement Plan to ensure that sustained practice improvement is evident. This will be subject to review by the Service Improvement Board and the Safeguarding Sub Committee.

17. System-wide training will be undertaken from April 2019 with all qualified social workers, practice managers and leaders engaged in systemic social work training. This will support improvement in the quality of supervision and case oversight.

### **Corporate Plan**

18. The provision of services for care leavers sits within the Corporate Plan priorities of 'People are safe and feel safe'; 'People enjoy good health and wellbeing'; and 'People have equal opportunities to enrich their lives and reach their full potential'.

### **Conclusion**

19. This report provides Members with the details of the outcome of the Ofsted focused visit inspection of care leavers services in October 2018.

20. The visit noted the good service delivered across a range of areas, including education, accommodation and social work engagement and leadership.

21. There were no priority action areas identified.

22. Three areas were identified for improvement work, which will be built into the Service Improvement Plan.

## **Appendices**

- Appendix 1 – Ofsted Letter

### **Chris Pelham**

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16 November 2018

Andrew Carter  
City of London Children's Services  
City of London North Wing, Guildhall  
PO BOX 270  
London  
EC2P 2EJ

Dear Andrew,

### **Focused visit to City of London local authority children's services**

This letter summarises the findings of a focused visit to City of London local authority children's services on 24 October 2018. The inspectors were Andy Whippey, Her Majesty's Inspector, and Kate Malleson, Her Majesty's Inspector.

Inspectors considered the local authority's arrangements for care leavers. They considered a range of evidence, including case discussions with care leavers, partner agencies, social workers and managers. They also considered the local authority performance management information, quality assurance information and young people's records.

### **Overview**

Care leavers in the City of London benefit from a strong service that ensures that they are very well supported. They receive effective help which enables most to achieve good outcomes. There is a determined and appropriately ambitious political and corporate focus to sustain and improve outcomes for care leavers. The service knows itself well and is aware of the areas in which further improvement is required.

Skilled, determined social workers are persistent in engaging effectively with care leavers. All care leavers are in suitable safe accommodation and 'staying put' arrangements are actively promoted. There is a strong and consistent determination to ensure that care leavers access education, employment and training (EET), and care leavers receive effective help in developing the necessary skills to live

independently. Most of the care leavers in the City of London are unaccompanied asylum-seeking young people. For these young people, there is proactive and sensitive consideration of their needs.

### **What needs to improve in this area of social work practice**

- Risk assessments to more clearly articulate measures to address and minimise risk.
- The more explicit and consistent demonstration of young people's involvement in preparing their pathway plans.
- The supervision of social workers to consistently demonstrate reflective, analytical supervision and clear management oversight.

### **Findings**

- Individual risks to care leavers, including those at risk of going missing and sexual exploitation, are clearly understood, and the necessary support is provided to reduce risks. Risk assessments are routinely undertaken and add real value in terms of the understanding of any actual or potential risks to young people. They are consistently reviewed to consider any changes in young people's circumstances. Good support is offered when young people experience day-to-day difficulties. Focused work by social workers enables care leavers to make informed decisions and choices to keep them safe. While risks are well understood in a minority of risk assessments, there is insufficient clarity about the risk minimisation measures that are necessary to reduce risk.
- Social workers are consistently tenacious in their efforts to stay in touch with young people who leave care. The local authority has meaningful contact with all its care leavers. Social workers use a broad range of ways of staying in touch that are proportionate to the needs of each young person. Social workers work hard to build rapport, and several young people reported positively about the quality of support and advice offered to them. Young people were appreciative that social workers were strong advocates for them.
- Visits to young people are mostly well recorded, with their wishes and feelings clearly evident. A minority, however, would benefit from clarity relating to the outcome of the visit in terms of determining any future actions or changes in care planning. While work is being undertaken with young people to understand their histories and to ensure identity needs are met, this is not always well evidenced on case records.
- The accommodation needs of young people are being met effectively and all are in suitable accommodation. The different levels of support needed by young people are well understood, including the need for staying put arrangements where this is indicated by the level of need. Commissioning arrangements are effective in ensuring that there are appropriate accommodation options. For this

reason, care leavers live in accommodation where they feel supported and with a level of support consistent with their need. Young people spoken to by inspectors reported that they felt safe where they lived.

- Effective tenancy support enables young people to sustain their tenancies when they are ready to move into independent accommodation. There have been no tenancy breakdowns in the past year. Tenancy support has an appropriate focus on any emotional health support needs. Any risks which threaten the stability of care leavers' living arrangements are quickly identified and support is put in place. While there is clear consideration given to changes in the level of support to young people in supported accommodation, the rationale and decision-making for such change is not always clear on young people's records in order to evidence the rationale for such changes.
- Care leavers receive good support to help them build their skills to live independently. Effective support is provided by social workers, commissioning arrangements and tenancy support. This has a focus on developing the skills that care leavers need, such as learning to save money, budget and cook for themselves.
- Care leavers who are unaccompanied asylum seekers or refugees receive good support from their social workers, including help with understanding how to progress their application to stay in the United Kingdom. These young people are in suitable accommodation and are supported to access education. Sensitive consideration is given to their histories and they are supported to access help for their emotional and mental health needs.
- There is a clear, determined focus on ensuring that care leavers are engaged in EET activity. Inspectors found positive examples of sustained help that enabled young people to engage in college/education or work opportunities, including attending interviews and information sessions with them. Positive support is provided by the virtual school and social workers, and the information, advice guidance and resilience practitioner helps to sustain opportunities for care leavers.
- The emotional and physical health needs of care leavers are well considered and well met. Health assessments are conducted regularly and are of good quality. Care leavers consistently receive their health histories in a written form and meet with the designated nurse for children in care. This helps young people to understand their histories and enables them to make informed decisions about their future healthcare. The availability of the designated nurse for advice and consultation after they reach 18 years old enhances the health provision on offer.
- Pathway plans are mostly comprehensive with a clear focus on the needs of care leavers. However, the records indicate variability in young people's involvement in preparing them. In a minority of plans, the voice of the young person and their contribution to the plan is insufficiently clear. Pathway plans are not always being consistently reviewed when young people's circumstances change, for example a

change in their living arrangements. It is not always clear from records if young people have had an opportunity to contribute or comment on them or suggest any alterations or amendments.

- The independent reviewing officer (IRO) is effective in improving planning for young people between 16 and 17 years. Effective midpoint reviews and consistent communication with young people ensure that care planning is focused on improving outcomes. Reviews of plans undertaken by the IRO are written to the young person and are of good quality.
- Senior leaders and managers are making efforts to ensure that care leavers' views and experiences are being used to help to inform service improvements. Care leavers are involved in determining the local offer required by recent legislation. The local authority is aware of the need to strengthen the voice of care leavers on the local authority's safeguarding subcommittee, which fulfils the role of the corporate parenting board.
- Care leavers highly value the opportunities to meet each other, and the professionals who help them, at regular children in care council meetings. Care leavers benefit from discussing relevant and important topics in these meetings, such as the issue of consent in relationships. The celebration of achievements, participation in a range of activities, visits and holidays are enjoyed by young people.
- Social workers reported that they enjoy working for the local authority and find their managers to be visible and supportive. Caseloads are manageable, and this enables direct work to take place with young people. Social workers benefit from access to a wide range of training opportunities applicable to the needs of care leavers.
- There is some variability in the quality of management oversight and supervision. Inspectors did not always see consistent examples of good quality, reflective, analytical supervision and management oversight. Some supervision records do not provide sufficient clarity as to the specific actions they need to complete and by when in order to improve outcomes for young people.
- Audit arrangements for the provision of services to care leavers are good. Audits are effective tools in identifying the difference that practice has made to improve outcomes for young people. They are qualitatively focused as well as compliance focused, and the outcomes of audits are evident in the local authority's self-improvement plan.

Yours sincerely

Andy Whippey  
**Her Majesty's Inspector**

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

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