



Audit and Risk Management Committee

Date: MONDAY, 16 JANUARY 2023
Time: 10.00 am
Venue: COMMITTEE ROOMS, GUILDHALL

Members:

Alderman Alexander Barr (Chair)	Alderman Bronek Masojada
Alderman Prem Goyal (Deputy Chairman)	Judith Pleasance
Gail Le Coz (Deputy Chairman)	Karen Sanderson (External Member)
Deputy Rehana Ameer	Ruby Sayed
Deputy Randall Anderson	Paul Singh
Deputy Christopher Boden	Naresh Hari Sonpar
Deputy Henry Colthurst (Ex-Officio Member)	Dan Worsley (External Member)
Paul Martinelli	

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Michael Cogher
Acting Town Clerk and Chief Executive

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 previous meeting held on 22 November 2022.

For Decision
(Pages 5 - 10)

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members are asked to review the Committee's Outstanding Actions List.

For Information
(Pages 11 - 12)

Governance

5. **TERMS OF REFERENCE REVIEW**

Report of the Town Clerk (to follow).

For Decision

Financial Statements

6. **2021-22 CITY'S CASH FINANCIAL STATEMENTS**

Report of the Chamberlain.

n.b to be read in conjunction with the appendices at item 6 in the separate appendix pack

For Decision
(Pages 13 - 20)

7. **BRIDGE HOUSE ESTATES ANNUAL REPORT AND FINANCIAL STATEMENTS 2021/22**

Report of the Bridge House Estates & Charities Finance Director (representing The Chamberlain) and the Managing Director, Bridge House Estates.

n.b to be read in conjunction with the appendices at item 7 in the separate appendix pack

For Decision
(Pages 21 - 26)

8. **SUNDRY TRUSTS ANNUAL REPORT AND FINANCIAL STATEMENTS 2021/22**

Report of the Bridge House Estates & Charities Finance Director (representing the Chamberlain).

n.b to be read in conjunction with the appendices at item 8 in the separate appendix pack

For Decision
(Pages 27 - 30)

External Audit

9. **CITY FUND AUDIT PROGRESS REPORT AND SECTOR UPDATE**

Report of the External Auditors, Grant Thornton.

For Information
(Pages 31 - 44)

10. **CITY OF LONDON CORPORATION - CITY FUND AUDIT PLAN**

Report of the External Auditors, Grant Thornton.

For Information
(Pages 45 - 72)

11. **CITY OF LONDON PENSION FUND - AUDIT PLAN**

Report of the External Auditors, Grant Thornton.

For Information
(Pages 73 - 90)

Internal Audit

12. **INTERNAL AUDIT UPDATE**

Report of the Chamberlain.

For Information
(Pages 91 - 94)

Risk Management

13. RISK MANAGEMENT UPDATE

Report of the Chief Strategy Officer.

For Information
(Pages 95 - 130)

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

15. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

16. EXCLUSION OF THE PUBLIC

MOTION, 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 or that they relate to business under the remit of the Court of Common Council acting for the City Corporation as charity Trustee, to which Part VA and Schedule 12A of the Local Government Act 1972 public access to meetings provisions do not apply and contain sensitive information which it is not in the best interests of the charity to consider in a public meeting (engaging similar considerations as under paragraphs 3 and 5 of Schedule 12A of the 1972 Act) and will be considered in non-public session.

For Decision

Part 2 - Non-Public Agenda

17. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

To agree the non-public minutes of the previous meeting held on 22 November 2022.

For Decision
(Pages 131 - 132)

Risk Management

18. ESTABLISHING A CHARITY RISK MANAGEMENT PROTOCOL

Report of the Managing Director of Bridge House Estates & Chief Charities Officer.

For Decision
(Pages 133 - 166)

19. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
20. **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, 22 November 2022

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 22 November 2022 at 2.00 pm

Present

Members:

Alderman Alexander Barr (Chair)
Alderman Prem Goyal (Deputy Chairman)
Gail Le Coz (Deputy Chairman)
Deputy Rehana Ameer
Deputy Randall Anderson
Deputy Christopher Boden
Paul Martinelli
Alderman Bronek Masojada
Karen Sanderson (External Member)
Paul Singh
Naresh Hari Sonpar

Officers:

Ben Dunleavy	- Town Clerk's Department
Michael Cogher	- Comptroller and City Solicitor
Dionne Corradine	- Chief Strategy Officer
Chris Keesing	- Chamberlain's Department
Kate Limna	- Chamberlain's Department
Matthew Lock	- Chamberlain's Department
Neilesh Kakad	- Chamberlain's Department
Tabitha Swann	- Town Clerk's Department
Sonia Virdee	- Chamberlain's Department
Tatianna Wanyanga	- Town Clerk's Department

Also attending:

Paul Dossett	- Grant Thornton
David Eagles	- BDO
Sebastian Evans	- BDO

1. APOLOGIES

Apologies for absence were received from Deputy Henry Colthurst, Alderman Bronek Masojada, Ruby Sayed, and Dan Worsley.

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**

A Member commented on the minute of the Internal Audit Update item, and asked why it referred to the action involving the Museum of London project being closed. The Head of Internal Audit responded that the action had been to explore whether the issues had been resolved. This action had been completed, and had found that the issues had not been resolved, which may be of continuing concern to the Committee.

The minutes of the meeting on 27 September 2022 were approved as a correct record.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Committee's Outstanding Actions List.

A Member said that they did not feel the Head of Internal Audit's comments at item 3, relating to the City Corporation's involvement in the Museum of London project, counted as a completed action. The Head of Internal Audit replied that they had provided a follow-up on the current status at the September meeting in September, reporting that there had been no substantive developments. At the request of the Member, the Head of Internal Audit undertook to circulate a written note to Members following the meeting, to provide confidence on this process.

5. **COMMITTEE WORK PROGRAMME**

Members received the Committee Work Programme.

The Chairman asked that deep dives on Planning and Electoral services to be scheduled for the upcoming year.

6. **2020-21 CITY FUND AND PENSION FUND STATEMENT OF ACCOUNTS APPROVAL**

Members received a report of the Chamberlain relative to the 2020-21 City Fund and Pension Fund Statement of Accounts, including the external auditor's audit completion reports, with representatives from BDO attending.

Members heard from the external auditors that formal completion of the main report was being held up by a national issue regarding infrastructure assets, but it was hoped that this would be resolved by a statutory instrument in January 2023. BDO were working with the Chamberlain to ensure that the lead-in time on the handover to Grant Thornton was as short as possible once this secondary legislation had gone through Parliament.

A representative from BDO said that they had been asked to issue an earlier, qualified opinion in advance of the above changes, but they noted that with one exception, no other audits with infrastructure assets had been signed off, as the Department for Levelling Up, Housing and Communities and CIPFA wanted to have no qualifications. BDO were therefore waiting for the SI rather than issue a qualified opinion.

A Member asked if there was a fall-back option should the above completion date be missed. Representatives from BDO replied that if there was a significant delay and it seemed that a solution could not be achieved in a reasonable timescale, it might be necessary to move towards a qualified opinion.

A Member asked if issuing qualified accounts would lead to any penalties in the City Corporation's fundraising with external investors. Officers undertook to return to the Committee with an answer on this question.

A Member asked if officers had maintained a log of the lessons learned during this process. The Chairman said that he hoped the Chamberlain's Department would be undergoing a continual process of improvement. Officers replied that it was worth recognising that this had been a protracted audit process and some of the issues that had been faced were unique. There were formal recommendations in the audit reports which officers would be taking away, and the Head of Internal Audit had been asked to look into the IT issues in particular. With regards to continual improvement, the department was currently going through the recruitment phase of the TOM process, which would be the first step in an improvement model. Officers were also in the initial stages of engaging with the new external auditors. The Chairman thanked officers for this response, and asked if the Chamberlain could also be asked to provide a response at the next possible opportunity.

A Member requested that the Committee be informed should the Chamberlain approve any material changes to the financial statements as recommended in the report.

RESOLVED, that – Members:

- Note the content of BDO's audit completion reports;
- Recommend approval of the 2020-21 City Fund and Pension Fund Statement of Accounts to the Finance Committee, acknowledging that the outstanding issue regarding infrastructure was still to be resolved; and
- Authorise to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material changes to the financial statements required before the signing including agreement of the final audit opinion to be issued linked to the resolution of the accounting of infrastructure assets.

7. INTERNAL AUDIT UPDATE

Members received a report of the Head of Internal Audit providing an update on Internal Audit activity.

A Member suggested that the information presented over ten pages in Appendix 2 to the report could have been kept to one page. They asked if it was necessary for senior officers to have information presented in such a simplified way. Officers replied that the information presented in the appendix was a simplified front-view of a Power BI dashboard, hosted on Sharepoint, which they hoped to develop into an interactive dashboard for senior officers to

use and to provide a live, agile system across a number of areas. The Chairman requested that officers return to the Committee with a demonstration of the dashboard once it was fully developed.

Members requested the following changes to the information included in the appendices:

- Adding the estimated completion dates to Appendix 1, and flagging any outstanding open recommendations and outstanding actions, especially for red items
- Changing the colours of the follow-ups in Appendix 2

A Member said that the information revealed the underlying dependency on IT infrastructure, and asked if it was possible for the Committee to get assurances on any risks related to IT infrastructure. The Chairman suggested a deep dive on the relevant corporate risks could be scheduled.

RESOLVED, that – the report be received and its contents noted.

8. COUNTER FRAUD & INVESTIGATIONS - 2022/23 MID-YEAR UPDATE REPORT

Members received a report of the Chamberlain providing an update on Counter Fraud & Investigations activity.

At the request of a Member, officers undertook to provide a written update comparing levels of single person discount council tax fraud with appropriate local authorities.

Following a question from a Member, the Chairman requested that future reports include a breakdown of how much had been recovered under each item.

RESOLVED, that – the report be received and its contents noted.

9. RISK MANAGEMENT UPDATE

Members received a report of the Chief Strategy Officer providing an update on risk management.

A Member noted that CR35 Unsustainable Medium Term Finances had been split into CR35 City Fund and CR38 City's Cash, with both now showing as red, and asked if they should have got to red sooner and if there were any lessons learned. The Chief Strategy Officer replied that the original CR35 had managed at Finance Committee, within the Chamberlain's Department and across the Executive Leadership team as a high priority. It had reached the Corporate Risk Register due to the split into City Fund and City's Cash. Officers were looking at how to consider risks outside of the sequence of the Chief Officer Risk Management Group and the Executive Leadership Board.

A Member asked why there was not a specific corporate risk around staffing and recruitment. In reply, officers said that an articulated risk on people, capability and capacity had been dealt with on departmental risk registers,

partly due to the previous absence of a Chief People Officer, a position which had now been filled. The risk had been returned to the Chief Officer Risk Management Group for discussion, and the Chief People Officer wanted to explore where the most pressing risks were. The Chairman requested that this be added to the schedule for Deep Dives.

A Member asked if the Committee could receive an interim update on climate. The Chairman requested that the Head of Internal Audit return with an update on this.

The Chairman requested that an inception date for risks be added to the information presented in the risk register.

RESOLVED, that – Members note:

- The report and the corporate and top red departmental risk registers outlined in this report.
- That CR35 Unsustainable Medium Term Finances has been split into two - CR35 City Fund and CR38 City's Cash - with both risks now showing as red.
- That CR16 Information Security has increased its risk rating, moving from amber to red.
- That CR17 Safeguarding has been reviewed by the Internal Audit team and is included in the Committee papers separately.

10. **DEEP DIVE RISK REVIEWS**

Members received a report of the Head of Internal Audit.

10.1 **Deep Dive: CR17 Safeguarding**

Members received a report of the Head of Internal Audit relative to a Deep Dive into CR17 Safeguarding.

RESOLVED, that – the report be received and its contents noted.

11. **TREASURY MANAGEMENT OUTTURN 2021/22**

Members received a report of the Chamberlain relative to the Treasury Management Outturn 2021/22.

RESOLVED, that – the report be received and its contents noted.

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

Members suggested that the Committee should consider doing another risk appetite review, and consider the frequency at which these reviews are undertaken.

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

There was no other business.

14. **EXCLUSION OF THE PUBLIC**

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

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

There was one non-public question.

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

There was no other business in the non-public session.

The meeting ended at 3.30 pm

Chairman

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AUDIT AND RISK MANAGEMENT COMMITTEE – Outstanding Actions – January 2023

Items from meeting held 22 November 2023		
ITEM	Action	Officer and target date
10. Deep Dive Safeguarding	Invite the new Town Clerk to attend a meeting	Town Clerk - tbc
12. Any Other Business	Ensure that existing risk appetite levels are reviewed, along with broader stance on risk appetite and handling moving forwards.	Chief Strategy Officer – March 2023
	Ensure that a section on risk appetite is added to the information in the Annual Governance Statement moving forwards	Chief Strategy Officer – February 2023
15. Non-public Questions	Arrange for the Commercial Director to attend a meeting to discuss general project governance	Town Clerk – March 2023

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Committee(s): Audit and Risk Management Committee – For decision Finance Committee – For decision	Dated: 16/01/2023 24/01/2023
Subject: 2021-22 City's Cash Financial Statements	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	6/7
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Decision
Report author: Neilesh Kakad, Chief Accountant	

Summary

The Annual Report and Consolidated Financial Statements for City's Cash for the year ended 31 March 2022 are attached at Annex 2 for approval.

In addition, the 10 Annual Reports and Financial Statements of the Open Spaces and sundry trusts charities which are consolidated within the City's Cash accounts (listed at paragraph 2 below) are attached at Annex 3 for approval.

The external auditor, Crowe UK LLP is intending to issue an unqualified audit opinion for both City's Cash and the 10 Charities Annual Report and Financial Statements subject to finalisation of a small number of outstanding queries.

The key points in the consolidated financial statements are:

- a net surplus of £106.1m which includes gains in fair value on non-property investments of £69.0m and property investments of £101.8m. *(these figures can be seen in the Consolidated Statement of Comprehensive Income on page 19);*
- total net assets of £2,811.4m, an increase £183.3m (7%) since last year. This increase is largely due to the fair value gains noted above. The net asset position is taken after deducting the total pensions liability of £383.0m and the outstanding long term loan liabilities of £449m. *(the £183.3m is shown in the Consolidated Statement of Changes in Equity on page 21);*
- financial commitments relating to City's Cash are disclosed in the notes to the financial statements and are summarised as follows:
 1. the potential contribution of £50m from City's Cash towards the Crossrail Project *(page 50, point c);* and

2. £16.6m relating to a works contract for the refurbishment of an investment property and £3.5m for tunnel lids at Smithfield Market (*page 51, point a*); and

No significant matters are noted in the individual financial statements of the 10 consolidated charities. As in previous years the majority of the charities' income was from City's Cash grants, although income from other sources increased in the year.

Recommendations

The Audit and Risk Management Committee is requested to:

- Note that the external auditor Crowe UK LLP intends to give an unqualified audit opinion for both City's Cash and the 10 consolidated charities' individual financial statements;
- Consider the contents of the Audit Management Report issued by Crowe UK LLP (late item); and
- Recommend approval of the 2021/22 City's Cash Financial Statements, and the financial statements of each of the 10 consolidated charities, for the year ended 31 March 2022 to Finance Committee.

The Finance Committee is requested to:

- Consider the contents of the Audit Management Report issued by Crowe UK LLP; and
- Consider the resolution from the Audit and Risk Management Committee and, if appropriate, approve the 2021/22 City's Cash Financial Statements, and the financial statements of each of the 10 consolidated charities, for the year ended 31 March 2022;
- Authorise the Chamberlain, in consultation with the Chairman and Deputy Chairman of Finance Committee, to approve any material changes to the statement of accounts and annual reports and financial statements required before the signing of the audit opinion by Crowe UK LLP – which is expected by the end of January for City's Cash consolidated financial statements, and for the consolidated charities.
- Authorise the Chairman and Deputy Chairman of the Finance Committee to approve and sign the City's Cash Financial Statements, and those of each of the 10 consolidated charities, on behalf of the Court of Common Council.

Current Position

1. The 2021-22 Annual Report and Consolidated Financial Statements for City's Cash are attached at Annex 2 for approval.
2. The Annual Reports and Financial Statements for each of the consolidated charities for the same period are attached at Annex 3 for approval. The 10 charity financial statements are listed below with their charity numbers, and are made up of the Open Spaces and other consolidated sundry trusts:
 - a. Ashtead Common (registered charity no. 1051510)
 - b. Highgate Wood and Queen's Park Kilburn (registered charity no. 232986)
 - c. West Ham Park (registered charity no. 206948)
 - d. Hampstead Heath Charity (consolidated with the Trust Fund below) (registered charity no. 803392)
 - e. Hampstead Heath Trust Fund (registered charity no. 803392-1)
 - f. Sir Thomas Gresham Charity (registered charity no. 221982)
 - g. Keats House (registered charity no. 1053381)
 - h. Burnham Beeches and Stoke Common (registered charity no. 232987)
 - i. Epping Forest (registered charity no. 232990)
 - j. West Wickham Common and Spring Park Wood (registered charity no. 232988) & Coulsdon and Other Commons (registered charity no. 232989)
3. Our auditors have provided an audit management report reflecting progress and outstanding items as at the time of writing, which largely revolves around completing their internal review processes. An update will be provided at the Audit and Risk Management Committee further progress made, highlighting any further issues identified outside those included in the audit finding report. Representatives from Crowe UK LLP will attend the Audit and Risk Management Committee to present their report and to clarify any points or issues.
4. It should be noted that the Chamberlain's and Bridgemasters' Accounts are no longer subject to the Audit Panel Review process following a change in these governance arrangements. The City's Cash accounts will therefore be certified by the incumbent auditor only.
5. Members will be aware that in order to comply with the covenants in the private placement Note Purchase Agreement, the audited City's Cash consolidated financial statements along with an opinion that states that such financial statements give a true and fair view of the financial position of City's Cash, must be submitted to the private placement lenders as soon as they become available but in any event within 270 days after the end of each financial year (i.e. by 26 December). Due to the delays in completing the audit it was not possible to comply with this requirement, however a letter supported by the audit Partner was submitted along with the draft accounts.

6. The 10 sets of charity financial statements must be submitted to the Charity Commission within 10 months of their financial year end, i.e. by 31 January 2023.

Other significant items in City's Cash disclosure notes (pages 31 to 58)

Loans

7. In August 2019, the City issued debt totally £450m via private placement of which £250m was received in September 2019 with the remaining £200m being received in July 2021 (*page 44*).

Teacher's Pension Scheme (TPS) Liability

8. Following discussions with the previous audit panel and auditor, a review of the accounting arrangements for the Teacher's Pension Scheme has been carried out during the year reflecting on comments made regarding the recognition of the liability for this scheme. Whilst the TPS is a defined benefit scheme, which would ordinarily generate a pension liability, due to large number of participants in the scheme and therefore the difficulty in establishing a share of the liability for each participant, accounting guidance allows for this scheme to be treated as a defined contribution scheme in which only the in-year contributions to the scheme need to be recognised. We have been unable to identify any scheme member that doesn't adopt this approach, which includes how this is managed within City Fund, and therefore have adopted this approach moving forward. Because this is a change in accounting policy, prior period adjustment have been action to remove this liability, which was last valued at £19.1m. (*page 44*).

Financial Commitments (page 50)

9. Contribution to Crossrail - the potential contribution of £50m from City's Cash towards the Crossrail Project has been disclosed as a financial commitment in both the annual report and the notes to the financial statements.
10. Contract commitments – there are contract commitments of £5.9m relating to a works for the refurbishment of an investment property and £4.2m for works at Smithfield Market.

Highlights from the Consolidated Statement of Comprehensive Income

Comparison with Previous Year

11. A summary of the Consolidated Statement of Comprehensive Income for the year ending 31 March 2022 is shown below. A surplus of £106.1m was achieved for the year, a positive movement of £75.1m from the £31.0m surplus in the previous year. Details of the movements from the previous year are described below.

	31/03/2022 £m	31/03/2021 £m	Variance £m
Operating deficit before gains in fair value of investments	(98.0)	(88.7)	(9.3)
(Loss)/Gain in fair value of property investments	101.8	(98.1)	199.9
Gain/(Loss) in fair value of non-property investments	69.0	227.0	(158.0)
Operating surplus/(deficit)	72.8	40.2	32.6
(Loss)/Profit on sale of fixed assets	58.3	(0.3)	(2.9)
Loan financing costs	(9.2)	(6.0)	(2.3)
Surplus/(Deficit) for the year	121.9	33.9	88.0

12. The unfavourable movement in the operating deficit (before gains in fair value of investments) for the year of £9.3m (from £88.7m in the prior year to £98.0m) is largely due to:

- An increase in net expenditure against grants and other activities of £22.0m, from £7.5m in 2020/21 to £29.5m in 2021/22. This is largely due to the City's Covid-19 recovery grant scheme for Square Mile SMEs and an increase in grant funding for major projects.
- An increase in net expenditure against City Representation of £1.1m from £12.8m in 2020/21 to £13.9m in 2021/22. There was an increase in activities due to the relaxation of travel and hospitality restrictions that followed from the continuing recovery from the pandemic.
- Net pension scheme costs increasing by £1.8m, from £34.0m in 2020/21 to £35.8m in 2021/22.

These cost increases were offset by:

- Net expenditure on education decreasing by £9.4m from £24.9m in 2020/21 to £15.5m in 2021/2, this is largely due to increased income as discounts were no longer being offered to pupils at the City's three independent schools and at Junior Guildhall as the schools returned from virtual tuition to being back in the classroom.
- Net expenditure on Markets reducing by £2.1m from £8.0m in 2020/21 to £5.9m in 2021/22, due to operational savings.

- Net income relating to investments increasing by £1.7m, from £34.1m in 2020/21 to £35.8m in 2021/22, mainly due to a £9.8m movement in the bad debt provision adjustment from 2020/21 to 2021/22, which reflect the decrease in debt on investment properties compared to the previous year.
- Net expenditure on Open Spaces reducing by £1.2m from £18.6m in 2020/21 to £17.4m in 2021/22, largely due to increased income following the continued recovery from the pandemic.

Movements in fair value of investments

13. As shown in the table, the fair value from property investments has increased £101.8m in 2021/22 following a loss in value on £98.1m in the previous year. This reflects the recovery of property value post pandemic.
14. The table also shows a gain in the fair value of non-property investments of £69.0m, compared to the gain of £227.0m recorded in 2020/21. Last year saw significant gains linked to the recovery from pandemic.
15. After the operating surplus of £72.8m (2020/21: surplus of £32.6m) it can be seen in the table that there was a gain on disposal of fixed assets of £58.3m (2020/21: loss of £0.3m) and loan financing costs of £9.2m (2020/21: £6.0m). This increase is due to loan interest from private placement including the release of the final tranche of funds (£200m) in July 2021.

Comparison with Budget

16. The financial statements and the budget are not directly comparable due to differences in the way in which the two documents are constructed*. However, compared to a budgeted net deficit of £56.7m as detailed in Annex 1: City's Cash consolidated - Comparison with Budget on a Committee Basis, the outturn on a like for like basis is a net deficit of £43.4m, favourable movement of £13.3m. This position is slightly altered to the provisional outturn presented to Finance Committee in July 2022 due to an audit adjustment related to recognition of a rent free agreement completed shortly after the year end, resulting in £1.2m of additional expenditure.
17. The net £13.3m better than budget position is largely due to slippage of supplementary revenue projects (SRP) of £5.1m, unspent contingencies of £2.1m and additional dividend income of £2m.

Consolidated Charities Summary

18. The consolidated charities' total income across all charities for 2021/22 was £23.6m (2020/21: £23.0m), of which £14.9m (2020/21: £17.1m) came from grants from City's Cash, with the remainder from investments (£2.0m, mainly the Hampstead Heath Trust Fund), charitable activities (£5.5m) and a small amount from donations and other grants (£1.1m). The main reason for the overall increase

in income and reduction in the City's Cash Grant was an increase in income from charitable activities as restrictions eased following covid-19 lockdowns. The net assets of the 10 charities at 31 March 2022 was £63.6m, of which £54.7m related to Hampstead Heath and the Hampstead Heath Trust Fund.

19. Of the 10 annual reports and financial statements, 7 were subject to a full audit and 3 (Keats House, Sir Thomas Gresham Charity, and Ashted Common) were independently examined for the first time in 2021/22. These arrangements were in place for the first time this year, following a review of the audit and examination requirements of each charity, carried out in the best interests of each charity and implemented with regard to the threshold for audits and independent examinations, as required under Charity Law.

Consolidated Statement of Financial Position

20. City's Cash net assets total £2,811.4m as at 31 March 2022 compared to £2,628.1m a year earlier reflecting the £183.3m gain recognised for the year as set out in the following table:

Changes in Equity	31/03/2022 £m	31/03/2021 £m	Variance £m
Surplus/(Deficit) for the financial year	121.9	33.9	88.0
Unrealised gains/(losses):			
Deferred taxation	(15.8)	(2.9)	(12.9)
Actuarial (loss)/gain on defined benefit pension schemes	77.2	(97.1)	174.3
Net (decrease)/increase in funds	183.3	(66.1)	249.4

21. The deferred tax position relates to Barking Power Station Limited, which is consolidated into the City's Cash accounts as a subsidiary.

22. The actuarial gain on defined benefit pension schemes is mainly due to change in assumptions underlying the present value of the pension liabilities. The change in assumptions relates to increase in discount rate, from 2.0% to 2.6%, which has reduced the value of liabilities.

Approval of the Financial Statements

23. It is recommended that the Finance Committee approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the financial statements on behalf of the Court of Common Council, taking account of any observations from the Audit and Risk Management Committee on 16 January.

Annexes

- Annex 1 – City's Cash consolidated - Comparison with Budget on a Committee Basis
- Annex 2 – Annual Report and Financial Statements of City's Cash
- Annex 3 – Annual Report and Financial Statements of the 10 consolidated charities

Neilesh Kakad

Chief Accountant

Chamberlain's Department

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Committee: Audit and Risk Management	Dated: 16 January 2023
Subject: Bridge House Estates Annual Report and Financial Statements 2021/22	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045</i> Strategy does this proposal aim to support?	1, 2, 3
Does this proposal require extra revenue and/or capital spending?	No
Report of: The Bridge House Estates & Charities Finance Director (representing The Chamberlain) and the Managing Director, Bridge House Estates	For Decision
Report author: Nathan Omane, Head of Finance, Bridge House Estates	

Summary

The draft Annual Report and Financial Statements for Bridge House Estates (BHE) for the year ended 31 March 2022 are provided for review and recommendation for approval to the BHE Board.

The audit work has been substantially completed with Crowe U.K. LLP (Crowe) intending to issue an unqualified opinion.

Crowe commenced its audit on 4 July 2022, conducting their work in-person from Guildhall and remotely. This is the first year of their appointment as auditor to BHE. Representatives from Crowe will attend the Audit and Risk Management Committee meeting to present their report.

Recommendations:

The Audit and Risk Management Committee are asked to:

- Consider the contents of the audit management report issued by Crowe (Report to follow);
- Recommend approval of the BHE Annual Report and Financial Statements for the year ended 31 March 2022 to the BHE Board; and
- authorise the Managing Director of BHE and the BHE and Charities Finance Director (representing the Chamberlain), in consultation with the Chair and Deputy Chair of the BHE Board, to approve material change to the financial statements required before the signing of the audit opinion by Crowe.

Main Report

Introduction

1. The 2021/22 Annual Report and Financial Statements for BHE for the year ended 31 March 2022 are presented for review.
2. The Charity Commission require charities to submit their Annual Report within 10 months of their financial year-end. As a significant charity within the sector, BHE looks to demonstrate good governance in making available its annual report on a timely basis. Unfortunately, the release of the 2021/22 report has been delayed beyond the original timetable due to capacity issues within the City Corporation impacting on the audit of cross-City Corporation activities such as payroll, pensions, and investments.
3. Approval of the 2021/22 Annual Report and Financial Statements will be undertaken by the BHE Board, following review and recommendation by the Audit and Risk Management (ARM) Committee, as per the reference made to ARM Committee by the BHE Board. This is in line with the Terms of Reference of the BHE Board. The approved Report will be presented to the Court of Common Council.

Audit Opinion

4. Crowe intend to issue an unqualified audit opinion. Their report will reference the work undertaken to provide assurance that the financial statements, taken as a whole, are free from material misstatements whether caused by fraud or error.

Statement of Financial Activities

Income

5. Income for the year came to £34.1m, a reduction of £13.3m on the previous year (£47.4m). Prior year total income benefited from restricted grant income of £15.0m received towards the London Community Response Fund (LCRF) - a fund created to meet community needs in London arising from the impact of the Pandemic.
6. Following the lifting of pandemic-related restrictions, Tower Bridge tourism experienced a steady recovery in income. The income derived from visitor admissions, retail and events at Tower Bridge increased to £3.1m from the previous year's £0.5m. March 2022 enjoyed a strong boost in visitor admissions which had an impact on the full year results and has continued into 2022/23.
7. Investment income, made up of rental and other related income from the property portfolio and income from the financial investment holdings of the charity, totalled £30.4m, the same as was achieved in the previous year. Within this total, income received from financial investments increased due to the impacts of the reopening of economies at the beginning of the financial year alongside improved returns on private equity funds however there was a decrease in property rental income. The charity continued to support its tenants with offers such as rent-free

periods, plus due to delayed completion of property refurbishment projects, alongside some tenants exercising lease breaks, there were void periods with no rental income increase.

8. Interest earned from monies placed on treasury deposits and social investments held totalled £0.3m (2020/21: £0.9m). The reduction in interest income reflects lower returns available on the money markets, alongside there being net repayments against social investments held.
9. Other income in 2020/21 included £0.8m in claims under the Government's Coronavirus Job Retention Scheme (CJRS) for staff who were furloughed due to the Covid-19 pandemic. With the phasing out of the CJRS, the amount receivable for 2021/22 totalled £0.2m.

Expenditure

10. Total expenditure for 2021/22 was £66.6m, a reduction of £23.0m on the previous year (£89.6m).
11. Expenditure on charitable activities reduced to £49.0m from the previous year's £72.3m. This reduction was attributable to the decrease in funding activity compared to the record high of commitments made in the previous year, which included grants awarded under the LCRF programme. A pause in grant-making, whilst an interim review of the Bridging Divides programme took place, led to the reduction. Within expenditure on charitable activities, there was an increase in spend supporting and maintaining the bridges with the commencement of the Blackfriars Bridge refurbishment project and other cyclical improvement works for all five bridges. An increase in Tower Bridge tourism expenditure reflected the increased visitor numbers as reported above.
12. Expenditure on raising funds increased to £15.3m (2020/21: £15.0m), with this driven by fees relating to the management of the charity's financial investments, being based on the market value of assets under management which increased over the year. However, property investment expenditure reduced, following an improvement in the collection of rent arrears, with the release of £0.6m of bad debt provision previously provided.

Gains and Losses

13. Net gains on investments totalled £104.5m (2020/21: £155.5m), split between gains on financial investments (£62.4m) and on property investments (£42.3m) and losses on social investments (£0.2m).

Balance Sheet

14. The Balance Sheet depicts the increase in total funds held by the charity of £77.0m, representing a 4.7% increase to £1,720.2m (2021: £1,643.2m). Total funds held comprise:
 - a. the permanent endowment fund at £1,030.1m (2021: £979.5m), held in perpetuity to generate sufficient returns to support the five river bridges, with any income surplus above that required for the charity's principal object to be utilised by CBT in line with their approved funding policy;
 - b. the unrestricted income fund at £689.6m (2021: £659.9m), being net of the pension deficit of £25.0m (2021: £27.7m). An element of the unrestricted income fund has been designated for agreed purposes, as noted in

paragraphs 15 -16 below; and

- c. a restricted income fund of £0.5m held at the year-end (2021: £3.8m), consisting of amounts given by donors for specific funding programmes.
15. Designated funds consist of unrestricted income funds which the Trustee has decided to set aside for specific purposes over the short to medium term. These total £494.8m (2021: £445.6m), with key funds being:
- a. Bridges Repair Fund - representing the funds required to maintain the five bridges for the next five years, being the higher of the average annual cost over the 50-year plan or the next five years forecast activity. In 2021/22 £17.1m was transferred to this fund with £56.2m now set aside to cover costs planned over the next five years (2021: £48.1m);
 - b. Bridges replacement fund - this is based upon the present value of estimated future costs, adjusted for forecast increases in construction costs. The balance held within the bridges replacement fund has increased by £22.5m to £191.2m (2021: £168.7m);
 - c. Grant-making fund - representing the annual income surplus to that required for the primary object of the charity (to maintain and support the five bridges) and which may be applied for future funding activities undertaken by CBT in accordance with the Bridging Divides strategy. The balance on the grant-making fund at year-end is £210.3m (2021: £206.9m), a decrease of £3.4m. The charity utilised both unrestricted and restricted funds during the year in making new grant commitments.
 - d. Social Investment fund – the balance represents the amount available to finance social investments, which includes the original £20m allocation alongside the net returns generated to date over the life of this fund.
 - e. Climate Action fund – a new designated fund created in the year to further progress and potentially accelerate delivery of the Charity’s Climate Action Strategy, with £15.0m transferred in.
16. Deducting the designated funds from the total unrestricted income funds results in a remaining balance of £194.8m, being the free reserves of the charity. Amounts held are £104.8m above the current revised policy, following a strong performance during the year by the investments in which the unrestricted income funds are held. The Trustee remains cautious of the impacts of the uncertain economic climate on its investment portfolio, noting the potential risk of future realised losses and increases in construction costs and continues to review the level of reserves held.

Audit Progress

17. Crowe’s audit work is substantially complete, apart from final reviews prior to sign-off. It is anticipated that the audit will be concluded satisfactorily to enable Crowe to issue an unqualified opinion as stated within paragraph 3 of this report.
18. Crowe representatives will attend the Audit and Risk Management Committee to present their completion report, update on the status of the audit and to clarify any points or issues raised.

Conclusion

19. The Audit and Risk Management Committee are requested to recommend for approval the Annual Report and Financial Statements to the BHE Board, with feedback to be provided to the BHE Board. The Chair and Deputy Chair of the BHE Board will sign the Annual Report under delegated authority from the BHE Board, with the Report to be presented to the Court of Common Council
20. The Annual Report and Financial Statements will be submitted to the Charity Commission and published online.

Contact:

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Appendix 1: Annual Report and Financial Statements for Bridge House Estates 2021/22
Appendix 2: Crowe's Report to the Audit & Risk Management Committee

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Committees: Audit and Risk Management	Date: 16 January 2023
Subject: Sundry Trusts Annual Report and Financial Statements 2021/22	Public
Report of: BHE & Charities Finance Director (representing the Chamberlain)	For decision
Report author: Julia Megone, Charities Technical and Strategic Finance Manager, BHE & Charities Finance Team	

Summary

This report seeks approval of the annual reports and financial statements for 12 of the 15 Sundry Trust charities listed at **Appendix 1** for the year ended 31 March 2022.

Of the 15 charities, 4 annual reports and financial statements are audited by Crowe LLP, 7 are subject to an independent examination by Crowe LLP, and 4 are below the threshold for either an audit or an independent examination. These arrangements were in place for the first time this year, following a review in the best interests of each charity, implemented with regard to the threshold for audits and independent examinations, as required under Charity Law.

Where the Corporation is Trustee, the Finance Committee approves the annual reports; if charities have individual trustees, or the Trustee is acting through the Court of Aldermen (as indicated in **Appendix 1**), the reports are approved by the respective trustees or the Aldermen following recommendation by this Committee.

The draft annual report and financial statements for each charity for the year ended 31 March 2022 are attached at **Appendix 2** for approval. The draft annual reports for 3 of the charities¹ are not included in Appendix 2 to this report due to staff shortages resulting in delays to their preparation and as a consequence also to the auditors' work. They will therefore not be submitted to the Charity Commission by the required deadline. The Charity Commission have been notified in advance.

The work for the other charities is in progress at the date this report was submitted (4 January 2023). To date no major issues have been identified and on this basis we understand that Crowe currently intend to issue an unqualified opinion (audit) or unmodified report (independent examination) for each annual report.

Recommendations

The Audit and Risk Management Committee are asked to:

- (i) Consider the contents of the audit management report issued by Crowe LLP (comments related to these charities are included within the paper covering City's Cash);
- (ii) Note that the external auditor Crowe LLP is anticipating giving an unqualified audit opinion on 2 sets of audited charity annual reports, and

¹ (CLS Bursary and Awards Fund, CLSG Bursary Fund (incorporating the CLSG Scholarships & Prizes Fund) and Charities administered in connection with the City of London Freemen's School "ICW charities")

- that work has not yet commenced on 2 others which will be brought for approval separately;
- (iii) Note that the independent examiner Crowe LLP is anticipating giving an unmodified report for the 7 sets of independently examined charity annual reports;
 - (iv) Note for information the 3 of the 4 sets of annual reports which are no longer subject to audit and independent examination, with the fourth set being brought separately for approval due to delays in preparation; and
 - (v) Recommend approval of the annual reports of the 12 charities presented for the year ended 31 March 2022, to the Finance Committee for those charities where the Corporation is Trustee; to the Aldermen for the Emmanuel Hospital charity where the Corporation is acting by the Court of Aldermen as the named corporate trustee; and to the individual trustees of the Sir William Coxen Trust Fund and the Samuel Wilson Loan Charity (see **Appendix 1** for charity registration numbers).

Main Report

1. The 2021/22 Annual Report and Financial Statements for 12 Sundry Trust charities for the year ended 31 March 2022 are presented for review.
2. The annual reports of the Sundry Trusts have been prepared in accordance with the Charities Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (second edition effective 1 January 2019) and the Charities Act 2011.
3. The Charity Commission requires charities to submit their annual report within 10 months of their financial year-end, that is by 31 January 2023. A failure to meet deadlines is recorded on the charity's entry on the Charity Commission website. There are no financial penalties incurred.
4. There are 15 annual reports and financial statements relating to the Sundry Trusts of which the City Corporation is Trustee, or otherwise has rights of nomination or appointment of the majority of trustees. Of these, 4 annual reports and financial statements are audited by Crowe LLP, 7 are subject to an independent examination by Crowe, and 4 do not require any external review. These arrangements were in place for the first time this year, following a review of what was in the best interests of each charity, implemented with regard to the threshold for audits and independent examinations, as required under Charity Law. A summary table is included below:

Type of review	Number of sundry trust charities
Audit	4 (2 of which are included in this report)
Independent examination	7 (all of which are included in this report)
No review required	4 (3 of which are included in this report)

5. As set out in more detail in paragraphs 11 and 12 below, 3 sets of charity annual reports are not yet completed. These will be presented separately once the audit work has been completed.

Audit Opinion / Independent Examiner's Report

6. The external auditor (Crowe LLP) is expected to give an unqualified opinion on the annual reports and financial statements of each of the 2 of the 4 Sundry Trust charities subject to an audit, with work on the further 2 charities yet to commence.
7. For the 7 sets of annual reports and financial statements which are subject to an independent examination, the independent examiner (Crowe LLP) is not expected to modify their report. An independent examination offers negative assurance, that no evidence has been found that the accounts have not been prepared properly, as opposed to an audit opinion that confirms that the accounts show a "true and fair" view.
8. With work still in progress, we are not aware of any significant accounting adjustments, changes to the financial statements, or deficiencies in internal control that have been identified in relation to these charities.

Summary of the financial statements

9. The Sundry Trust charities are listed at **Appendix 1**. Notable activities in the year included:
 - a. A wide-ranging distribution of grants and charitable funds: the Emanuel Hospital charity commenced a significant new strategic grant making programme, committing over £440k in grants for the benefit of the elderly in London, whilst the Combined Relief of Poverty charity made a £60k grant to support local response to the Covid-19 pandemic in the City of London. The Sir William Coxen Trust Fund made 4 grants totalling over £160k for the benefit of hospitals or charitable institutions supporting those with orthopaedic conditions, especially children. The Samuel Wilson's Loan Charity issued 4 new loans totalling £100k to support young entrepreneurs in London and surrounding counties to further their businesses.
 - b. For the first time the charities bore the costs of their own administration, including their audit or independent examination fees (where relevant) and the costs of staff time spent in administering and reporting on the charities' activities. The financial statements now include a support costs note to reflect these changes, following the guidance of the Charities Statement of Recommended Practice (SORP).
 - c. The charities' investments continued to grow, although at a slower rate compared to 2020/21 when previous growth was offset by losses arising from market turbulence at the start of the global Covid-19 pandemic
 - d. Investment income rose slightly compared to 2020/21 across the charities, leading to an increase in funds held in most charities.

Progress and Submission of Signed Annual Reports and Financial Statements

10. Crowe's work remains in progress, with review of the annual reports and some areas of audit work ongoing. It is anticipated that the audits will be concluded satisfactorily to enable Crowe to issue unqualified opinions/unmodified reports as stated within paragraph 3 of this report.

11. This expectation does not cover the draft annual reports for two of the charities (CLS Bursary and Awards Fund, CLSG Bursary Fund (incorporating the CLSG Scholarships & Prizes Fund)) because staff shortages in the Chamberlain's Department resulted in the preparation of these reports being delayed. The audit work has therefore not yet commenced on these and the draft reports for these charities are not included in Appendix 2. The audit work will be undertaken once annual reports are provided to the auditors and therefore these will be submitted late to the Charity Commission (after the deadline of 31 January 2023). The Charity Commission have been notified in advance. The impact of this delay has been stated in paragraph 2.
12. In addition, the Charities administered in connection with the City of London Freeman's School "ICW charities"), which are below the threshold for external review, are not included in Appendix 2 to this report, as these have also not been prepared for the same reason as noted above.
13. Crowe LLP representatives will attend the Audit and Risk Management Committee to present their completion report, update on the status of the audits and to clarify any points or issues raised.
14. Each set of signed annual reports will be submitted to the Charity Commission and will be available to download from its website. The final management report from Crowe on its audit will be presented to the Court of Common Council for information.

Conclusion

The draft annual reports and financial statements of 12 of the 15 Sundry Trust charities are presented for approval. No modifications to audit or independent examiner reports are expected, with Crowe still needing to complete work on all charities subject to audit or independent examination. Three of the 12 annual reports do not require independent review due to their size and are presented for information. A further 3 annual reports and financial statements (2 subject to audit, one below the threshold for external review) will be presented at a future meeting due to delays in their preparation as a result of staff shortages in the Chamberlain's Department.

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Appendix 1: List of the Sundry Trust charities, including charity registration numbers and a note of those charities with individual trustees

Appendix 2: Annual Reports and Financial Statements of the Sundry Trust charities

City of London Audit progress report and sector update

Year ending 31 March 2022

January 2023

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Agenda Item 9

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit & Risk Management Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit & Risk Management Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact any member of your engagement team.

Progress at January 2023

Financial Statements Audit

We have completed our planning and risk assessment procedures and will be presenting the audit plans for both the City Fund and the Pension Fund at the January Audit & Risk Management Committee meeting.

Following our planning and risk assessment procedures we have worked with officers to commence the City Fund and Pension Fund 2021-22 accounts audits. We have found officers to be very engaged but the response rate to queries raised and document requests will need to improve if our aim to report our work in our Audit Findings Report and give our opinion on the Statement of Accounts by 31 March 2023 is to be achieved.

We expect the 2020-21 financial statements audits to be signed off this month by your previous auditor, now that the national infrastructure accounting issue has been resolved with a statutory instrument in place.

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously stated their intention to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021-22 accounts. This is enacted by The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) that came into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021-22 is extended to 30 November 2022 and thereafter changed to 30 September for years up to 2027-28.

Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020-21 and onwards. The most significant change under the new Code was the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor’s Annual Report is now no more than three months after the date of the opinion on the financial statements. Our value for money work is currently underway and we anticipate issuing our Auditor’s Annual Report in March 2023.

Progress at January 2023 (continued)

Other areas

Certification of claims and returns

We will certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). We had originally planned for the certification work for the outstanding 2020-21 claim to commence in November so that we could complete our work and report to DWP in December 2022. This timetable was not achieved and we await the final 2019-20 HBAP report, issued by your predecessor auditor, to be able to commence our work in January.

Meetings

We meet regularly with Finance Officers as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments to ensure the audit process is smooth and effective. We will also meet with your Chief Executive to discuss the Authority's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers will be invited to attend our Accounts Workshop in January/February 2023, where we will highlight financial reporting requirements for local authority accounts and give insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our 'Sector update' section of this report.

Audit deliverables

2021-22 Deliverables	Planned date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit & Risk Management Committee setting out our proposed approach in order to give an opinion on the City Fund and Pension Fund 2021-22 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.	January 2023	Completed
Audit Findings Report The Audit Findings Report will be reported to the March Audit & Risk Management Committee.	March 2023	Not yet due
Auditors Report This includes the opinion on your financial statements.	March 2023	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.	March 2023	Not yet due

2021-22 Audit-related deliverables	Planned date	Status
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform. <ul style="list-style-type: none"> 2020-21 HBAP return 2021-22 HBAP return 	TBC TBC	Planned for January 2023 start

Sector update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Local government procurement and contract management – Grant Thornton

More than a third of all UK government spending on goods and services is spent by local government, so it is important that councils have effective arrangements for procurement and contract management.

The sector's ongoing focus on efficiency and other priorities, such as net zero and local growth, mean that local government procurement has a real opportunity to make a difference to the wider government agenda.

Our latest review of auditor reports shows that not all councils have the right governance arrangements in place, or deploy the appropriate skills and resource. Where things go wrong there are potentially significant risks to public money and service delivery.

The analysis sets out five key themes for ensuring good practice:

- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management



Read the full report here:

[Local government procurement and contract management: Lessons learned | Grant Thornton](#)

Audit Market Development

Financial Reporting Council Report On The Quality Of Local Audit

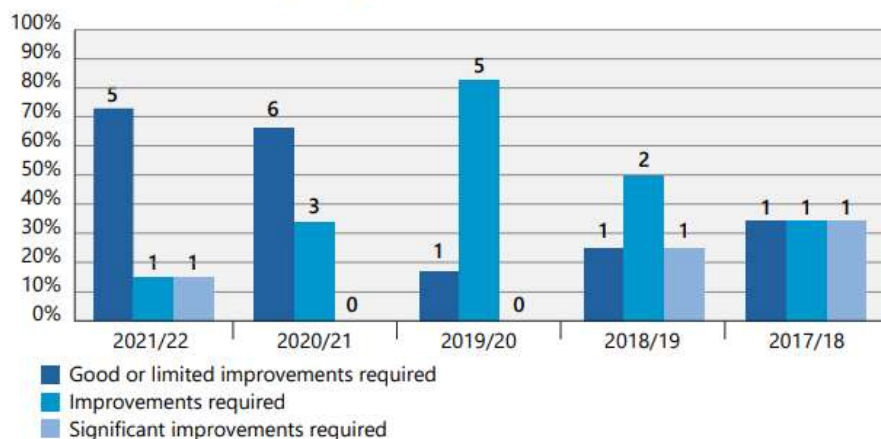
In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

Our assessment of the quality of financial statement audits reviewed



The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).



Financial Reporting Council



Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

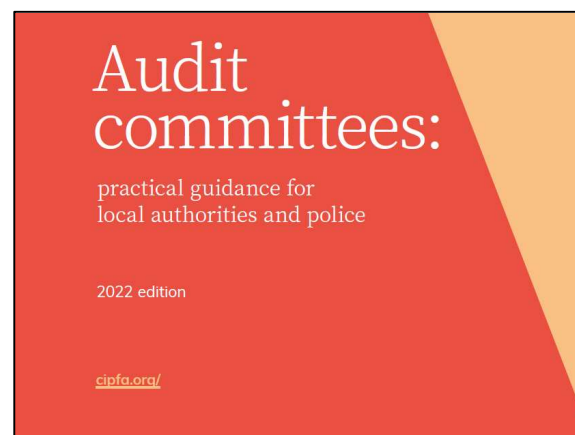
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)





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City of London Corporation – City Fund audit plan

Year ending 31 March 2022

January 2023

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Agenda Item 10

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors

City Fund developments

Within the financial year 2021/22, the City Fund has recorded an underspend of £48.1m. To aid in achieving the savings, the Corporation implemented a new Target Operating Model to ensure financial sustainability and better align its resources to organisational priorities. A significant driver in the underspend is owed to the planned works to support the Barbican in its recovery from the pandemic that has delayed to future years as well as a reduction in the financing requirements for capital projects, repairs and maintenance, and the release of contingency funds set aside in the budget.

As a result, the City Fund has set aside £20m in its capital budget to support the capital programme as part of the Medium Term Financial Strategy approved in March 2022. Therefore, the progress against the budget set in the next financial year will need to be monitored and scrutinised appropriately to ensure financial sustainability.

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Audit Quality

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year.

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will consider and update our understanding of your arrangements for the effective use of data to make informed business decisions as part of our audit in completing our Value for Money work.
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Chamberlain.
- We will continue to provide you with sector updates via our Audit and Risk Management Committee updates.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of City of London Corporation – City Fund ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and the contract. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the City Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Management Committee); and we consider whether there are sufficient arrangements in place at the City Fund for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Risk Management Committee of your responsibilities. It is the responsibility of the City Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the City Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the City Fund's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of land and buildings, dwellings and investment properties
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £7.69m (PY £7.3m) for the City Fund, which equates to 1.5% of your draft gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.38m (PY £0.15m).

Value for Money arrangements

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

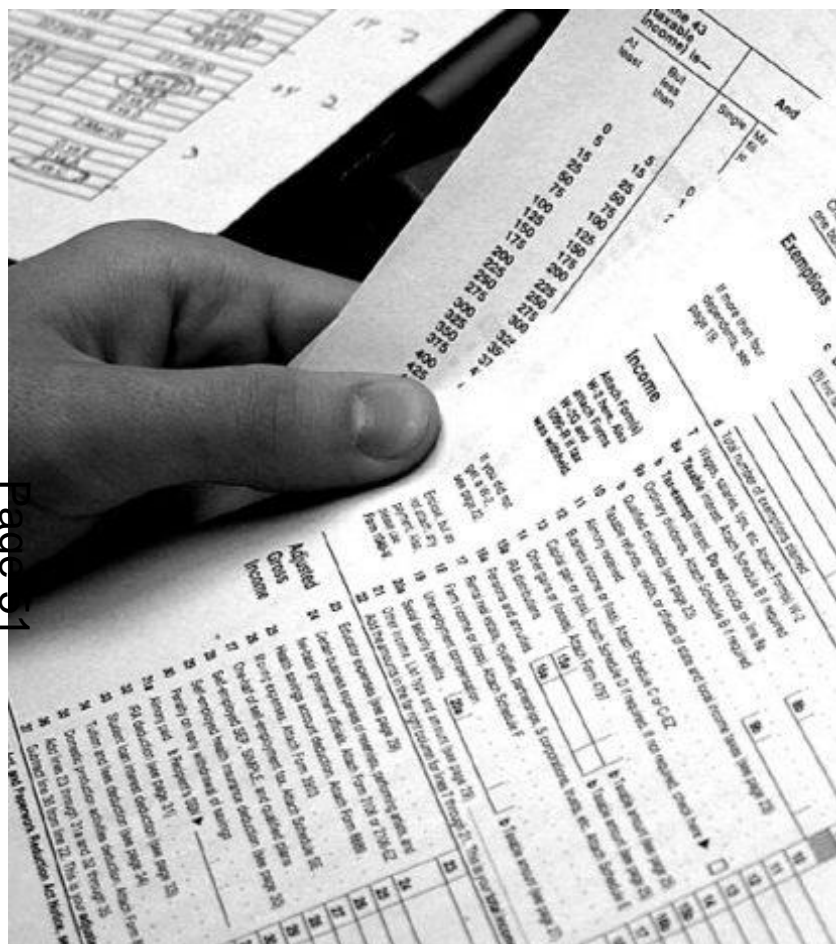
Introduction and headlines cont.

Audit logistics

Our interim visit took place in November 2022 and our final visit will take place between December 2022 to March 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £340,000 (PY: £TBC) for the City Fund, subject to the City Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..



Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA 240 and nature of the revenue streams at the City of London Corporation – City Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the City Fund, mean that all forms of fraud are seen as unacceptable. <p>We do not consider this to be a significant risk for the City of London Corporation – City Fund.</p>	
Management over-ride of controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The City Fund faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the City Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings, dwellings and investment properties	<p>The City Fund re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions:</p> <p><u>Other Land & Buildings (£596.3m)</u>: The City Fund re-values its land and buildings on a rolling five-yearly basis. The City Fund has appointed three external valuers, as well as the City Corporation's City Surveyor's Department to carry out the valuations for 2021/22.</p> <p><u>Dwellings (£251m)</u>: The City Fund measures its dwellings at fair value, determined using the basis of existing use value for social housing and is re-valued on a cyclical approach using the Beacon methodology.</p> <p><u>Investment Properties (£1,595.1m)</u>: The City Fund measures its investment properties at its highest and best use and is re-valued each year-end.</p> <p>Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2022 in the City Fund's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We identified the valuation of land and buildings, dwellings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation expert. • Discuss with or write to the relevant valuer to confirm the basis on which the valuation was carried out. • Engage our own valuer expert to provide commentary on: <ul style="list-style-type: none"> • the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and • the valuation methodology and approach, resulting assumptions adopted and any other relevant points. ▪ Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding. • Test revaluations made during the year to see if they have been input correctly to the City Fund's asset register. • assess the value of a sample of assets in relation to market rates for comparable properties. • tested a sample of beacon properties in respect of HRA dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group. • Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	<p>The pension fund net liability, as reflected in the City Fund's balance sheet as pensions liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,672.6m) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The City Fund's pension liability consists of the City Fund's share of the City of London Corporation's net pension liability and the unfunded City Police pension scheme.</p> <p>We therefore identified valuation of the City Fund's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Gain an understanding of the processes and controls put in place by management to ensure that the City Fund's pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the City Fund's pension fund valuation. • Assess the accuracy and completeness of the information provided by the City Fund to the actuary to estimate the liability. • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in Expenditure Recognition	<p>Practice Note 10 suggest that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity that is required to meet financial targets.</p> <p>Having considered the risk factors relevant to the City Fund and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 8 relating to revenue recognition apply.</p> <p>We consider the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests and our testing in relation to the significant risk of Management override of controls set out on page 8.</p>	<p>We will:</p> <ul style="list-style-type: none"> Perform testing over post year end transactions to assess completeness of expenditure recognition. Test a sample of operating expenses to gain assurance over the accuracy and occurrence of expenditure recorded during the financial year.

Other risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Infrastructure Assets	<p>Infrastructure assets include roads, highways, street lighting and coastal assets. As at 31 March 2021 the net book value of Infrastructure Assts was circa £49m, which is over five times the financial statements materiality. Gross book value at 31 March 2021 was circa £110m.</p> <p>In accordance with the LG Code, Infrastructure Assets are measured using the historical cost basis, and carried at depreciated historic cost. With respect to the financial statements there are two risks we plan to address:</p> <p>The risk that the value of Infrastructure Assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of Infrastructure Assets.</p> <p>The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure Assets is overstated. It will be overstated if management do not recognise components of Infrastructure when they are replaced.</p> <p>For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.</p>	<p>We will:</p> <p>Await the outcome of the current CIPFA Infrastructure Assets consultation addressing some of the risks above and the extent to which local authorities are complying with the Code.</p>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Risk Management Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the City Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, dwellings and investment properties
- Depreciation
- Year end provisions and accruals, specifically for non-domestic rates appeals provision
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

The City Fund's Information systems

In respect of the City Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the City Fund uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the City Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

How management understands the degree of estimation uncertainty related to each accounting estimate; and

How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures, we have requested that management provides detail as to how the Pension Fund addresses estimation uncertainty, and to share its responses with the Audit and Risk Management Committee for consideration. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the City Fund.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

- We consider our other duties under legislation and the Code, as and when required, including:
- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the City Fund under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the City Fund for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £7.69m (PY £7.3m) for the City Fund, which equates to 1.5% of your forecast gross expenditure for the year.

We reconsider planning 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.

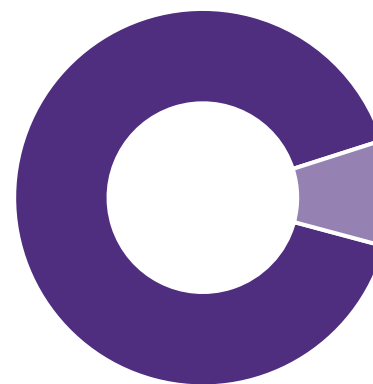
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the City Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.38m (PY £0.15m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Management Committee to assist it in fulfilling its governance responsibilities.

Draft gross revenue expenditure

£512.9m City Fund
(PY: £433.7m)



■ [Forecast/Prior year] gross operating costs

Materiality

£7.69m
City Fund financial statements materiality
(PY: £7.3m)



£0.38m
Misstatements reported to the Audit and Risk Management Committee
(PY: £0.15m)

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle E-Business Suite	Financial reporting	<ul style="list-style-type: none"> Detailed ITGC assessment (design effectiveness only)
iTrent	Payroll	<ul style="list-style-type: none"> Streamlined ITGC assessment
Civica	Benefits	<ul style="list-style-type: none"> Streamlined ITGC assessment

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

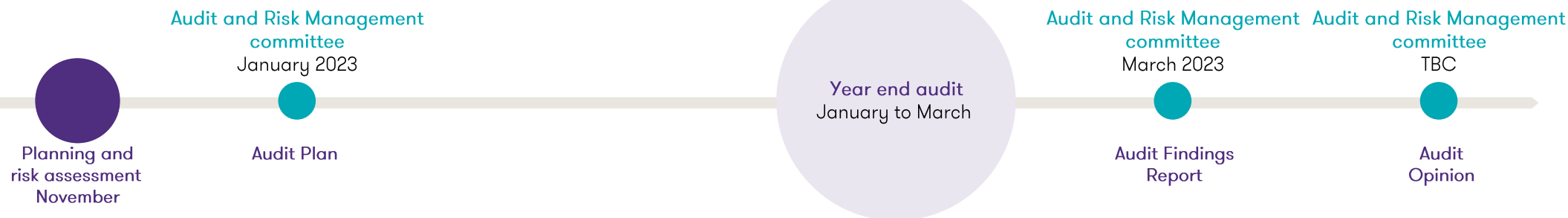
Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

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We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



Audit logistics and team



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Paul Dossett, Key Audit Partner

Paul is the Engagement Lead, for the City Fund, leads the work performed on the audit. Signs the audit opinion and holds regular meetings with senior officers.



Sophia Brown, Director

Sophia is responsible for the overall management of the City Fund's audit and the quality assurance of audit work and output.



Reshma Ravikumar, Audit Manager

Reshma will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Reshma will attend Audit and Risk Management Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

Our audit fee as detailed below is as per contract agreed in November 2022 is as follows:

	Proposed fee 2021/22
City of London City Fund Audit	£340,000
Total audit fees (excluding VAT)	£340,000

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Assumptions

In setting the above fees, we have assumed that the City Fund will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

As required by the FRC's Ethical Standard and NAO Code of Audit Practice, we are drawing your attention to this as a matter which may bear upon our independence.

The firm has been engaged by City of London Corporation (CLC) on a pro bono basis, to undertake work to support the potential creation of a trade association for bodies in the regulatory technology (Regtech) sector. The work will comprise the following three elements:

- Creating and circulating a survey to be sent to stakeholders in the RegTech sector about three potential options which have been determined by CLC as well as its partner, Innovate Finance (IF);
- Facilitating workshops to feed back and discuss the results of the survey, and to capture the results of these discussions and actions agreed by participants; and
- Participating on a webinar for other companies in the financial services sector on developments in the Regtech sector and reporting on the outcomes of the survey and workshop.

The service is being undertaken on a pro-bono basis by members of the firm's Data, Regtech and Digital Advisory (DRDA) team, which is completely separate from the audit team, and no members of this team will be involved in the statutory audit. The DRDA team will not be making recommendations to CLC, or assisting in implementing the outcomes of the survey and workshop. The results of this work will not form part of CLC's financial statements, and we would not envisage that this area of CLC's responsibilities would be a significant area of focus under the value for money conclusion. Therefore we believe that there is not a significant self-review threat and no management threat to our auditor independence arising from this service. Furthermore the service is not one which is prohibited under NAO Auditor Guidance Note 01.

We have also considered whether an objective, reasonable and informed third party, being an investor (for example, in a financial services business) or an informed elector, would view us as having threats to our independence arising from self-interest and advocacy due to our association with CLC in this exercise. However, we believe that these threats are partly mitigated by this being one of a large number of sectors in which CLC has an interest, and there being a number of other advisory firms involved in this sector. Specific safeguards for this service are that:

a third party (Innovate Finance), unconnected to ourselves or to CLC, is taking forward the results of the survey and workshops;

we do not expect any further requests for support from CLC in this respect, and would consider any further requests carefully and consult with you before we engaging, to ensure our independence is safeguarded;

- publicity material will be clear that we are undertaking a subordinate role to CLC and Innovate Finance in respect of the three elements described above.

We therefore believe that any perceived threats to our independence can be adequately safeguarded.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

- 2020/21 Housing Benefit Assurance Certification
- 2021/22 Housing Benefit Assurance Certification

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

One of the services provided are subject to contingent fees.

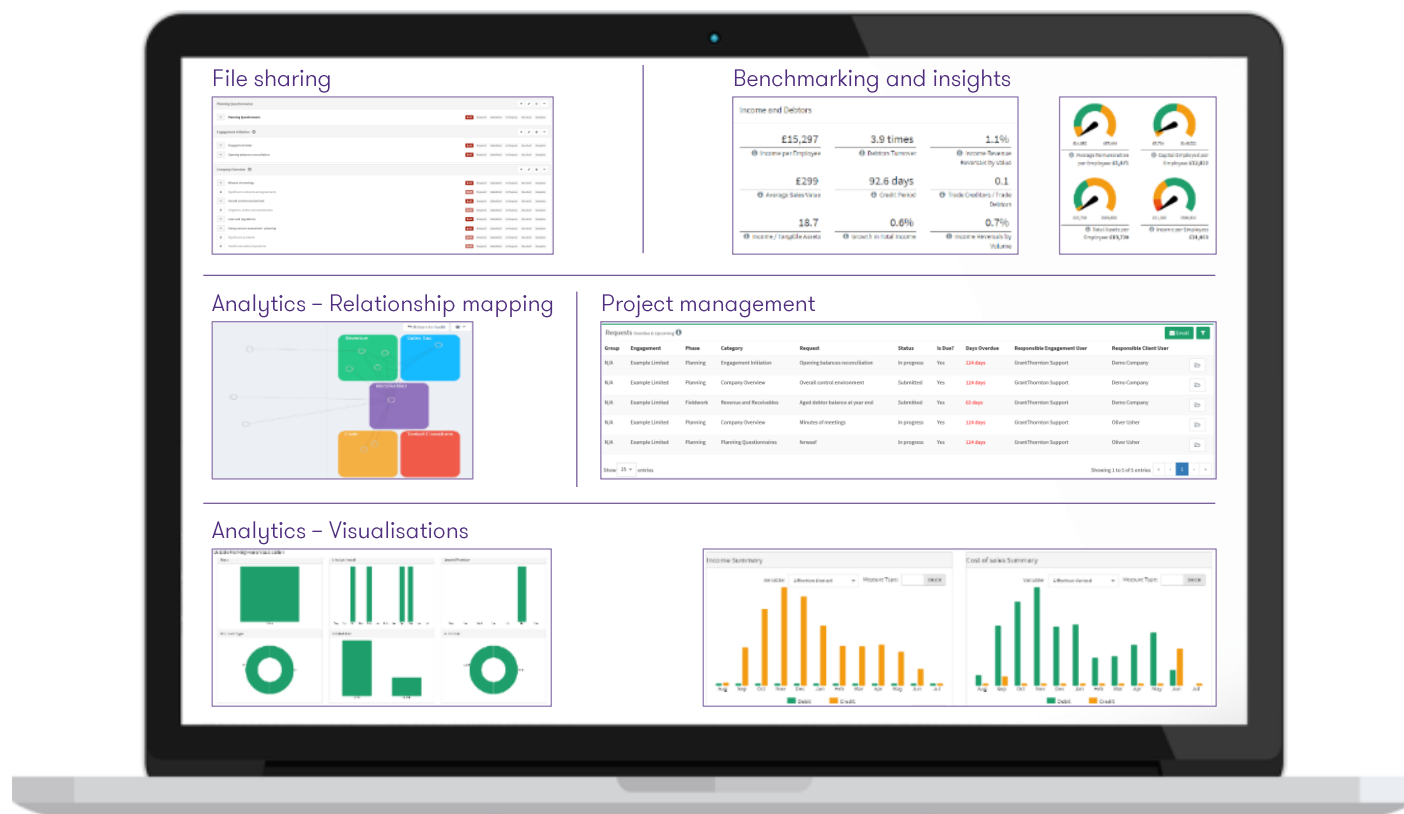
Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit Claim (2020-21)	25,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is immaterial in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Claim (2021-22)	25,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is immaterial in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Appendices

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Audit Market Developments

Financial Reporting Council Report On The Quality Of Local Audit

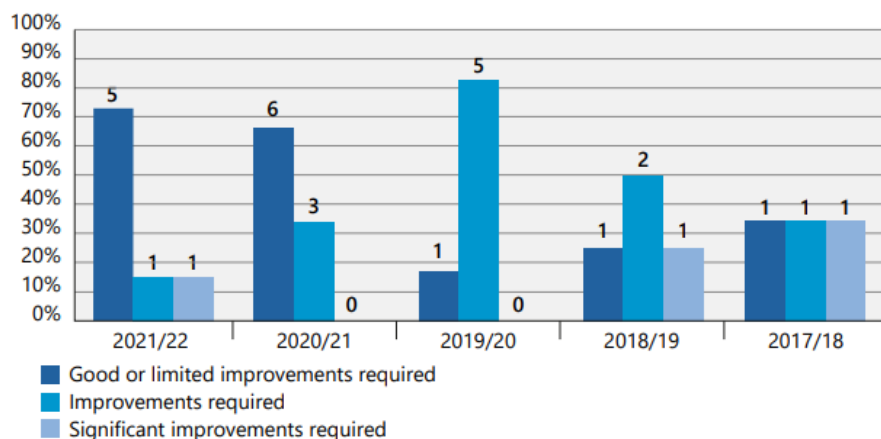
In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

Our assessment of the quality of financial statement audits reviewed



The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

The ICAEW identified one of our files requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).



Financial Reporting Council



Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and Value for Money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)





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City of London Pension Fund audit plan

Year ending 31 March 2022

January 2023
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Agenda Item 11

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors

Pension Fund developments

The investment assets have continued to rise throughout 2021-22 and the Fund has posted positive returns for the year ending 31 March 2022 with a valuation of £1,368.9m. This was £1,294.4m as at 31 March 2021.

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to support implementation of the McCloud remedy in the public service pension schemes. The McCloud remedy will be implemented in two phases that will unlikely to impact the 2022-23 financial year but we will keep under review.

Russian investments

Following the Russian invasion of Ukraine that has led to the UK Government sanctions, Local Government Pension scheme funds are being advised to consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken. The Moscow Stock Exchange closed on February 28 2022 and an apparent ban on western companies from selling Russian investments was imposed by prime minister Mikhail Mishustin has compounded investors' liquidity problems, with markets for Russian stocks and government bonds drying up.

Members as the Funds Trustees are expected to uphold their fiduciary duties, prioritising scheme returns and the proper payment of pensions. However, Members are allowed to consider ethical factors concerning investments, and can divest from problematic assets provided that this does not prove materially detrimental to the scheme. The Pensions Regulator has asked all schemes to ensure that their investments are aligned with the UK government's sanctions on Russia.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance.
- We will continue to provide you with sector updates via our Audit and Risk Management Committee updates.
- We will review the funds response to any exposure in Russian investments.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of City of London Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and the contract. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Management Committee).

The audit of the financial statements does not relieve management or the Audit and Risk Management Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management Override of Controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £13.9m (PY £12.94m) for the Pension Fund, which equates to 1% of your reported draft net assets as at 31 March 2022. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.69m (PY £0.6m).

Audit logistics

Our interim visit took place in November 2022 and our final visit will take place between December 2022 to March 2023. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £35k (PY: £25.3k) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Presumed risk of fraud in revenue recognition</p> <p>ISA (UK) 240</p>	<p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> - there is little incentive to manipulate revenue recognition - opportunities to manipulate revenue recognition are very limited - the culture and ethical frameworks of local authorities, including the City of London Corporation – the City Fund and the Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider this to be a significant risk for City of London Pension Fund.</p>	Significant risk rebutted
Fraudulent expenditure recognition	<p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We are satisfied that this does not present a significant risk of material misstatement in the 2021/22 accounts as:</p> <ul style="list-style-type: none"> - the control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong - no errors or significant issues have been reported in the ISA 260 report from the predecessor auditor - our view is that, similarly to revenue, there is little incentive to manipulate expenditure recognition <p>Therefore, we do not consider this to be a significant risk for City of London Pension Fund.</p>	Significant risk rebutted

Significant risks identified

Risks	Reason for risk identification	Key aspects of our proposed response to the risk
Management Override of Controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of Level 3 Investments	<p>You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £189m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>We therefore have identified Valuation of Level 3 Investments as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments and gain an understanding over the role of the custodian in the valuation process; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently request year-end confirmations from investment managers and the custodian; • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • review investment manager service auditor report on design and operating effectiveness of internal controls.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Risk Management Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuation of level 2 and level 3 investments
- Valuation of the Present Value of Future Retirement Benefits

The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

How management understands the degree of estimation uncertainty related to each accounting estimate; and

How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures, we have requested that management provides detail as to how the Pension Fund addresses estimation uncertainty. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

The Pension Fund is administered by City of London Corporation (the 'Administering Authority'), and the Pension Fund's accounts form part of the City of London City Fund's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Local Authority's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £13.9m (PY: £12.9m), which equates to 1% of your draft net assets as at 31 March 2022.

We reconsider planning 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.

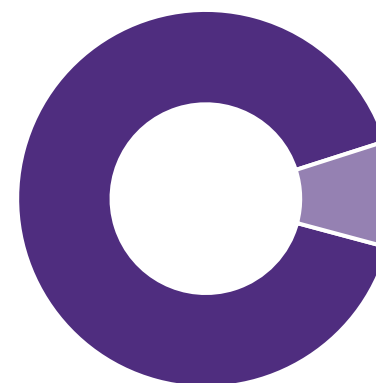
Matters we will report to the Audit and Risk Management Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.69m (PY £0.6m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Management Committee to assist it in fulfilling its governance responsibilities.

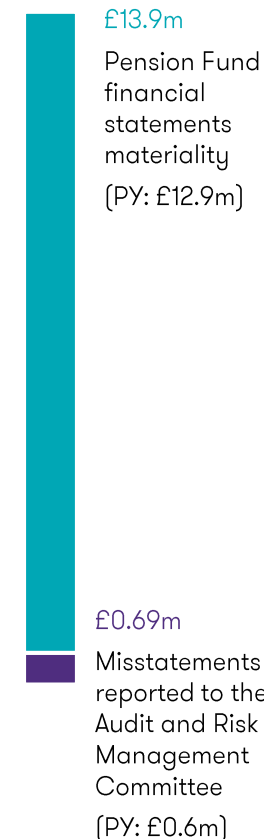
Draft net assets at 31/03/2022

£1,388.1m Pension Fund
(PY: £1,301.1m)



■ Net assets ■ Materiality

Materiality



IT audit strategy

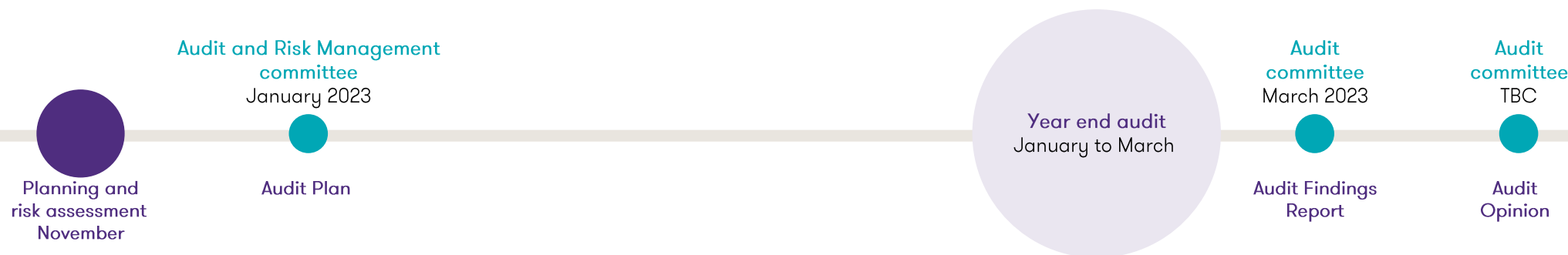
In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

[We plan to rely on the operation of application controls whether automated / IT dependent and will therefore carry out an extended ITGC assessment on the IT systems that support the operation of those controls. This is to gain assurance that the relevant controls have been operating effectively throughout the period.]

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle E-Business Suite	Financial reporting	<ul style="list-style-type: none"> Detailed ITGC assessment (design effectiveness only)
Altair	Pension Administration	<ul style="list-style-type: none"> Streamlined ITGC assessment

Audit logistics and team



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Paul Dossett, Key Audit Partner

Paul is the Engagement Lead, for the Pension Fund, leads the work performed on the audit. Signs the audit opinion and holds regular meetings with senior officers.



Sophia Brown, Director

Sophia is responsible for the overall management of the Pension Fund's audit and the quality assurance of audit work and output.



Reshma Ravikumar, Audit Manager

Reshma will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Reshma will attend Audit and Risk Management Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

Our audit fee as detailed below is as per contract agreed in November 2022 is as follows:

	Proposed fee 2021/22
City of London Pension Fund Audit	£35,000
Total audit fees (excluding VAT)	£35,000

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Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies. We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund.

Other services

The following other services provided by Grant Thornton were identified.

- Provision of IAS 19 Assurance Letter for Admitted Bodies

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

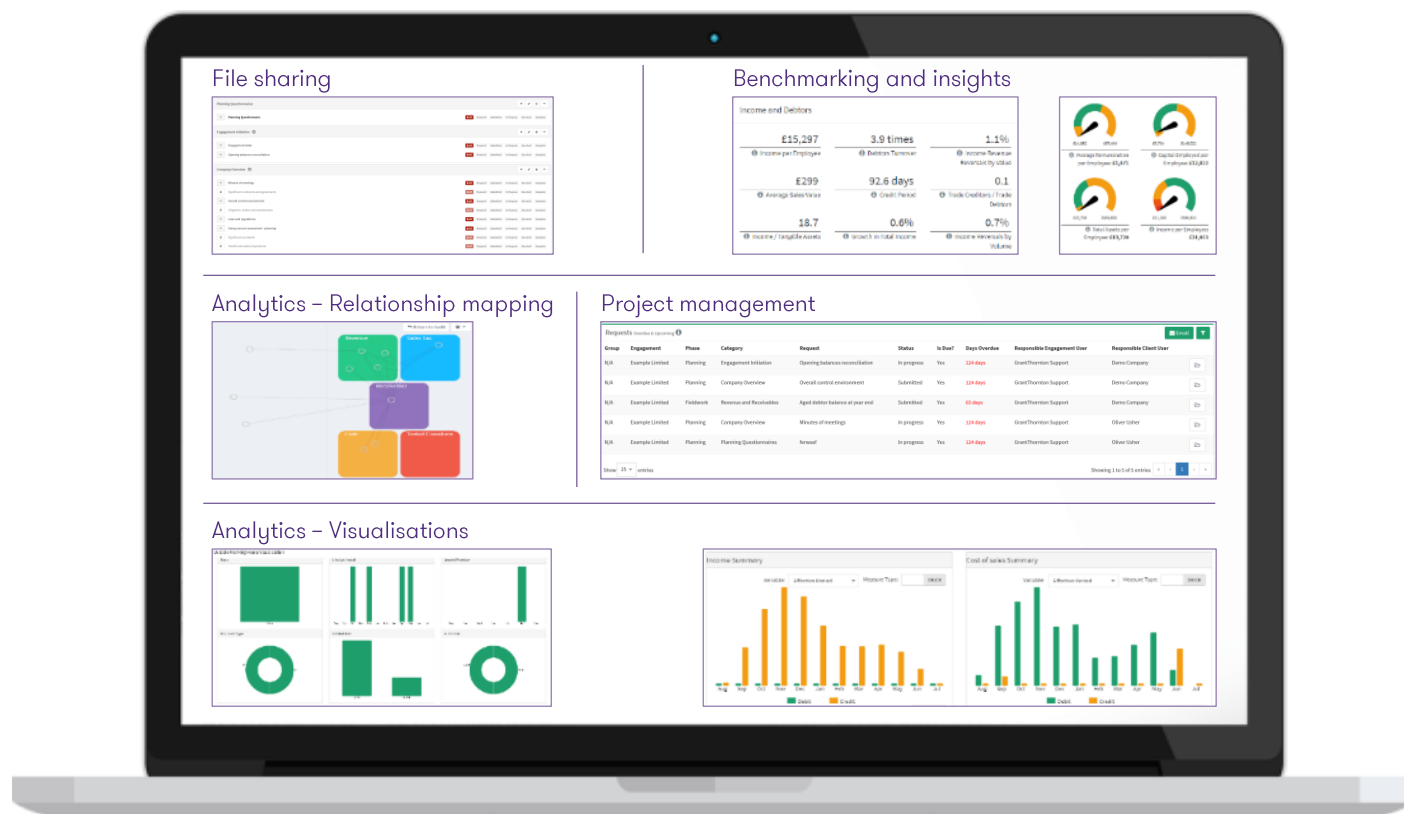
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	7,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,000 in comparison to the total fee for the audit of £35,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



Committee(s)	Dated:
Audit and Risk Management Committee	16/01/2021
Subject: Internal Audit Update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: the Chamberlain	For Information
Report author: Matt Lock	

Summary

This report provides an update on Internal Audit activity since the last update provided to the November meeting of this Committee. The report summarises work completed up to 22 December 2022; 3 substantive Internal Audit reviews have been completed. Work is in progress at various stages for 9 Audit reviews.

Follow-up reviews have been undertaken in respect of 5 Audits.

Recommendation(s)

Members are asked to:

- Note the outcomes of completed Internal Audit work

Main Report

Background

1. This report provides an update on the work of Internal Audit since the November Committee, specifically, an overview of the outcomes from completed Internal Audit reviews.

Work Completed Since the November Committee Update

2. Final Audit Reports have been issued in respect of 3 Audit Reviews since the last update to this Committee, Amber Assurance ratings were given in all 3 instances. The overall outcomes from the recently completed Audit reviews are summarised in the following table:

Audit Assignment	Assurance Rating	Recommendations Made		
		Red	Amber	Green
Community and Children's Services - Timeliness of Housing Repairs	Moderate	0	5	1
Barbican Centre - P-Card Compliance Checks	Moderate	0	1	0
Corporate Wide - P-Card Compliance Checks	Moderate	0	1	0

3. At this time, there are no specific issues to draw to the attention of the Committee from this completed work, with the findings and recommendations raised being generally well received by management, further assessment will be made at the point of conducting follow-up reviews and reported accordingly. The Committee is reminded that Internal Audit reports regularly to the Finance and Risk Committee of the Barbican Centre in relation to work completed for this institution.
4. A summary the Internal Audit work recently completed and in progress is included as Appendix 1 to this report. This includes information in relation to the overall status of Internal Audit recommendations made.

Corporate & Strategic Implications

5. The work of Internal Audit is designed to provide assurance as to the adequacy of the City of London Corporation's systems of internal control and governance. This programme of activity is aligned with the Corporate Plan, Corporate Risk Register and Departmental Top Risks.

Conclusion

6. While Internal Audit work identifies areas for improvement within the systems and processes examined, the findings of Audit work have been well received by Management and appropriate actions have been identified to resolve the control weaknesses raised.

Appendices

- Appendix1 – Internal Audit Dashboard

Matt Lock

Head of Internal Audit, Chamberlain's Department

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T: 020 7332 1276



Internal Audit Dashboard

Work completed since last Committee Update

Final Audit Reports Issued

Community and Children's Services	Timeliness of Housing Repairs	Moderate Assurance
Barbican Centre	P-Card Compliance Checks	Moderate Assurance
Corporate Wide	P-Card Compliance Checks	Moderate Assurance

Follow-up
Reviews: **5**

Committee
Updates: **1**

Corporate Risk Assurance:
None Completed in December

Audit Reviews in Progress:

- Corporate Wide – Compliance with Corporate Project Management Procedure
- Guildhall School – P-Card Compliance Checks
- Corporate Health and Safety – Second Line of Defence
- City of London Freeman's School – Key Controls
- Barbican Estate – Key Controls
- Guildhall School – Safeguarding
- Corporate Wide – Modern Slavery
- Data Protection – Second Line of Defence Activity
- Corporate Wide – IT Provision – Gaps and Duplication

Indicative Overall Assurance Opinion: Internal control environment remains adequate, although continued attention and effort is required to ensure implementation of Internal Audit recommendations, this position is improving.

Follow-up outcomes in period

Total Recommendations: 40

23
Implemented

17 Outstanding

All Open Recommendations: 75

7

Red

53

Amber

15

Green

Date Prepared: 22/12/2022

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Committee(s): Audit and Risk Management Committee	Dated: 16/01/2023
Subject: Risk Management Update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Chief Strategy Officer	For Information
Report author: Tatianna Wanyanga, Corporate Risk Manager	

Summary

This report provides the Committee with an update on the corporate and top red departmental risk registers since last reported to the Committee in November 2022. Further details can be found in the appendices listed at the end of this report.

Recommendation

Members are asked to note:

- The report and the corporate and top red departmental risk registers outlined in this report.
- The changes to the corporate and the top red departmental risk registers, including:
 - CR10 Adverse Political Developments current risk score has decreased from Amber 12 to Amber 8 (4x2 - impact major, likelihood unlikely). The total number of corporate risks has remained at 14.
 - One risk (BBC Buildings 020 LTHW) has been added to and one risk (COO-MKT-WM 004 Wholesale Markets Traffic Management) de-escalated from the red departmental register. The total number of red departmental risks has therefore remained at 24.
- Following discussion at the Committee meeting in November:
 - Table 3 in this paper now shows risk creation dates and the date risks went onto the corporate risk register as additional background.
 - Work on a new 'people' recruitment and retention risk is continuing and will be taken to the next Chief Officer Risk Management Group for review.

Main Report

Background

1. The corporate and red departmental risks are reported to this Committee on a quarterly basis to enable the Committee to exercise its role in the monitoring and oversight of risk management within the City of London Corporation (CoLC).
2. The corporate and red departmental risk registers were reviewed by the Chief Officers Risk Management Group on 12 December 2022 as Senior Officers accountable for CoLC risk management actions, decisions and outcomes.

Current Position

All Risks

3. Table 1 below shows the overall number and risk ratings of all risks recorded on the Pentana Risk system as of 3 January 2023 compared with 10 November 2022 (the figures last seen by the Committee).

Risk rating (RAG)	Jan 2023	Nov 2022	Difference
Red	71	74	-3
Amber	254	259	-5
Green	131	126	+5
Total	456	459	-3

Table 1: January 2023: Overall Risk Numbers by RAG Rating on Pentana

4. Table 2 below shows the breakdown of the rated red, amber and green risks by risk level as of 3 January 2023 compared to 10 November 2022.

Risk rating	Red		Amber		Green	
Risk level	Jan 2023	Nov 2022	Jan 2023	Nov 2022	Jan 2023	Nov 2022
Corporate	5	5	9	9	0	0
Departmental	24	24	80	81	25	25
Service	42	45	165	169	105	100
Team	0	0	0	0	0	0
PPM	0	0	0	0	1	1
Total	71	74	254	259	131	126
Difference	-3		-5		+5	

Table 2: January 2023: Breakdown of RAG Risks by Risk Level

Corporate Risks

5. There are currently 14 corporate risks on the corporate risk register (5x Red, 9x Amber). Attached to this paper at Appendix 1 is the corporate risk register showing the seven risks above appetite.

6. The highest scoring corporate risks (all at Red 24, 8x3 - impact extreme, likelihood possible) are:
 - CR35 Unsustainable medium-term finances - City Fund
 - CR38 Unsustainable medium-term finances - City's Cash
 - CR16 Information Security
7. CR10 Adverse Political Developments risk score has decreased from Amber 12 (4x3 - impact major, likelihood possible) to Amber 8 (4x2 - impact major, likelihood unlikely) as the UK political landscape has become more settled following the events of the summer and autumn.
8. Work on finalising a new 'people' risk focussed on recruitment and retention of staff is being carried out by the Chief People Officer and will be reviewed at the next Chief Officer Risk Management Group. Further updates will be provided to the Committee at their next meeting.
9. Table 3 below shows a summary of all CoLC corporate risks as of 15 December 2022. Following discussion at the last Committee meeting, this report now includes the date that a risk was put onto the corporate risk register and the date that it was created in Pentana. To note:
 - If a corporate risk were first created at another level (e.g. departmental or service), the creation date may reflect the date the risk was first drafted, not when it moved onto the corporate risk register - see CR37 created as a departmental risk in 2019, but moved onto the corporate register in 2022.
 - At least one risk has moved between the corporate and departmental risk registers more than once which has impacted the 'creation date' shown on the system reports – see CR16, which was on the pre-Pentana 2014 corporate risk register, but now has a creation date of 2019.
 - Risks that were on the pre-Pentana corporate risk register were not transferred onto Pentana in one go. This means some creation dates may appear later than others, even though the risk itself is longstanding - see CR01, created in Pentana in March 2015, but which existed on the pre-Pentana register.

Risk code	Risk title	Current Risk Score	Risk Score Indicator	Trend Icon	Flight Path	Original risk creation date (Pentana)	Risk added to CR register (year)
CR16	Information Security (formerly CHB IT 030)	24				10-May-2019	Pre-Pentana (2014)
CR35	Unsustainable Medium-Term Finances - City Fund	24				19-Jun-2020	2020
CR38	Unsustainable Medium-Term Finances - City's Cash	24				31-Oct-2022	2022
CR36	Protective Security	16				10-Jan-2022	2022
CR37	Maintenance and renewal of Physical Assets- Investment Property and Corporate (operational) Property (excluding housing assets)	16				04-Nov-2019	2022
CR01	Resilience Risk	12				20-Mar-2015	Pre-Pentana (2014)
CR02	Loss of Business Support for the City	12				22-Sep-2014	Pre-Pentana (2014)
CR21	Air Quality	12				07-Oct-2015	2015
CR29	Information Management	12				08-Apr-2019	2019
CR30	Climate Action	12				07-Oct-2019	2019
CR33	Major Capital Schemes	12				14-Feb-2020	2020
CR09	Health Safety and Wellbeing Risk (Management System)	8				22-Sep-2014	Pre-Pentana (2014)
CR10	Adverse Political Developments	8				22-Sep-2014	Pre-Pentana (2014)
CR17	Safeguarding	8				22-Sep-2014	Pre-Pentana (2014)

Table 3: December 2022: List of Current Corporate Risks by Current Risk Score.

10. The RAG matrices below show the distribution of corporate risks as of 3 January 2023 (Table 4) and November 2022 (Table 5):

	Minor	Serious	Major	Extreme
Likely			2	
Possible			6	3
Unlikely			2	
Rare				1

Table 4: Jan 2023 Corporate Risk Heatmap

	Minor	Serious	Major	Extreme
Likely			2	
Possible			7	3
Unlikely			1	
Rare				1

Table 5: Nov 2022 Corporate Risk Heatmap

Red Departmental Risks

11. There are currently 24 departmental red risks. A summary of the top red departmental risks can be found at Appendix 2.

- **BBC Buildings 02 LTHW (Low Temperature Hot Water) Pumps** was added to the departmental risk register on 18/11/22. The current rating of this risk has increased from Amber 12 to Red 16 (4x4 - impact major,

likelihood likely). This risk was escalated to the red departmental risk register due to issues in the replacement for a hot water circulation pump.

- **COO-MKT-WM 004 Wholesale Markets Traffic Management** risk has been de-escalated from the red departmental register as the improvement notice issued by the Health and Safety Executive relating to a forklift truck accident at Smithfield has been discharged following the implementation of new traffic management measures. Management measures are now in place to the satisfaction of the HSE. Current risk rating for this risk has reduced from Red 16 to Amber 8 (4x2 - impact major, likelihood unlikely).

12. The following three risks are the highest rated departmental risks with current risk scores of 24 (8x3 - impact extreme, likelihood possible.). All other risks have a rating of 16 (4x4 - impact major, likelihood likely):

- ENV-PHPP-001 Brexit Impact on Port Health and Animal Health
- CLS-OPS-002 Cyber Security
- ENV-CO-TR-001 Road Safety

Corporate & Strategic Implications

Strategic implications – Reporting in line with CoLC Corporate Risk Management Strategy.

Financial implications – None applicable

Resource implications – None applicable

Legal implications - None applicable

Risk implications – None applicable

Equalities implications – None applicable

Climate implications – None applicable

Security implications – None applicable

Conclusion

This risk update and accompanying documents (see appendices) are aimed at providing assurance to the Audit and Risk Management Committee that risks within the City of London Corporation are being effectively handled.

Appendices

- Appendix 1: Corporate risk register report- above appetite risks only
- Appendix 2: All red departmental risks short summary report

Tatianna Wanyanga

Corporate Risk Manager, Corporate Strategy and Performance Team

tatianna.wanyanga@cityoflondon.gov.uk

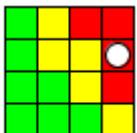
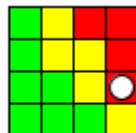
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Corporate Risk Detailed Register EXCLUDING completed actions above risk appetite

Generated on: 04 January 2023

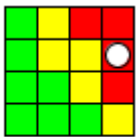
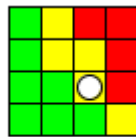



Rows are sorted by Risk Score

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/Risk Approach	Flight path
CR16 Information Security (formerly CIB IT 030) 10-May-2019 Emma Moore	Cause: Breach of City of London Corporation IT Systems resulting in unauthorised access to data by internal or external sources. Event: The City Corporation does not adequately prepare, maintain robust (and where appropriate improve) effective IT security systems and procedures. Effect: a) Failure of all or part of the IT Infrastructure with associated business systems failures. b) Harm to individuals. c) A breach of legislation such as the Data Protection Act 2018 and UK-GDPR. d) Incurrence of a monetary penalty. e) Corruption of data. f) Reputational damage to City of London Corporation as an effective body.	 Likelihood Impact	24	The project to implement a raft of new security improvements is complete A decision was made to define a minimum security baseline for all parts of the corporation. The Director of DITS will work with IMS to put this together. 14 Dec 2022	 Likelihood Impact	16	31-Mar-2024 Reduce	

Action no, Title,	Action description	Latest Note			Latest Note Date	Due Date
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CR16n Work on a simulated cyber attack is being planned with the IT Security Team	Work on a simulated cyber attack is being planned with the IMS Team	A White Hat activity – this is where we employ an Ethical Hacker to try to gain access to COL systems using typical hacking tools and techniques A simulated “white hat” activity, using a gamification simulation tool will be employed. An Opportunity Outline has been submitted to the Project Management Office to begin implementation		12-Dec-2022	31-Jul-2023
CR16p There will be a monthly comms plan around Cyber with monthly messages being sent out to all staff around the organisation	There will be a monthly comms plan around Cyber with monthly messages being sent out to all staff around the organisation	To be planned by the Cyber Security team within COLP, and agreed by COL IT		12-Dec-2022	31-Jan-2024

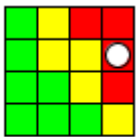
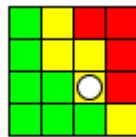
Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Flight path
CR35 Unsustainable Medium Term Finances - City Fund	<p>Causes: High inflation – Office for Budget Responsibility forecasting peak in Autumn 2022. Construction inflation running at 20%. Contraction in key income streams and increase in bad debts following post pandemic change in working practices. Police Transform programme fails to realise the budget mitigations anticipated within the MTFP. Anticipated decline in public sector funding (local government and Police), increasing demands (revenue and capital) and an ambitious programme of major project delivery threaten our ability to continue to deliver a vibrant and thriving Square Mile.</p> <p>Event: Inability to contain financial pressures within year (2022/23) and compensatory savings and/or income generation to meet the Corporation's forecast medium term financial deficit will not be realised. Inability to contain construction inflation or inability to rescope capital schemes within budgets.</p> <p>Effects: Additional savings over and above those identified to meet this challenge are required, reserves are utilised and/or services stopped. The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community. Being unable to set a balanced budget which is a statutory requirement for City Fund. Inability to deliver capital programme and major projects within affordability</p>	<p>Likelihood</p>  <p>Impact</p>	24	<p>Retail Price Index rose by 14.26% and Consumer Price Index rose by 11.1% in 12 months to October 2022. Inflation is predicted to fall to 4% in 2023, however increases are feared to be embedded creating pressures on service/departmental 2022/23 budgets and on the Housing Revenue Account.</p> <p>Construction inflation has risen to c20%.</p> <p>Pinch points have been identified by finance business partners and discussed with senior members and Committee Chairmen as part of the bilateral process supporting budget setting. Mitigations currently include inflation contingencies and tight financial disciplines.</p> <p>Income from investment property and from business rates holding up well. The £30m ringfenced reserve for income loss has not been utilised. During the last quarter, the trigger point was reached on the capital programme. This led to a review on major projects programme and BAU capital programme.</p> <p>Policy and Resources Committee increased the budget on Salisbury Square by £60m, however £57m of that is allocated to City's Cash as relates to the Courts element reducing the impact.</p> <p>Resource Allocation Sub Committee has reprioritised the City Fund BAU capital programme to remain within the contingency held 2022/23.</p>	<p>Likelihood</p>  <p>Impact</p>	8	31-Mar-2023	

<div> <div>Page 106</div> <div>Jun-2020</div> <div>Caroline Al-Khairy</div> </div>	parameters. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Stakeholders experiencing reduced services and service closures.			<p>The CWP programme is being considered under the Operational Property review with recommendations to Operational Property and Projects Sub Committee. For now, the CWP programme will pause on new requests to carry out a deep dive review alongside the Operational Property review.</p> <p>Quarter 2 reporting confirms identified inflationary pressures are well within the contingencies held, in addition, interest rates are giving a welcome boost to City Fund finances for as long as they remain at this level – forecast peak is Sept 2023 at 5%, falling to 3.25% by end of 2024 – likely to continue at c2-3% into 2025.</p> <p>The risk is decreasing, but until the medium term financial planning is completed for 2023/24, the score remains at red.</p> <p>02 Dec 2022</p>				
							Reduce	

Action no, Title,	Action description	Latest Note		Latest Note Date	Due Date
CR35a Impact of inflation	Impact of inflation <ul style="list-style-type: none"> • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs 	1) Inflation contingency held: 3% 22/23 additional sums allocated from 21/22 underspends 23/24 includes 4% inflation increase within departments and 2% efficiency saving; 2) CF - £3m contingency ringfenced for construction inflation under Major Projects reserve. Reprioritisation of BAU capital programme sits within contingency held. The MTFP assumptions will be reviewed as part of 2023/24 budget setting. Some mitigations provided with increased income from cash balances.		02-Dec-2022	31-Mar-2023
CR35b Impact on the HRA	<ul style="list-style-type: none"> • Capital schemes are forecast to exceed budget. Reprioritisation of the schemes within envelope is needed and latest position 	Reprioritisation of the schemes to sit within current budget envelope has been reported to and agreed by Resource Allocation Sub Committee.		02-Dec-2022	31-Mar-2023

	<p>will be reported to Resource Allocation Sub Committee for approval in November 2022 following discussion with Chairmen.</p> <ul style="list-style-type: none"> • Review of HRA commissioned and due to report at the end of November 2022. • Alternative sources of funding for Fire Safety Works element of Major Works Programme to enable HRA to remain in surplus. • Need to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case. • Housing 30 year financial projects have been completed. 	<p>Review of HRA commissioned from Savills and Interim Report received at the end of November 2022. Housing 30 year financial projects have been completed.</p> <p>Alternative sources of funding for Fire Safety Works have been agreed.</p> <p>Need to continue to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case.</p>			
CR35c Impact of construction inflation Page 107	<p>£400m cost pressure identified for the major projects across City Fund and City's Cash. Reprioritisation required and periodic monitoring.</p>	<p>Policy and Resources reprioritised ambitions at its October meeting to remain within the affordability envelope.</p> <p>Resource Allocation Sub Committee has considered and approved actions on the capex programme, this remains within the overall budget with mitigations now identified.</p> <p>Capital Buildings Committee monitoring delivery within the revised budget envelopes.</p> <p>Periodic reporting on capital position to Finance Committee – next report to January Finance Committee.</p>		02-Dec-2022	31-Mar-2023
CR35d Business rates	<p>Reduction in business rates, E.g. through reduction in occupancy or ability to pay.</p>	<ul style="list-style-type: none"> • Monthly monitoring in place. The 2022/23 collection rate figure for Q2 is 56.22% which is significantly up on the same point last year which was at 50.69%. Improved collection has been assisted by the award of the CARF scheme. • The COVID Additional Restriction Relief scheme (CARF) has been provided to 11,500 businesses. This resulted in a 20% reduction to business rates bills for 21/22 and represents a total of £58m in relief. • Collection fund deficit to be factored into the MTFP. • There has been an increase in the amount of empty property since March 2020 resulting in more relief being claimed but the level has now stabilised. • Impacts will continue to be monitored. 		02-Dec-2022	31-Mar-2023
CR35e A reduction in	<p>A reduction in key income streams and increase in bad Debt</p>	<p>This is being monitored monthly, with action being taken to reduce spend where possible.</p>		02-Dec-2022	31-Mar-2023

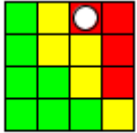
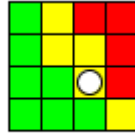
key income streams	<i>Triggers:</i> <i>Increase in loss of property investment portfolio income over £5m p.a.</i>	Budget forecast for 22/23 includes reduced income, with recovery profiled across the medium term. In addition, Chief Officers continue to work with tenants on a payment plan to mitigate potential issues. The moratorium against legal action for recovery has now lifted Sums to mitigate risk are being held in Reserves - £30m in City Fund. To date these have not been required. Outstanding sums are reducing across all Income Streams with significant improvement in Investment Property, Business Rates and Council Tax. Council Tax income is now above pre-pandemic levels and Investment Property.			
CR35f Achievement of current Savings Programme	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	Biggest risk relates to Police - £13m p.a. cumulative sustainable savings included in MTFP. There is a risk to delivering elements of these savings plan and sustaining the savings. To monitor and manage residual risks to the Police MTFP post-BRP increase (including increased inflation, mitigation delivery risks and new areas of pressure or grant reduction). Star chamber led by the Chamberlain and Town Clerk have taken place to ensure departments are achieving savings. This is further supported by Member led bilateral meetings with service committee chairmen for departments that have not achieved year on year permanent savings - there is one member bilateral meeting outstanding.		02-Dec-2022	31-Mar-2023

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/Risk Approach	Flight path
CR38 Unsustainable Medium Term Finances - City's Cash	Causes: High inflation –Office for Budget Responsibility forecasting peak in Autumn 2022. Construction inflation running at 20%. Contraction in key income streams and increase in bad debts following post pandemic change in working practices.	Likelihood  Impact	24	Retail Price Index rose by 14.26% and Consumer Price Index rose by 11.1% in 12 months to October 2022. Inflation is predicted to fall to 4% in 2023, however increases are feared to be embedded creating pressures on service/departmental 2022/23 budgets.	Likelihood  Impact	8	31-Mar-2023	
	Event: Inability to contain financial pressures within year (2022/23) and compensatory savings and/or income generation not realised requiring further draw down on Reserves. Inability to contain construction inflation or inability to rescope capital schemes within budgets. Effects: Additional savings over and above those identified to meet this challenge are required, reserves are utilised and/or services stopped. The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community. Inability to deliver capital programme and major projects within affordability parameters. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Stakeholders experiencing reduced services and service closures.			Construction inflation has risen to c20%. Pinch points have been identified by finance business partners and discussed with senior members and Committee Chairmen as part of the bilateral process supporting budget setting. Mitigations currently include inflation contingencies and tight financial disciplines. Income from investment property has slightly fallen however plans are in place to bring this back to budget. During the last quarter, the trigger point was reached on capital programme. This led to a review on major projects programme and BAU capital programmes. Policy and Resources Committee has reprioritised the major projects; and rescope the Markets project – keeping within the original envelope. Resource Allocation Sub Committee has reprioritised the BAU capital programme to remain within the contingency held. The CWP programme is being considered under the Operational Property review with				

31-Oct-2022 Caroline Al-Beyerty				<p>recommendations to Operational Property and Projects Sub Committee. For now, the CWP programme will pause on new requests to carry out a deep dive review alongside the Operational Property review.</p> <p>Quarter 2 reporting confirms identified inflationary pressures are well within the contingencies held.</p> <p>The risk remains at red.</p> <p>02 Dec 2022</p>			Reduce	
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Action no, Title,	Action description	Latest Note		Latest Note Date	Due Date
CR38a Impact of inflation Page 110	<p>Impact of inflation</p> <ul style="list-style-type: none"> • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs 	<p>The five year financial plan is currently being reworked for 2023/24 budget cycle:</p> <p>1) Inflation contingency held: 3% 22/23 additional sums allocated from 21/22 underspends 23/24 includes 4% inflation increase within departments and 2% efficiency saving;</p> <p>2) £1m contingency ringfenced for construction inflation under capital programme. Reprioritisation of BAU capital programme sits within contingency held.</p>		02-Dec-2022	31-Mar-2023
CR38b Impact of construction inflation on capital programme	<p>Impact of construction inflation on capital programme:</p> <ul style="list-style-type: none"> • Major projects • Business as usual capital programme 	<p>£400m cost pressure identified for the major projects across City Fund and City's Cash. Policy and Resources reprioritised ambitions at its October meeting to remain within the affordability envelope.</p> <p>Resource Allocation Sub Committee has considered and approved actions on the capex programme, this remains within the overall budget with mitigations now identified.</p> <p>Resource Allocation Sub Committee has considering and approved actions on the capex programme, this remains within the overall budget.</p> <p>Capital Buildings Committee monitoring delivery within the revised budget envelopes.</p> <p>Periodic reporting on capital position to Finance Committee.</p>		02-Dec-2022	31-Mar-2023
CR38e A reduction in	A reduction in key income streams and increase in bad Debt	This is being monitored monthly, with action being taken to reduce spend where possible.		02-Dec-2022	31-Mar-2023

key income streams and increase in bad Debt	<i>Triggers: Increase in loss of property investment portfolio income over £5m p.a.</i>	Budget forecast for 22/23 includes reduced income, with recovery profiled across the medium term. In addition, Chief Officers continue to work with tenants on a payment plan to mitigate potential issues. The moratorium against legal action for recovery has now lifted. Outstanding sums are reducing across all Income Streams with significant improvement in Investment Property.			
CR38f Achievement of current Savings Programme	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	Star chambers led by the Chamberlain and Town Clerk have taken place to ensure departments are achieving savings. This is further supported by Member led bilateral meetings with service committee chairmen for departments that have not achieved year on year permanent savings.		02-Dec-2022	31-Mar-2023

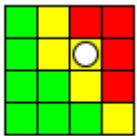
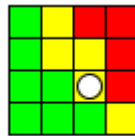
Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Flight path
CR36 Protective Security	<p>Cause: Lack of appropriate governance, inadequate security risk assessments, prioritisation, and mitigation plans. Inadequate, poorly maintained or time expired security infrastructure and policies; lack of security culture and protective security mitigation; poor training, inadequate vetting, insufficient staff.</p> <p>Event: Security of an operational property and event space is breached, be that internal threat, protest and/or terrorist attack. Publicly accessible areas for which the Corporation are responsible for are subject to an undisrupted Terrorist attack.</p> <p>Effect: Injury or potential loss of life caused by an undisrupted attack, unauthorised access to our estate by criminals/protestors/terrorists; disruption of business/ high profile events; reputational damage.</p>	 <p>Likelihood</p> <p>Impact</p>	16	<p>There has been a lot of work since 2017 attacks, to mitigate the threats to the Public and our Staff. CR24 focused on our buildings has been closed, due to the mitigations implemented. However, the threat from Terrorism has not gone, it remains a real and enduring threat with multi diverse attack methodologies and target focus. Protest and political unrest are on the increase. This goes wider than CoLC estate that CR24 covered, as seen in the 2017 attacks includes publicly accessible locations. The most recent attacks, including Liverpool November 2021, demonstrate that radicalisation has not stopped and there are persons still intent on carrying out such attacks with the intention to harm. Protests are becoming a regular threat to properties and events, such as climate protestors at November 2021 Lord Mayors Show and multiple protests seen across London. This risk is developed to maintain and monitor the holistic threats and risk, mitigation, and governance.</p> <p>06/01/2022</p>	 <p>Likelihood</p> <p>Impact</p>	8	01-Jan-2024	
				<p>Work continues in all areas, all governance boards have reviewed terms of reference and membership with TOM changes. Meetings are scheduled for key CoLC staff with new COLP decision makers to ensure continuance of work in place since 2017.31/3/22</p>				

Page 113 10-Jan-2022 John Barradell; Richard Woolford				<p>Work continues in all areas, there is now a new Protect Bridges Board. All high-risk events continue to have resilient command structures. Protect Security Advisory Board work, is nearly completed and maintains an equilibrium on continual monitoring working with COLP. 30/08/22</p> <p>Work continues across all areas, in recent months, extensive work has taken place to deliver globally recognised events, including Platinum Jubilee, HM the Queen service of reflection at St Pauls Cathedral and the proclamation of HM the King at the Royal Exchange. In addition to Lord Mayor show 2022. We now prepare for a series of other high profile events. The Protect Bridges board is now up and running. We are currently working with COLP in review all delivery of previous security footprints to ensure up to date and independent audit of works done. We also continue to support the National PAIE run by CPNI sharing learning.</p> <p>17 Nov 2022</p>				
							Reduce	

Action no, Title,	Action description	Latest Note		Latest Note Date	Due Date
CR36a Governance	To ensure that there is effective governance across the CoLC with COLP and other partners	<p>Governance structures in place, led by Town Clerk Chief Executive, through Senior Security Board, terms of reference and strategy. With thematic security boards reporting into Senior Board: Protect Security Advisory Board, Protect Public Realm Board, Protect People Board Protect, Digital Security Board, Secure City Board.</p> <p>All governance boards in place, ToR reviewed and TOM changes captured.</p>		17-Nov-2022	01-Jan-2024

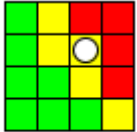
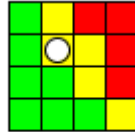
		<p>Changes to CoLP also captured with embedded new membership.</p> <p>There is now a new Protect Bridges Board, covering all security risks across the City Bridges, chaired by COO BHE Simon Latham</p> <p>Continual monitoring continues</p>			
CR36b Police Contest	Police Contest Board	<p>COLP Police host a biweekly Contest Board, covering HM Government Protect, Prepare, Prevent and Pursue agenda. COLC maintain resilience of SC vetted staff from SSB (RW) PSAB (SC) and PPRB (IH) ensure attendance at Contest Board, then cascade appropriately across CoLC.</p> <p>Attendance continues to Contest Board from either IH, SC or RW.</p> <p>There have recently been multiple Gold groups for high risk events including Platinum Jubilee, HM the Queen service of reflection at St Pauls Cathedral and the proclamation of HM the King at the Royal Exchange. In addition to Lord Mayor show 2022. All security matters reviewed and mitigated.</p> <p>Continual monitoring continues.</p>		17-Nov-2022	01-Jan-2024
CR36c Incident/Event/Protest Command and Control	Incident/Event/Protest Command	<p>Training and accreditation of staff to carry out command roles, at Strategic, Silver and Operational roles.</p> <p>Event Risk assessment covering High, Medium, Low risk events.</p> <p>All High-Risk events to be raised at SSB, confirmation of appropriate command team.</p> <p>Tabletop Exercises to be done prior to High-Risk events and in cycle with partners, with learning captured and audit trails maintained by Resilience team.</p> <p>This has included November 2021 Lord Mayors Show. Pre-Christmas all venues High Risk Table Tops exercises including direct action and terrorism.</p> <p>LMS 2021 debriefed with action plans being addressed with all partners.</p> <p>Ongoing planning for Platinum Jubilee, Operation London Bridge.</p> <p>XR protests in April 2022 will be lead by chief officer Gold, with learning from previous events with embedded partnership engagement with MPS and COLP, with all appropriate departments included.</p> <p>Platinum Jubilee was a success and learning and debriefs have taken place. Ongoing planning continues for LMS 2022, LM banquet and Operation London Bridge as well as non CoLC high Risk events such as XR September 2022. All identified high risk events go through SSB for appropriate command structures.</p>		17-Nov-2022	01-Jan-2024

		With current Chief Officer movements, awaiting new CEO, training and accreditation is and will take place around Gold command to ensure resilience. Comptroller is booked into a MAGIC course and chief officers are invited to an exercise in January.			
CR36d Prevent	Prevent	<p>This multi-agency response led by DCCS in support of HM Government guidance. Ensuring safeguarding is at the heart of Prevent with our communities and families. This is ongoing lead by DCCS</p> <p>The prevent agenda was discussed at the last SSB, with continual monitoring and there is a Conference hosted within the City on Monday 21st November 2022.</p>		17-Nov-2022	01-Jan-2024
CR36f City of London Corporation Buildings	Protect	<p>There is a vast array of partnership bodies that impact both the COLC and City wide, covering Security and Counter Terrorism. COLC is embedded with: • City of London Crime Prevention Association. • Cross Sector Safety and Security Communications. • Global Terrorism Information Network TINYg. • POOLRE • City Security Council • CPNI Strategic and Tactical meetings structures</p> <p>Diverse attendance and support continues</p> <p>We are currently working with COLP in review all delivery of previous security footprints to ensure up to date and independent audit of works done.</p>		17-Nov-2022	01-Jan-2024

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/Risk Approach	Flight path
CR01 Resilience Risk 20-Mar-2015 John Barradell	Cause - Lack of appropriate planning, leadership and coordination Event - Emergency situation related to terrorism or other serious event/major incident is not managed effectively Effect - Major disruption to City business, failure to support the community, assist in business recovery. Reputational damage to the City as a place to do business.	 Likelihood	12	Clearview BC management tool continues to be implemented , new software package rollout to departments now expected December 2022 14 Nov 2022	 Likelihood	8	28-Dec-2023	
							Accept	

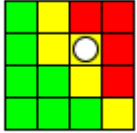
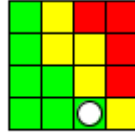
Action no, Title,	Action description	Latest Note			Latest Note Date	Due Date
CR01L Business Continuity Management Page 116	Assurance process with Cabinet Office College Provide refresher and initial training for Col staff, this training intended to increase knowledge to ensure BC plans are able to support the Col maintain its business during a major incident, provide an in depth independent oversight of the Col business impact analysis, identifying its most critical business areas	The Clearview software Business Continuity product contract has now been signed 1/7/21 as a joint procurement with COLP/Clearview , the implementation of the system and integration of new elements and information into the Col IT system and education process is currently underway , full rollout across Col expected December 2022 Implementation process continues with Clearview aiming to introduce key depts to the system April 2022 Implementation process continues due to new software package to be initiated , architecture documentation signed off by IS , rollout across depts now expected late June 2022 data element to be overseen by IMS team. This project is still in the implementation process mainly due to a changeover from Clearview to Castellan and we are looking now for soft rollout in September 2022 whilst implementation continues Due to clearview change over to new business castellan implementation and roll out as we continue to update the system and work with depts to pilot the new system roll out has now moved to end of 2022			14-Nov-2022	31-Dec-2022
CR01M Review of LALO Local authority liaison officer	process, training, call out process to strengthen the City capability and resilience in responding to major incident and complying with the wider London boroughs standardisation programme	Training for this session complete process and call out still to be finalised Continues Intranet note to staff to identify new potential LALO March 2022 LALO were involved in a City based partnership exercise February 2020, Intranet note seeking further staff support posted March 2022 to boost capabilities			14-Nov-2022	31-Dec-2022

		<p>Pan London standards process currently held due to Covid 19 response , Lalo training will be key to capability going forward Feb 2021 LALO training is a rolling programme delivered by London Resilience Group , resilience team ensure capability and numbers of LALO are appropriate for Col response and engage LALO in local/pan London exercise where appropriate</p> <p>No further significant updates at this stage but to note as part of the Pan London Ex safer city , 9th November 2021 one Col Lalo was deployed as part of the ex as part of the deployment & learning process around a collapsed building scenario and wider Col response to the exercise Pan London exercise dates 2022 to be captured to allow for LALO involvement No further update as organisation changes take place we will monitor staff available for this capability</p>			
CR01N Standardisation procedures	to increase City capability and resilience in also supporting wider London boroughs during major incident response, Local Emergency Control Centres, Emergency centres as part of a wider humanitarian	Gold major incident awareness training day completed for new Col Chief Officers 21/10/21 module 1 included Media implications , Humanitarian aspects , Civil Contingencies Act & Command structure responsibilities . Module 2/3 to follow 2022 Legal Implications & Public Inquiries session New senior staff to be identified for further training and awareness process continues as organisation changes continue		14-Nov-2022	31-Dec-2022
001Q Rolling DR tests	Plan an annual calendar of IT DR tests, covering critical systems and services	A 12 month plan of rolling failover/DR tests has been produced and will commence toward the end of the year. These will each cover a specific area of the technology service; starting with the lower risk, lower impact services and ending with a simulation of a cloud Data centre failure		14-Nov-2022	01-Dec-2023

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/Risk Approach	Flight path
CR21 Air Quality 07-Oct-2015 Ruth Calderwood Page 118	Cause: Levels of air pollution in the City, specifically nitrogen dioxide and fine particles, impact on the health of residents, workers and visitors. The City Corporation has a statutory duty to take action to improve local air quality. Event: The City of London Corporation is insufficiently proactive and resourced, and does not have the right level of competent staff, to be able to fulfil statutory obligations, as a minimum, in order to lower levels of air pollution and reduce the impact of existing air pollution on the health of residents, workers and visitors. Effect: The City Corporation does not fulfil statutory obligations and air pollution remains a problem, impacting on health. Potential for legal action against the Corporation for failure to deliver obligations and protect health. Adverse effect on ability to deliver outcomes 2 and 11 of the Corporate Plan	 Likelihood Impact	12	The risk remains unchanged. The government has delayed publication of a new target for PM2.5, which should have been announced on 31 October. It is not clear at this stage what our statutory obligation will be for achieving the new target, which will have an impact on our risk 11 Nov 2022	 Likelihood Impact	6	31-Dec-2024	
							Reduce	

Action no, Title,	Action description	Latest Note		Latest Note Date	Due Date
CR21 001h Publish annual report of air quality data	Develop baseline model for compliance assessment and publish annual report of air quality data	The 2021 annual status report has been submitted to, and approved by, Defra and the GLA and will be presented to October PHES committee		16-Sep-2022	31-Dec-2025
CR21 001i Compliant vehicles	100% of vehicles owned or leased by the CoL are electric or hybrid by 2025	The City Corporation continues to add zero emission vehicles to its fleet with 5 hybrid and 17 pure electric vehicles. A database has been created of fleet carbon and air pollution (NOx and PM) emissions		30-Aug-2022	31-Dec-2025
CR21 001j Develop Private	Develop and support an Emission Reduction Private Members Bill for London local authorities	Bill prepared and awaiting second reading in the House of Lords		09-Dec-2022	31-Dec-2022

Members Bill					
CR211 Compliance with NO2 target	Assess percentage compliance rate with NO2 target	The % area compliance for 2021 was 94%		18-Dec-2022	31-Dec-2024

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/Risk Approach	Flight path
CR30 Climate Action Oct-2019 Ann Barradell	Cause: Insufficient resources and prioritisation allocated to Climate Action. Event: The City Corporation fails to reduce and mitigate the impact and effect of climate change. PHASE 2: DELIVER AND REFINE ACTION PLAN – To be addressed in completion of phase 1. Impact: As the governing body of the Square Mile dedicated to the City, there are a range of potential impacts including: <ul style="list-style-type: none"> • failing to deliver on the net zero targets in our Climate Action Strategy • reducing our ability to effectively reduce carbon emissions in the next two carbon budget periods (2022 and 2027) • damaging the City's credibility in Green Finance and Insurance markets; • reducing our ability to champion sustainable growth globally and enhance the relevance and reputation of the Square Mile • failing to adequately invest in climate resilience measures leading to negative impacts on social, economic and environmental outcomes • failing to adequately invest in net zero initiatives leading to negative impact on our financial and property investments 	Likelihood  Impact	12	The City of London Corporation's Climate Action Strategy 2020 was approved by the Court of Common Council in October 2020. The year 1 action plan for delivering the strategy was approved on 8th April 2021 at P&R with input from the various Chairs/Deputy Chairs from the relevant committees. Work is underway across 10 workstreams detailed in project plans. Stakeholder engagement plans, performance dashboard and management systems, governance approach are also finalised. Assessment of climate implications now required within all reports to Committees 16 Nov 2022	Likelihood  Impact	4	31-Mar-2027	
							Reduce	

Action no, Title,	Action description	Latest Note		Latest Note Date	Due Date
CR30k Impact	Ongoing political and international	Strategy picked up by media and helping promote reputation of City financial. Stakeholder		16-Nov-2022	31-Mar-2027

on City financial and ability to champion sustainable growth of not hitting net zero targets / maintaining resilience	relationship management	engagement plan identifies opportunities for political and international engagement opportunities.			
CR301 Risk of not hitting net zero and resilience targets for City Corporation operational and investment assets, whilst maximising returns	Deliver programme of works across operational and investment portfolios	<p>Top 15 emitting buildings and all 118 investment properties across our corporate and housing estates have been surveyed to inform the operational and capital interventions across our corporate buildings. Reports will be updated over November 2022 and discussed with individual Asset Managers, to inform an overall Operational Plan.</p> <p>Awaiting the air pressure tests from Osmosis which will determine the numbers of flats that may be eligible for grant funding from Social Housing Decarbonisation Fund. William Blake will have to be taken out of Wave 1, so we are only looking at Sumner Buildings at this moment. Expected value of the grant should be close to £120k.</p> <p>Decisions outstanding on planned stock changes such as disposal strategies and major projects such as the Guildhall Master Plan, Barbican Arts Centre and Markets Co-location continue to create uncertainty in the Corporate Properties Group workstream for CAS. As these buildings are amongst the highest emitters for the operational estate, understanding their future is essential in planning for, and delivery of, the 2027 CAS target.</p> <p>Construction price inflation, both in terms of availability and pricing of materials, and through the availability of labour, will impact the delivery programme. This may result in additional budget pressures. This is an industry-wide issue that the department is tracking closely.</p> <p>Recent unprecedented rises in energy prices and the cost of capital works presents a significant risk to CAS target delivery. CAS delivery is supported by the delivery of planned cyclical maintenance works and the capture of energy cost savings to fund further measures. Avoiding delays due to cost pressures will be necessary to avoid knock-on impacts to CAS targets. The mitigation in place</p>		16-Nov-2022	31-Mar-2027

		<p>includes introduction of behavioural management programme in buildings and the implementation and potential expansion of the Power Purchase Agreement (PPA)</p> <p>There is a risk that due to insufficient engagement, residents choose to not support the Climate Action work proposed for their areas. As a result, critical works on e.g. improving the energy efficiency of old properties becomes delayed or does not progress due to opposition.</p> <p>Therefore, a dedicated engagement plan for this residential community to be in place for March '23.</p>			
<p>CR30m Risk of not hitting net zero targets for financial investments and supply chain</p> <p>Page 122</p>	<p>Monitor and drive performance against net zero and financial targets for financial investments and supply chain, continually refreshing learning</p>	<p>Funded project plans with resources and capability requirements have been updated for FY22/23 and approved at May Policy and Resources Committee.</p> <p>Purchased Goods and Services actions for the coming year:</p> <ul style="list-style-type: none"> * Implementation of the Carbon Net Zero Procurement Plan; FY 2022 – 2024 * Working with our supply chain to embed Climate Action KPIs into the supply chain through focus on the most impactful contracts. * Focusing on the most impactful contracts, migrate away from proxy values to track carbon performance more accurately. * Developing low carbon, green and circular criteria, and standards to help decouple carbon from spend. <p>Additionally, all work undertaken is with the 55% reduction in supply chain emissions target, from the 2018 baseline, in mind.</p>		16-Nov-2022	31-Mar-2027

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		<p>Financial Investment actions for the coming year:</p> <p>* Formulating and implementing plan to address financial physical and transition risks within the upcoming strategic asset allocation process.</p> <p>* Working with fund managers to ensure robust risk management on the portfolio and timely disclosures.</p> <p>The report 'Managing Climate Risk for our Financial Investments' has been published in October 2021 aligning our financial investments with net zero emissions by 2040</p>			
CR30n Resilience risks of Square Mile infrastructure and public realm and risk of not hitting net zero targets for developments and transport	Monitor and drive performance against net zero and resilience targets, continually refreshing learning	<p>Cool Streets & Greening Gateway 3-4 approved for nine Year 1 and six year 2 sites. Implementations complete for six year 1 sites, with a further site now underway. Evaluation underway using smart sensors. Cubic Mile project is nearing completion and is being used to map opportunities for climate resilience measures below ground as part of the Phase 3 and 4 sites for the Cool Streets & Greening project.</p> <p>Phase 1 of pedestrian priority programme has been approved. Phase 2 still needs approval and has political risk attached to it. If the programme of Pedestrian Priority restrictions and traffic reduction is not delivered this significantly undermines the ability to reach net zero.</p>		16-Nov-2022	31-Mar-2027
CR30o Reaching carbon removal targets through open spaces	Set out carbon removal action plan and mobilise	<p>Current risks are:</p> <p>*Challenge by tenant to termination of farming tenancy which would make one of the key project sites unavailable. To mitigate this, additional consultancy has been retained to support fair and efficient process to negotiations.</p>		16-Nov-2022	31-Mar-2027

P 30p 121		<p>*The report identifying the land management works that could deliver on the project target reveal the costs/timescales/constraints of these works makes the project unfeasible</p> <p>*Possible issues with gaining access to additional land required for carbon sequestration target.</p> <p>*Underestimation of project costs and costed risks. This is mitigated through detailed quarterly budget reviews.</p> <p>The carbon sequestration study is now completed however additional clarification is required to explore further carbon removal opportunities including creating site plans for Phase 3, pursue of viable opportunities in the wood product markets and developing tender for project monitoring services.</p>			
	CR30p Delivery delays and failures due to stakeholder / public action / inaction	Run overarching engagement programme with our stakeholders and partners (phase 3 of engagement plan) and quality assure engagement for projects	Dedicated stakeholder engagement lead built into PMO function. Stakeholder engagement plan approved at May Policy & Resources Committee. Detailed stakeholder engagement plan socialised with principal members and officers for approval		16-Nov-2022 31-Mar-2027
	CR30q Protecting vulnerable groups who are most likely to be impacted by climate change and fulfilling Public Sector Equalities Duty	Carry out impact assessments and equalities analysis on projects and stakeholder research and use their findings to shape future engagement and delivery	Subject to continuous assessment within implementation plans. A review of the findings from the initial Test of Relevance was conducted at half year and they remain the same. Impacts will be investigated and assessed on an ongoing basis in conjunction with the delivery of the CAS programme of work.		16-Nov-2022 31-Mar-2027
	CR30r That the scope, budget, timescales, targets and/or	Agree to and implement appropriate governance to embed Climate Action in departmental scrutiny. Ensure appropriate capacity and capabilities are in place	In order to measure and report progress against our targets transparently, a Climate Action Dashboard has now been completed and is live on the external COL website and will be reviewed and updated each quarter. This update process will be governed by a new Dashboard Data Governance & Reporting Procedure. The dashboard will allow tracking to take place across an initial 31		16-Nov-2022 31-Mar-2027

commitments of the climate action strategy are not delivered upon through the climate action programme of work	including for regular KPI progress reporting via the CPF. Ensure mechanisms in place for releasing staged financing. Set up regular tracking of impact of our actions on targets.	<p>management KPIs as well as the main 21 reporting KPIs of our carbon footprint as expressed in tonnes of CO2 e (Carbon Dioxide Equivalent). Going forwards, it is intended that this dashboard will be used as the basis for progress reporting to Committees.</p> <p>To manage risk effectively in the programme, all projects have a risk log and the overall risks are reported at a programme level to Policy & Resources Committee and via this CR30 corporate risk update.</p> <p>Project performances are monitored quarterly against their projected achievement trajectories. These movements are being closely monitored between Member and officer governance.</p>			
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Top red risks only - short summary by department

Report Type: Risks Report

Report Author: Tatianna Wanyanga

Generated on: 03 January 2023


















Rows are sorted by Risk Score

Department Description Barbican Centre




Department Description: Barbican Centre 9

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
BBC Arts 023	Failure to Manage EDI Correctly	4	4	16		2	4	8		31-Dec-2023	Reduce	
BBC Arts 027	Impact of Economic Factors on Our Business (Supply and Demand)	4	4	16		2	4	8		30-Apr-2023	Reduce	
BBC Buildgs 018	Failure to Secure Sufficient Funds for Barbican Renewal	4	4	16		4	2	8		31-Mar-2025	Reduce	
BBC Buildgs 020	LTHW Pumps	4	4	16		2	2	4		30-Sep-2023	Reduce	

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
BBC Buildgs 025	Inadequate and Inappropriate Levels of Engineering Resource	4	4	16		4	1	4		30-Apr-2023	Reduce	
BBC CL 002	Safeguarding	4	4	16		4	1	4		31-Mar-2023	Reduce	
BBC Finance 008	Shortage of Staff in Key Areas of the Business	4	4	16		4	2	8		30-Apr-2023	Reduce	
BBC H&S 002	Failure to deal with Emergency /Major Incident or Risk of Terrorism	8	2	16		8	1	8		31-Mar-2023	Reduce	
BBC H&S 005	Failure to Deliver the Fire-Related Projects	8	2	16		2	1	2		31-Dec-2024	Reduce	




Department Description City of London Freeman's School

Department Description: City of London Freeman's School 1

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
CLF-016	Financial Sustainability	4	4	16		2	2	4		31-Aug-2025	Reduce	










Department Description City of London School

Department Description: City of London School 1

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
CLS-OPS-002	Cyber security	8	3	24		8	1	8		01-May-2023	Reduce	




Department Description City of London Schools for Girls










Department Description: City of London Schools for Girls 3

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
CLSG-01	Inadequate finances or financial plans (SA5-Operations)	4	4	16		4	2	8		31-Aug-2023	Reduce	
CLSG-03	Failure to recruit and retain high quality teaching and support staff (SA4-People)	4	4	16		2	2	4		31-Aug-2023	Reduce	
CLSG-04	Failure of child protection procedures (SA3-Pastoral)	8	2	16		4	2	8		31-Dec-2022	Reduce	

Department Description City Surveyor's










Department Description: City Surveyor's 4

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
SUR SMT 005	Construction Price Inflation	4	4	16		2	3	6		31-Mar-2023	Reduce	

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
SUR SMT 006	Construction Consultancy Management	4	4	16		4	1	4		31-Mar-2023	Reduce	
SUR SMT 007	Energy Pricing	4	4	16		1	3	3		31-Mar-2023	Reduce	
SUR SMT 009	Recruitment and retention of property professionals	4	4	16		2	2	4		31-Mar-2023	Reduce	










Department Description Environment

Department Description: Environment 3

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
ENV-CO-TR 001 (Formerly CR20)	Road Safety	8	3	24		8	2	16		31-Mar-2027	Reduce	
ENV-PHPP 001	Brexit – Impact on Port Health and Animal Health	8	3	24		2	3	6		31-Dec-2023	Reduce	
ENV-CO-GC 002	Road traffic collision caused by City of London staff or contractor who is unfit to drive while on City business	8	2	16		8	1	8		31-Dec-2022	Reduce	

Department Description Guildhall School of Music and Drama

Department Description: Guildhall School of Music and Drama 3

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
GSMD DDP 002	Reduced Recruitment and Retention of Key Staff	4	4	16		2	2	4		31-Mar-2022	Reduce	
GSMD SUS 001	Inability to Invest in Infrastructure and teaching spaces	4	4	16		2	3	6		31-Mar-2023	Reduce	
GSMD SUS 002	Inability to deliver a balanced and sustainable model over the School's Business Cycle	4	4	16		2	2	4		31-Mar-2023	Reduce	

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