



Audit and Risk Management Committee

Date: MONDAY, 10 JULY 2023
Time: 2.00 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members:

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

Enquiries: Ben Dunleavy
ben.dunleavy@cityoflondon.gov.uk

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<https://www.youtube.com/@CityofLondonCorporation/streams>

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Ian Thomas CBE
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 12 May 2023.

For Decision
(Pages 5 - 10)

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

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

For Information
(Pages 11 - 12)

5. **COMMITTEE WORK PROGRAMME**

Members are asked to note the Committee's Work Programme.

For Information
(Pages 13 - 16)

Governance

6. **ANNUAL REPORT OF THE COMMITTEE**

Report of the Town Clerk.

For Decision
(Pages 17 - 24)

External Audit

7. **CROWE EXTERNAL AUDIT PLAN FOR BHE**

Report of the BHE & Charities Finance Director.

For Information
(Pages 25 - 66)

Internal Audit

8. **INTERNAL AUDIT CHARTER**

Report of the Chamberlain.

For Decision
(Pages 67 - 72)

9. **INTERNAL AUDIT UPDATE**

Report of the Chamberlain.

For Information
(Pages 73 - 76)

10. **INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT**

Report of the Chamberlain.

For Information
(Pages 77 - 104)

Risk Management

11. **RISK MANAGEMENT UPDATE**

Report of the Chief Strategy Officer.

For Information
(Pages 105 - 144)

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

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

14. **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.

For Decision

Part 2 - Non-Public Agenda

15. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

To agree the non-public minutes of the previous meeting held on 12 May 2023.

For Decision
(Pages 145 - 146)

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Friday, 12 May 2023

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Friday, 12 May 2023 at 10.00 am

Present

Members:

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

Officers:

Ben Dunleavy	- Town Clerk's Department
Caroline Al-Beyerty	- Chamberlain's Department
Matthew Lock	- Chamberlain's Department
Kehinde Haastrup-Olagunju jnr	- Town Clerk's Department
Tabitha Swann	- Town Clerk's Department
John Cater	- Town Clerk's Department
John Galvin	- Town Clerk's Department
Barbara Hook	- Town Clerk's Department
Frank Marchione	- Comptroller & City Solicitor's Department
Paul Murtagh	- Community & Children's Services Department
Rachel Pye	- Environment Department

1. APOLOGIES

Apologies for absence were received from Deputy Christopher Boden.

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

There were no declarations.

3. ORDER OF THE COURT

Members received the Order of the Court of Common Council dated 27 April 2023 appointing the Committee and setting its Terms of Reference.

4. **ELECTION OF A CHAIR**

The Committee proceeded to elect a Chairman in accordance with Standing Order No. 29. Alderman Prem Goyal, as the only Member expressing their willingness to serve, was duly elected as Chairman for the ensuing year and took the Chair.

RESOLVED – That Alderman Prem Goyal be elected Chair of the Audit and Risk Management Committee for the ensuing year.

Deputy Randall Anderson moved a Vote of Thanks to Alderman Alexander Barr, the immediate past Chairman.

RESOLVED UNANIMOUSLY, that –

Members of the Audit and Risk Management Committee wish to place on record their sincere appreciation to

ALDERMAN ALEXANDER BARR

for the dedication he has shown in all aspects of his work on their Committee in his three years as Chairman. Alex's experience outside the Corporation has brought valuable expertise to the Committee's work, particularly through the COVID pandemic and overseeing the management of associated risks.

WITH ALEX'S LEADERSHIP, the Committee has exercised the highest level of independent challenge and oversight of the adequacy of risk management, internal controls and the financial reporting frameworks. He has also championed holding the mirror up to ourselves through benchmarking.

There have been challenges along the way, particularly with the external audit of local authority accounts and accounting treatment for infrastructure assets which was recently resolved through a statutory override. Alex effectively focused the Committee's concern to develop pragmatic solutions.

THROUGH ALEX'S GUIDANCE, the Committee has played a key oversight role in ensuring that the Corporation's risk management framework and policies are operating effectively. Through the Deep Dive reviews of significant corporate risks, Alex has led insightful and productive discussions with Chief Officers to enhance the maturity of risk management across the Corporation. This has been underpinned with increased scrutiny from the Head of Internal Audit and the Head of Corporate Strategy & Standards.

UNDER ALEX'S CHAIRMANSHIP, the Committee has focused on the more strategic London Audit Chairs Panel, including the expansion of its work with funding from the Local Government Association and he has seen the appointment of Gail Le Coz and Karen Sanderson as external Members.

Moreover, the Committee has seen improved engagement with the work of internal audit across departments, driving departmental engagement with the internal audit process and with implementation of recommendations.

FINALLY, THE COMMITTEE WISHES TO PLACE ON RECORD its sincere thanks to Alex for his commitment to the Committee's cause and for championing the Committee in all areas of his work in the Corporation. His colleagues wish him the very best for the future.

5. **ELECTION OF A DEPUTY CHAIR**

The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No. 30. Naresh Sonpar, as the only Member expressing their willingness to serve, was duly elected as Deputy Chairman for the ensuing year.

Members elected a Deputy Chair (External) in accordance with a convention adopted by the Committee on 6 March 2018. Gail Le Coz, as the only Member expressing their willingness to serve, was duly elected as Deputy Chair for the ensuing year.

RESOLVED, that – Naresh Sonpar and Gail Le Coz be elected as the Deputy Chairs for the ensuing year.

6. **MINUTES OF THE PREVIOUS MEETING**

The public minutes and non-public summary of the meeting held on 13 March 2023 were approved as a correct record.

7. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Outstanding Actions.

A Member requested that the item on risk appetite remain until it had been further developed in future Annual Governance Statements.

8. **COMMITTEE WORK PROGRAMME**

The Committee's Work Programme was noted.

9. **APPOINTMENT TO SUB-COMMITTEES**

Members received a report of the Town Clerk & Chief Executive relative to the appointment of the Nominations Sub-Committee and its composition and terms of reference, and the appointment of a Member to serve on the Resource, Risk and Estates Committee of the Police Authority Board.

RESOLVED, that – Members:

- Agree the appointment, composition and terms of reference for the Nominations Sub-Committee as amended, and appoint the following Members to serve on the Sub-Committee in addition to the Chairman and Deputy Chairs:
 - Alderman Bronek Masojada
 - Karen Sanderson
 - Paul Singh

- Appoint Randall Anderson to serve on the Resource, Risk and Estates Committee of the Police Authority Board.

10. ANNUAL GOVERNANCE STATEMENT

Members received a Report of the Town Clerk relating to the Annual Governance Statement 2022/23.

The Deputy Chair (External) suggested a change to the wording of an identified issue so that it referred to ‘Continuing to strengthen the governance of Equality, Diversity and Inclusion’, reflecting that the actions taken on this issue had related to governance.

RESOLVED, that – Members:

- Consider and approve the AGS as amended for signing by the Chair of the Policy and Resources Committee and the Town Clerk and Chief Executive
- Note that the AGS will be published alongside the 2022/23 City Fund and Pension Fund Statement of Accounts
- Authorise the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairmen of this Committee, to amend the AGS for any relevant significant events or developments that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

11. REPORT OF ACTION TAKEN

Members received a report of the Town Clerk relating to a decision taken under urgency between meetings.

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

12. HEAD OF INTERNAL AUDIT ANNUAL OPINION

Members received a report of the Chamberlain providing the Head of Internal Audit’s Annual Opinion.

Members discussed the impact of resource levels on the work of Internal Audit.

The Deputy Chair (External) asked for an update on the External Quality Assessment, which she noted was overdue. Officers said that they would return with an update at the next Committee meeting.

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

13. ANTI-FRAUD & INVESTIGATIONS - 2022/23 ANNUAL REPORT

Members received a report of the Chamberlain relative to the Anti-Fraud and Investigations 2022/23 Annual Report.

A Member asked what more could be done to pursue fraudsters outside domestic police jurisdiction. In reply, Officers said that in some cases a decision had to be made on whether the benefit of a return was worth the cost of pursuing to this level.

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

14. RISK MANAGEMENT UPDATE

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

The following areas were discussed:

- Following comments from Members about the risks to the Barbican Centre and the Guildhall School of Music and Drama, officers would review the wording of CR37 Maintenance and Renewal of Physical Assets.
- Officers would schedule a Deep Dive report into CR39 Recruitment and Retention.
- A Member questioned if CR16 Information Security was really the highest risk facing the City Corporation, as its Risk Score suggested. Officers replied that the risks would be reviewed at the Chief Officer Risk Management Group and Executive Leadership Board, but highlighted the severe impact of IT breaches elsewhere, and that there had been numerous recent attempts at infiltrating the City Corporation's systems.

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

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

There were no questions.

16. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no other business.

17. 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.

18. RESOLUTION REGARDING GRESHAM ALMSHOUSES

Members received a resolution of the Gresham (City Side) Committee relating to the Gresham Almshouses.

19. UPDATE FROM THE HEAD OF INTERNAL AUDIT

Members received a verbal update from the Head of Internal Audit regarding a report they had taken to a meeting of the Capital Buildings Board following their review into project governance.

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

A Member asked officers to consider if the potential reputational risks caused by City Corporation's standards procedure should be reflected in the Corporate Risk Register.

21. **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.

The meeting ended at 11.05 am

Chairman

Contact Officer: Ben Dunleavy

ben.dunleavy@cityoflondon.gov.uk

AUDIT AND RISK MANAGEMENT COMMITTEE – Outstanding Actions – July 2023

Items from meeting held 22 November 2023		
ITEM	Action	Officer and target date
12. Any Other Business	<p>Ensure that existing risk appetite levels are reviewed, along with broader stance on risk appetite and handling moving forwards, with a section on risk appetite to be added to the Annual Governance Statement moving forwards.</p> <p>Update – risk appetite is referenced in the Annual Governance Statement at item 10 of the Agenda, and will be developed in future Statements.</p>	Chief Strategy Officer – tbc

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Audit and Risk Management Committee

Work Programme – Linked to CIPFA Audit Committees Position Statement 2022

Remaining Meetings for 2022/23:

10/07/2023	
Work Item	Link to CIPFA Position Statement
<p>Internal Audit Update Report (information)</p> <p>Regular (approx. quarterly) update from the Head of Internal Audit, covering:</p> <ul style="list-style-type: none"> ▪ key findings from work completed during the period since the last Committee update (including recommendation follow-up) ▪ status update for work in progress ▪ intended programme of work for the period up to the next Committee update 	<p>In relation to the authority’s internal audit functions:</p> <ul style="list-style-type: none"> ▪ oversee its independence, objectivity, performance and conformance to professional standards ▪ support effective arrangements for internal audit ▪ promote the effective use of internal audit within the assurance framework.
<p>Internal Audit Charter (information)</p> <p>Report of the Head of Internal Audit, setting out the Internal Audit Charter. The Public Sector Internal Audit Standards require an annual review of the Charter.</p>	<p>In relation to the authority’s internal audit functions:</p> <ul style="list-style-type: none"> ▪ oversee its independence, objectivity, performance and conformance to professional standards ▪ support effective arrangements for internal audit ▪ promote the effective use of internal audit within the assurance framework.
<p>Internal Audit External Quality Assessment (information)</p> <p>Report of the Head of Internal Audit setting out the findings of the External Quality Assessment</p>	<p>In relation to the authority’s internal audit functions:</p> <ul style="list-style-type: none"> • Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment).

Audit and Risk Management Committee

Work Programme – Linked to CIPFA Audit Committees Position Statement 2022

<p>Risk Management Update (information)</p> <p>Annexes included:</p> <ul style="list-style-type: none"> ▪ Corporate Risk register above appetite ▪ Summary report of corporate risks ▪ Summary report of red departmental risks 	<p>Consider the effectiveness of the authority’s risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.</p>
<p>Annual Report of the Committee (decision)</p> <p>To be prepared following a self-evaluation of the effectiveness of the Committee, to be approved by the Committee before presentation to the Court of Common Council.</p>	<p>Report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.</p>

<p>11/09/2023</p>	
<p>Work Item</p>	<p>Link to CIPFA Position Statement</p>
<p>Internal Audit Update Report (information)</p> <p>Regular (approx. quarterly) update from the Head of Internal Audit, covering:</p> <ul style="list-style-type: none"> ▪ key findings from work completed during the period since the last Committee update (including recommendation follow-up) ▪ status update for work in progress ▪ intended programme of work for the period up to the next Committee update 	<p>In relation to the authority’s internal audit functions:</p> <ul style="list-style-type: none"> ▪ oversee its independence, objectivity, performance and conformance to professional standards ▪ support effective arrangements for internal audit ▪ promote the effective use of internal audit within the assurance framework.

Audit and Risk Management Committee

Work Programme – Linked to CIPFA Audit Committees Position Statement 2022

<p>Internal Audit Conformance with Public Sector Internal Audit Standards (information) Report of the Head of Internal Audit following completion of an assessment of conformance with the Public Sector Internal Audit Standards, the standards require an annual self-assessment supported by a periodic External Quality Assessment.</p>	<p>In relation to the authority’s internal audit functions:</p> <ul style="list-style-type: none"> ▪ oversee its independence, objectivity, performance and conformance to professional standards ▪ support effective arrangements for internal audit ▪ promote the effective use of internal audit within the assurance framework.
<p>Corporate Risk In-Depth Review (information) Report of the Head of Internal Audit covering findings from the programme of Corporate Risk Assurance Work undertaken by Internal Audit in consultation with the Corporate Strategy and Performance Team. Corporate Risks are reviewed on a rolling basis as minimum coverage, noting that the sequencing may be determined by proximity of risk, changing risk profile or other relevant factors.</p>	<p>Consider the effectiveness of the authority’s risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.</p>
<p>Risk Management Update (information)</p>	<p>Consider the effectiveness of the authority’s risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.</p>
<p>Counter Fraud and Investigations 6 Month Report (information) Report summarising the outcomes from Counter Fraud and Investigation activity for the 6 months from April to September.</p>	<p>Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority’s exposure to the risks of fraud and corruption.</p>
<p>Terms of Reference of the Committee (information) Annual review of the Terms of Reference of the Committee, giving due regard to relevant legislation and professional guidance.</p>	<p>Consider the arrangements in place to secure adequate assurance across the body’s full range of operations and collaborations with other entities.</p>

Audit and Risk Management Committee

Work Programme – Linked to CIPFA Audit Committees Position Statement 2022

Meeting 5 – Suggested timing: December but determined by preparation dates	
Work Item	Link to CIPFA Position Statement
Draft Bridge House Estates Accounts (decision) Annual Review of the Financial Statements for the Bridge House Estates.	Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
Draft City's Cash Accounts (decision) Annual review of the Financial Statements for City's Cash	Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.
Draft City Fund Accounts (decision) Annual review of the Financial Statements for City Fund	<p>Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.</p> <p>Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.</p>

Committee(s)	Dated:
Audit and Risk Management Committee Court of Common Council	10/07/2023 20/07/2023
Subject: Annual Report of the Audit and Risk Management Committee	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 Town Clerk	For Decision
Report author: Ben Dunleavy, Town Clerk's Department	

Summary

The Chairman of the Audit and Risk Management Committee presents to the Committee the 2022/23 Annual Report of the Audit and Risk Management Committee, reporting on activity up to 31 March 2023.

Recommendation(s)

Members are asked to:

- Agree the 2022/23 Annual Report of the Audit and Risk Management Committee at Appendix 1 for onward submission to the Court of Common Council.

Main Report

Background

Current Position

1. The report outlines the Committee's progress during 2022/23 in relation to its key areas of remit, including the Annual Governance Framework, Internal Audit, Risk Management, Anti-Fraud, External Audit and Financial Reporting.

Appendices

- Appendix 1 – 2022/23 Annual Report of the Audit and Risk Management Committee

Ben Dunleavy

Governance Officer

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AUDIT & RISK MANAGEMENT COMMITTEE

Annual Report 2022/23

Introduction

1. The Audit & Risk Management Committee (the Committee) has a wide-ranging brief that underpins the City of London Corporation's governance processes by providing independent challenge and oversight of the adequacy of risk management, the internal control and financial reporting frameworks.
2. The Audit and Risk Management Committee has served to scrutinise the risk management process at the City Corporation and enhance the maturity of risk management organisation wide. The Committee has continued to play an important and integral part in ensuring key risks are reviewed through regular risk updates and deep dives of corporate risks (carried out by Internal Audit Team) on a rolling basis. The Committee has also served to improve engagement with the work of Internal Audit through receiving regular reports on completed work and monitoring the implementation of Internal Audit recommendations. The Committee oversees the planning and delivery of the External Audit review of the Annual Accounts produced by the City of London Corporation across all operations.
3. This report details the work of the Committee for the period from 1 April 2022 to 31 March 2023 and outlines work in relation to the key remit areas of:
 - Annual Governance Framework
 - Internal Audit
 - Risk Management
 - Counter-Fraud
 - External Audit
 - Financial Reporting
4. Members of the Committee have a wide range of skills in many technical and professional areas, bringing significant experience and expertise to the Committee. All the Members have some experience in relation to the governance processes they challenge; supported by a periodic skills gap analysis undertaken by the Nominations Committee. The Committee is comprised of 12 Members, together with three external members who provide additional knowledge and skills to support the function. Table 1 details the Committee Members during 2022/23.

Table 1: Members of the Audit & Risk Management Committee 2022/23

Alderman Alexander Barr (Chairman)
Alderman Prem Goyal (Deputy Chairman)
Gail Le Coz (Deputy Chair, External Member)
Rehana Ameer, Deputy
Randall Anderson, Deputy
Christopher Boden, Deputy

Henry Nicholas Almroth Colthurst, Deputy (Ex-Officio, Chairman of the Finance Committee)
Paul Martinelli
Alderman Bronek Masojada
Judith Pleasance
Karen Sanderson (External Member)
Ruby Sayed
Paul Singh
Naresh Sonpar
Dan Worsley (External Member)

5. The three external members are each appointed for a three-year term, which can be renewed twice. Following the end of Hilary Daniels' final term on 31 March 2022, the recommendation of the appointment of Karen Sanderson was ratified by the Court of Common Council on 21 April 2022. Gail Le Coz was elected as the Deputy Chair from the External Membership at the meeting on 24 May 2022. Dan Worsley was re-appointed for a second three-year term in April 2023.

Changes Within the Year

6. There were no specific change events that require mention here.

Annual Governance Framework

7. The Accounts and Audit (England) Regulations 2015, which apply to the City of London's City Fund activities, require an audited body to conduct a review, each financial year, of the effectiveness of its system of internal control, risk management and governance and publish an Annual Governance Statement (AGS) each year, alongside the authority's Statement of Accounts. The purpose of the AGS is to:
- Describe briefly the governance framework
 - State what activity has been undertaken to evaluate the governance framework and the outcome of that review
 - Set out a plan of action to improve the effectiveness of the governance framework
8. The draft AGS for 2021/22 was presented at the 12 July meeting, receiving unanimous praise from the Committee, noting the enhancements made to the structure, format and content of the AGS following previous input from the Committee. The AGS was approved at this meeting for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.

Internal Audit

9. The Committee received the Head of Audit & Risk Management's Annual Audit Opinion for the year ended 31 March 2022 in May 2022:

"I am satisfied that sufficient quantity and coverage of internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy

and effectiveness of the City's risk management, control and governance processes.”

10. The programme of Internal Audit work is aligned to the City's corporate and departmental objectives and key risks so that assurance can be obtained on these areas. Internal Audit's work identified a number of opportunities for improving controls and procedures, with a "Limited (Red) Assurance" opinion having been provided in four cases. Those recommendations raised have been accepted by management.
11. The programme of Internal Audit work for 2022/23 was subject to review throughout the year. While the Committee recognised the benefits of operating a more flexible and agile Audit plan, there was agreement that this approach made it more challenging for Members to understand the broader spread of Internal Audit work over the longer term. The Committee supported the Head of Internal Audit in their approach to planning, although tasked them with providing a more detail in respect of the Audit Universe.
12. The Audit & Risk Management Committee has continued to support and drive departmental engagement in relation to the follow-up work of Internal Audit to assess the implementation of recommendations. There have been no instances in 2022/23 where the Committee has needed to escalate the matter of tardy implementation and poor departmental compliance with the follow-up process to relevant Chief Officers and the Chairmen of the respective Committees, an indicator of the effectiveness of the follow-up Audit process.

Risk Management

13. The Committee is responsible for monitoring and overseeing the City of London Corporation's risk management strategy and to be satisfied that the authority's assurance framework properly reflects the risk environment.
14. The current City Corporation's Risk Management strategy includes a Policy Statement and a framework, which aligns with the key principles of ISO 31000: Risk Management Principles and Guidelines and defines clearly the roles and responsibilities of officers, senior management and Members.
15. The Strategy emphasises risk management as a key element within the City's systems of corporate governance, establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level and assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives.
16. As part of the Target Operating Model (TOM), oversight of City Corporation risk management moved on 1 April 2022 from the Internal Audit Team to the Corporate Strategy and Performance Team (CSPT) to support an integrated, professional and insight-led approach to corporate strategy, planning, risk management and performance. Risk management officer governance structures were reviewed and updated terms of reference issued for the Chief Officer Risk

Management Group (CORMG). This outlined their role as senior officers accountable for oversight of risk management on behalf of the Executive Leadership Board (ELB), which also considers cross-cutting corporate matters relating to risk management, as does the CoLC Senior Leadership Team (SLT) – both ELB and SLT are chaired by the Town Clerk and Chief Executive of City Corporation and attended by Chief Officers. CORMG met regularly during this period – both feeding into Committee update reports through their work on risk registers and overarching risk themes, as well as considering any challenges/questions raised by the Committee during their sessions.

17. Over the course of 2022/23, the Committee has exercised its oversight role by:
- Receiving and reviewing quarterly risk update reports in relation to the corporate and red departmental level risks, including any corporate risks added or removed from the register and wider risk management topics identified by officer governance processes
 - Deep-dive review of individual corporate risks of which five were considered by the Committee in 2022/23.

Counter-Fraud

18. During 2022/23, the Corporate Anti-Fraud team completed 52 investigations across all fraud disciplines, with an associated value of £1,335,436. Whilst the value of these frauds is in the main notional, we identified recoverable amounts of £691,835, of which £636,251 has been recovered during the reporting year.
19. The Corporate Anti-Fraud recovered £575,639 from a single mandate fraud against the City Corporation. A series of management recommendations have been made to mitigate the risk of such instances of mandate fraud affecting the City in the future, and we do not expect high values of corporate fraud to be an annual occurrence.
20. Social housing tenancy fraud remains a key fraud risk area for the Corporate Anti-Fraud team and a concern for the Committee; the team has had an increased focus over the past year on ensuring that where tenants commit fraud and benefit from unlawful subletting, robust action is taken to recover any profits made using Unlawful Profit Orders or Proceeds of Crime Act Investigations, the later through a partnership with Croydon Council's Financial Investigators. This has resulted in the identification of £108,425 in recoverable fraud, of which £82,066 has already been recovered. The remainder is subject to court ordered timescales for recovery.

Financial Reporting

21. The 2020/21 City Fund and Pension Fund Statements were approved in November 2021, but the final sign off was delayed due to a late query regarding the accounting of infrastructure assets. Accordingly, the Committee recommended

approval in November 2022, acknowledging that the final issue regarding infrastructure assets was still to be resolved.

22. The Audit and Risk Management Committee has scrutinised the City Corporation's various 2021/22 financial statements, seeking assurances on significant financial reporting issues, estimates and judgements. Reports have been received from both the External Auditors and the Audit Panel. The Committee has held the External Auditors to account to drive effective delivery of the audit.
23. Having completed its review, the Audit and Risk Management Committee recommended approval of the 2021/22 statements to the relevant Committees and trustees as follows:
 - Statements for City's Cash, the City's Cash charities, Bridge House Estates and 12 sundry trusts at the January 2022 Committee meeting
 - Statements for the final 3 sundry trusts under urgency by the Town Clerk, in consultation with the Chairman and Deputy Chairs of the Committee, in April 2023. A report of action taken was presented to the Committee at its May meeting

Other Work of the Committee

24. The City Corporation continues to host the London Borough Audit Committees Chairs' forum, seeking to share knowledge, experiences and best practice and to explore the development of joint initiatives such as member training and performance benchmarking.

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Bridge House Estates

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Audit Planning Report to the Audit and Risk Management Committee and Bridge House Estates board

Year ending 31 March 2023

Presented to the Bridge House Estates board on 5 July 2023 and the Audit and Risk Management Committee on 10 July 2023.

Strictly Private and Confidential

The Audit and Risk Management Committee and Bridge House Estates board
City of London
PO Box 270
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London
EC2P

Dear Members of the Audit and Risk Management Committee and Bridge House Estates board

We have set out in this audit planning report various matters relating to our audit of the financial statements of Bridge House Estates for the year ending 31 March 2023 following our initial discussions with Karen Atkinson, Nathan Omane and Nicole Monteiro on 30 May 2023.

I have pleasure in submitting our audit planning report for the year ending 31 March 2023. The primary purpose of this report is to communicate to the Audit and Risk Management Committee and Bridge House Estates board and the Trustee relevant matters relating to our forthcoming audit.

I look forward to discussing our report with you, as well as any further matters you may wish to raise with us; my colleagues Rachel Laws (Senior Manager) and James Badman (Manager) will be attending the Bridge House Estates board meeting on 5 July 2023 and Audit and Risk Management Committee on 10 July 2023.

We look forward to working with you on the completion of the audit of the annual report and financial statements of Bridge House Estates.

Yours sincerely

Tina Allison
Partner

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1. Executive summary

Our report to you

We are pleased to present our Audit Planning Report to the Audit and Risk Management Committee and Bridge House Estates board and welcome the opportunity to discuss this with you at the Bridge House Estates board meeting on 5 July 2023 and Audit and Risk Management Committee on 10 July 2023.

International Standards on Auditing (UK) require that we communicate formally with “those charged with the governance” of Bridge House Estates (BHE) regarding relevant matters relating to our forthcoming audits. The objectives of this are to:

- ensure that there is a mutual understanding of the scope of the audit and the respective responsibilities of ourselves as auditor and those charged with governance;
- share information to assist both ourselves as auditor and those charged with governance to fulfil their respective responsibilities; and
- provide to those charged with governance constructive observations arising from the audit process.

The matters in this report include

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| • an overview of the planned scope and timing of the audit |
| • the significant risks of material misstatement, whether due to fraud or error, and our plans to address these |
| • our approach to internal control relevant to the audit |
| • the application of the concept of materiality in the context of an audit |
| • any other significant matters that, in our professional judgment, are relevant to the oversight of the financial reporting process |

We have discussed the above matters in Section 2 to Section 5 of this report.

Responsibilities and ethical standards

We have prepared this report taking account of the responsibilities of the Trustee and ourselves set out in [Appendix 1](#) of this report.

Audit materiality

Our overall audit materiality for the financial statements as a whole will take account of the level of funds held by BHE and will be set at approximately 2% of investments. In addition, a lower materiality of 1.5% of expenditure will be applied to auditing transactions in the Statement of Financial Activities and other balance sheet items.

Further details of materiality levels are set out in [Appendix 2](#).

Trustee’s Report and Financial Statements

We have set out in [Appendix 3](#) a number of considerations to be taken by the Trustee and management when preparing the financial statements for the year ending 31 March 2023.

Audit report

Please note that, while the financial statements are in draft form, the draft audit report should contain the words “This report has not yet been signed” in the space for our signature. We will agree with you when this wording can be removed.

2. Significant audit risks

ISA (UK) 315 (Revised) comes into effect for periods starting in December 2021 and later (i.e. years ending 31 December 2022). The changes to the standard are fairly fundamental, and are intended to change the way that audit firms approach identification of audit risk and, by extension, how they respond to these risks.

The revised ISA introduces the concept of a spectrum of inherent risk, considering both the likelihood and magnitude of a possible misstatement. A 'significant' risk is one close to the upper end of the spectrum of inherent risk, or one that has to be treated as such under other auditing standards.

Risk is considered in the context of how, and the degree to which, inherent and control risk factors affect the likelihood and magnitude of a misstatement occurring. Such factors may be qualitative or quantitative, and include

complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors.

Further information on the inherent risk factors, and the key changes to ISA (UK) 315, is provided in [Appendix 5](#).

Our audit work will take account of our assessment of the risks of misstatement of transactions and balances in the financial statements. We identify a range of risks from our understanding of Bridge House Estates, its people and environment, and the system of internal control and plan our audit work so as to reduce the risk of material misstatement to an acceptable level.

In line with ISA (UK) 315 (Revised), we have considered the inherent risk including both the likelihood and magnitude of a potential misstatement.

2.1 Revenue recognition – investment property income

Key related judgements

Investment property income is the largest revenue stream for Bridge House Estates, totalling £26.2m in 2021/22 and expected to total c.£24.9m in 2022/23. Whilst comprising mostly of routinely invoiced income, there have been rent-free periods offered in the year and rent holidays requiring more complex accounting. In addition, the quarterly invoicing pattern usually followed leads to the need to partially defer invoiced income at year-end.

This revenue stream also includes revenue released from deferred lease premiums attached to long term leases where BHE is the lessor.

Given the relative size of this revenue stream and complexities arising over cut-off and lease accounting, we consider there to be a significant risk over this revenue stream.

Crowe response

Our audit work will include the following:

- Reviewing the income recognition policy, ensuring it is in line with SORP requirements and is being appropriately applied and disclosed;
- Documenting and reviewing the systems and controls in place over investment property income. This is a key area of control to ensure that you are recognising all income that is due and closely manage and monitor the debtor ledger;
- Obtaining a report from the property management system of current leases, and ensuring that this reconciles to the total income recognised in the year;
- Verifying a sample of property receipts to supporting tenancy agreement, invoices and receipt to bank;
- Reviewing a sample of transactions across the year end date to ensure these have been recognised in the appropriate period;
- Reviewing the calculation of the rent-free period debtor, agreeing a sample to underlying leases and ensure the aging split in the accounts is correct;

- Reviewing the year-end deferred income balances, testing a sample to support and re-calculating the split of any invoices as appropriate; and
- Reviewing the long term lease premium accounting treatments to ensure they have been accounted for in accordance with the relevant accounting standards, and that they are being released correctly.

2.2 Revenue recognition – financial investment income

Key related judgements

Investment income is derived from the various investment holdings of BHE, including listed investments, private equity and bank deposits. BHE co-invests with the City of London Pension Fund and City's Cash into a number of holdings, with a portion of the value and investment income then apportioned to the charity from this central pool.

Whilst investment income is expected to fall in 2022/23 to c.£2.2m due to the adverse economic environment (2021/22: £3.9m), this nevertheless remains a material income stream for BHE.

The primary risk for this revenue stream is over the accuracy of the central split of the income allocated to BHE, as well as the completeness of the investment income reported for the year, where it might be necessary to accrue for income not yet received but for which the benefit has been earned.

Crowe response

Our audit testing in this area will include:

- Agreeing the income reported in the investment managers' reports and bank interest to the nominal ledger and third party sources and reviewing cut off to check that the income has been appropriately recognised;
- Reviewing the relevant AAF01/06 controls reports for the investment managers and custodians to gain assurance that income is being reported accurately to the Corporation and Charity; and
- Reviewing the allocation of investment income to BHE from shared holdings, ensuring it is in line with the proportion of the investment holdings allocated to the charity.

2.3 Grant expenditure and grants payable

This is the largest single expenditure item for BHE. Our audit work will focus on ensuring that grant awards and payments have been appropriately approved and that liabilities have been captured in the appropriate period.

We will use as our start point a schedule of grants, prepared by management, which reconciles the opening liability for grants to the closing creditor and the expense in the financial statements taking into account payments and awards in the year.

We will test the completeness and accuracy of this schedule by confirming, on a sample basis, that awards approved have been included in the schedule and allocated to the appropriate period. We will ask to be provided with copies of minutes and decision letters for this purpose.

In addition, we understand that since the year end, BHE has moved to a new grant management system – Salesforce – and have retired the old system, BBGM post year end. The migration of the existing grant data has been completed with the assistance of third-party consultants & as part of our review of the IT systems at the corporation we will review this migration and controls over the new system.

2.4 Management override of controls

Although the level of risk of management override of controls varies from entity to entity, Auditing Standards recognise that this risk is nevertheless present in all entities because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Due to the unpredictable way in which such override could occur, including to mask fraud, the override of controls is a significant risk for all audits.

The Trustee must satisfy themselves that the control environment present within the entity together with the trustee controls and controls over the posting of journals are adequate to deter any inappropriate override of controls from management.

We are required to design and perform audit procedures to respond to the risk of management's override of controls which will include:

- understanding and evaluating the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements and testing the appropriateness of a sample of such entries and adjustments;
- reviewing accounting estimates for biases that could result in material misstatement due to fraud; and
- obtaining an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of BHE and its environment.

2.5 Judgements and estimates

ISA (UK) 540 Auditing Accounting Estimates and Related Disclosures requires additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks. In respect of the former, consideration is required of the estimation uncertainty, the subjectivity and the complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.

We will pay careful attention to areas of the financial statements affected by management judgement and estimation. We have initially identified the following for specific review.

- The estimation of the valuation of financial investment holdings [significant];
- The estimation of the valuation of investment properties [significant];
- The assumptions adopted by management and used by the actuary to calculate the pension liability [significant];
- The recognition of financial investment and investment property income [significant];
- The split of the pension scheme liability between the component entities of the City of London Corporation [significant];
- The recoverability of year-end rental debtors [significant]
- The assessment of impairment of fixed assets [not significant];

- The assessment of the remaining useful life of assets [not significant];
- The split of recharged expenditure between the component entities of the City of London Corporation [not significant]

Financial Investments

The financial investments portfolio represented £879.5m as at 31 March 2022 (2023 figure TBD). There is a risk with regard to the existence and ownership of the assets in the investment portfolio and their correct valuation, particularly in the case of non-listed investments where the valuation is determined by the fund.

As the investments are held and managed by third party service providers it is important that:

- the Charity has sufficient controls in place to mitigate the risks associated with outsourcing services; and
- the controls in operation by the third party service provider over the ownership and management of the Charity's assets and their associated income streams are sufficiently robust.

We will review your internal procedures to manage and control the investments as well as the controls being operated by both the investment managers and the custodian, including consideration of the relevant AAF01/06 controls reports.

We will obtain valuations directly from the investment managers. We will review the reconciliations between the reports from the investment managers and the custodian's report and the records independently maintained to confirm ownership and to identify potential anomalies or significant movements in the year (particularly in relation to purchases and disposals).

For non-listed holdings, we will complete a review of the audited accounts when available, and review management's assessment of any potential impairment. In addition, we will complete checks of publicly available sources for any potential indicators of impairment.

We also understand that BHE has drawn down on the investment portfolio during the year to fund grants awarded, totalling £40m over 3 withdrawals. As part of our audit work, we will agree these withdrawals to supporting documentation to the appropriate approval and receipt to bank.

Investment Properties

Investment properties held by the Charity totalled £888.1m as at 31 March 2022. These properties are valued independently by two firms registered as valuers with the Royal Institution of Chartered Surveyors ("RICS") as at 31 March each year. The valuations as at 31 March 2023 have been completed by Savills and Jones Land LaSalle (JLL), with the total valuation of the portfolio being £833.6m.

Investment properties are carried in the financial statements at fair value. FRS102 requires revaluation to be made with sufficient regularity to ensure that the carrying value does not differ materially from that which would be determined using fair value at the reporting date. As such, we consider the valuation of this portfolio to be a significant risk, particularly in light on the current property market environment.

We will review the investment property valuation report with consideration to judgements and estimates used by the valuer with reference to market data. We will also test the inputs provided to the valuer by the Charity and the ownership status via land registry.

We will also review the valuation adjustment and ensure any gains/losses on revaluation have been appropriately recognised in the Statement of Comprehensive Income.

We understand from discussions with management that the pandemic and cost of living crisis has had a significant impact on ongoing renovation costs. This includes one project for which BHE and the contractor have been to adjudication with the judgement passed against BHE; we understand that the contractor is now pushing for further cost recovery. As part of our audit work, we will review the correspondence surrounding these renovations and assess the need for any provision to be included in the accounts, or potential impairment of the value of the corresponding properties.

Pension liability

The assumptions surrounding the pension liability calculations performed by the actuaries can make a significant difference to the result disclosed in the financial statements. As at 31 March 2022, this liability for BHE sat at £25.0m.

The City Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating predominantly to the three principal funds for which it is responsible (City Fund, City's Cash and Bridge House Estates).

At present, BHE includes the pension scheme liability in the accounts as reported under IAS19, with a conversion not made to FRS102 on the grounds of the difference not being material. There is a risk that this difference may in fact be material or otherwise significant.

Our audit testing will include the following:

- Benchmarking the assumptions used by the actuary in calculating the FRS102 pension liability;
- Assess the difference in calculating the liability between IAS19 and FRS102 to determine whether it is material or otherwise significant;
- Liaising with the auditors of the Pension Fund to, where possible, place reliance on the audit work they have completed for the Fund's 2022/23 accounts. We will then complete any further work, such as verifying scheme assets and input data, if required; and
- Assessing the basis of apportionment of the pension liability across the 3 City of London entities.

In addition, we understand that following the latest triennial valuation, a restatement of the 2021/22 liability may need restating. We will review this valuation against our materiality threshold to determine whether this is necessary and advise accordingly.

Recognition of financial investment and investment property

Our considerations in relation to income recognition are set out under Section 2.1 and 2.2 above.

Other judgements and estimates

We will identify all areas where an accounting estimate or judgment is used and we will obtain an update from management on the basis of the estimates.

We will consider whether these have high or low estimation uncertainty. Where there is high estimation uncertainty (primarily, if there is a range of reasonable outcomes which exceeds our materiality) this indicates a significant risk. We will compare the estimates and judgments made in the prior period with actual outcomes.

We will also review management's assessment of this and specifically consider whether the estimates and judgments arrived at by management indicate any management bias. This means that management will also need

to consider whether there is any bias in information received from other departments.

It is important that you are satisfied that the assumptions used by management are appropriate and we will ask you to provide a written representation to us to confirm this.

3. Other areas of audit focus and disclosure

We have also noted the following matters from our initial discussions and from our work in previous years as not having significant audit risk but being potentially relevant to the financial statements.

3.1 Income

International Standards on Auditing (ISA (UK) 240) presumes there is always a significant risk of material misstatement due to fraud in revenue recognition, unless this is rebutted.

Whilst we deem investment property income and financial investment income to be significant (see [Section 2](#)) we do not consider tourism income to be a significant risk due to its high-volume low-value nature. Other income streams are not considered a significant risk due to their immaterial nature.

Across all income streams the key risks remain the same:

- Completeness (has all income due been appropriately recognised in the period?).
- Cut off (has income been recognised in the appropriate period?).
- Fund allocation (have donor restrictions on the use of the income been appropriately captured in the financial statements?).
- Valuation (where income is owed at year end, is it likely to be received or should it be provided against?).

Tourism income

Bridge House Estates owns Tower Bridge, which is open to the public for an admission fee. In addition, there is a gift shop on site generating further revenue, and the venue is also rented out for events. This revenue stream totalled £3.1m in 2021/22 and is expected to increase to c.£7.6m in 2022/23, being the first full year of normal operation since the pandemic.

Historically, a significant proportion of the income is from cash sales, which is by its nature a fraud risk, however we understand that since the pandemic this proportion has decreased significantly, with tourists favouring online booking and card payments instead. In addition, given the high volume/low value and transactions nature of the income is not considered to give rise to a significant risk of material misstatement.

As part of our audit work, we will:

- Perform analytical review of trends and variances for each tourism income stream against expectations, budget, forecast and prior years where appropriate;
- Review a sample of reconciliations between the EPOS system and amounts banked;
- Trace a sample of sales through the EPOS system and ultimate receipt to bank;
- Trace a sample of events income through to supporting documentation and receipt to bank; and
- Review year-end cut-off to ensure income has been recognised in the correct years, including the deferral of income relating to events booked after 31 March 2023.

3.2 Payroll

Payroll is the second largest single expenditure item for BHE, totalling £7.1m in the 2021/22 year. The key risks in this area are considered to be:

- Existence (does the expenditure relate to genuine employees?).
- Accuracy (are payments made at authorised amounts and are the correct deductions made?).
- Disclosure (have all required disclosures been made in the financial statements?).

As part of our audit we will review the controls in place over monthly processing including the reconciliation of the payroll to the nominal ledger.

We will also perform analytical procedures that consider gross pay, deductions and staff numbers year on year to ensure that all trends and relationships appear reasonable and that the totals agree with the ledger, and

we will verify a sample of staff between the payroll and other HR records and agree their costs to supporting documentation on a sample basis.

3.3 Funds

Bridge House Estates operates a number of different funds subject to various restrictions and designations. You must ensure that all movements on funds are correctly identified and accounted for. This requires careful consideration of the various terms and conditions which may be applied to income.

We will:

- Trace restricted items identified in our income testing to the relevant fund account;
- Review a sample of expenses allocated to restricted funds to ensure that the expenditure was spent in accordance with the objects of the fund;
- Review the analysis of net assets to ensure that it has been correctly allocated across the funds;
- Review the calculation of designated funds, in particular those associated with the repairs and replacement of the bridges owned by the charity, to ensure they are reasonable and any movements appropriately approved; and
- Review the processes in place to ensure that restricted transactions are completely and accurately captured and reported within the organisation and review year end balances to ensure that they appropriately reflect the restrictions that should be in force.
- Review supporting documentation in relation to the release of the designation of the Social Investment Fund approved by the Bridge House Estates Board in February 2023 & review respective accounting treatment.

3.4 Other balance sheet items

In addition to our focus on the areas detailed above we will carry out our standard audit procedures on the other material balance sheet amounts. Our work will include:

- Testing of key control accounts reconciliations;

- Testing of bank reconciliations;
- A review of post year end transactions and cash movements across year-end where these helps to confirm the year end position;
- A review of controls and processes over the payment of trade creditors, including bank payment authorisation; and
- Confirmation of assets held (e.g. cash at bank) to third party confirmations.

3.5 Going concern

In preparing the financial statements to comply with Financial Reporting Standard 102 the Trustee is required to make an assessment of the charity's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, the Trustee and management are required to consider all available information about the future of the charity in the period of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue.

Whilst we do not consider there to be a significant risk over going concern due to the Charity's extensive investment and cash holdings, the trustee's going concern assessment is a key area of importance for our audit. In accordance with the requirements of ISAs (UK), our audit report includes a specific reference to going concern.

As in prior years management will prepare a detailed paper setting out their assessment of BHE's ability to continue as a going concern for consideration alongside the draft financial statements by the Audit and Risk Management Committee and Bridge House Estates board.

Crowe response

Our work on going concern will include the following:

- Reviewing the period used by Trustee to assess the ability of BHE to continue as a going concern,
- Examining budgets and forecasts prepared by management covering the period of the going concern assessment to ensure that these appropriately support the trustee's conclusion,

- Reviewing the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year, and
- Reviewing any other information or documentation which the Trustee used in their going concern assessment.

3.6 Related parties

In line with the ISAs which direct our audit work (ISA (UK) 550) we are obliged to ensure that any related parties are identified and that any transactions involving these parties and the group are appropriately authorised and correctly disclosed in the financial statements. The definition of a “related party” as defined in FRS 102 encompasses, in addition to the Trustee and Council Members, any members of management who can directly influence management decisions and close family members of both; the latter being of relevance if individually the Trustee, Members and members of management are perceived to be in a position to influence the management decisions of family members or can be influenced by them.

We will therefore review the Corporation and the Charity’s procedures for identifying potential related parties and ensuring all transactions are complete, including any annual declaration of interests completed by Council Members and Senior Management. We will review the declarations completed to ensure that the disclosure presented within the accounts is both accurate and complete.

4. Fraud and irregularities and our audit reporting

Obtaining an understanding of internal control relevant to the audit

Our audit tests will combine a review of BHE's controls with tests of detail (substantive procedures) and analytical review procedures.

ISAs require us to document our understanding of your business and assess the risk of material misstatement. For controls considered to be 'relevant to the audit' we are required to evaluate the design of the controls and determine whether they have been implemented. The controls that are determined to be relevant to the audit are those:

- relating to identified risks (including the risk of fraud in revenue recognition) or other audit issues;
- where we are unable to obtain sufficient audit assurance through substantive tests alone; and/or
- where we consider it more efficient to obtain assurance through controls testing.

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of detailed audit testing required will be considered.

Our audit work is not designed to provide assurance as to the overall effectiveness of the controls operating within BHE, although we will report to management and the Audit and Risk Management Committee and Bridge House Estates board any recommendations on controls that we may have identified during the course of our work.

As we reported last year, the primary responsibility for the prevention and detection of fraud rests with management and "those charged with governance" (i.e. the Trustee), including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by irregularities including fraud, or error.

Corporate governance and fraud

As part of our audit procedures we make enquiries of management to obtain their assessment of the risk that the financial statements may be materially misstated due to fraud. However, we emphasise that the responsibility to make and consider your own assessment rests with yourselves and that the trustee, Audit and Risk Management Committee and Bridge House Estates board and management should ensure that these matters are considered and reviewed on a regular basis.

As auditors, we are required to document an understanding of how "those charged with governance" exercise oversight of management's processes for identifying and responding to the risks of fraud in BHE and the internal controls that management has established to mitigate these risks. Specifically, we require a response to the following questions:

- What, in your view, are the risks of fraud in the entity? Both misappropriation of assets and fraud relating to financial reporting?
- What are the general risks of fraud in this business sector, and how does this entity mitigate them?
- How do you monitor and review management's process for identifying and responding to the risks of fraud in the entity?
- To what extent do you understand the controls management has put in place to mitigate those risks?
- Has there been any actual or suspected fraud during the year?
- Have there been any allegations of fraud during the year?

The Trustee may find it helpful to prepare a fraud risk assessment alongside management. A fraud risk assessment is an objective review of the fraud risks facing an organisation to ensure they are fully identified and understood. This includes ensuring:

- fit for purpose counter fraud controls are in place to prevent and deter fraud and minimise opportunity, and

- action plans are in place to deliver an effective and proportionate response when suspected fraud occurs including the recovery of losses and lessons learnt.

Any fraud risk assessment should not be seen as a standalone exercise but rather an ongoing process that is refreshed on a regular basis.

We have included in [Appendix 7](#) guidance and a framework for conducting fraud risk assessments.

Our responsibilities

In line with ISA (UK) 700 our audit report will include an additional comment to explain to what extent the audit was considered capable of detecting irregularities, including fraud.

As auditors, we are required to document an understanding of how “those charged with governance” exercise oversight of management’s processes for identifying and responding to the risks of fraud in BHE and the internal controls that management has established to mitigate these risks.

We note that BHE has a structured process for fraud reporting, through its risk management and the Audit and Risk Management Committee and Bridge House Estates board. We have not been made aware of any significant matters which would affect our assessment of audit risk at this stage, although

this will need to be reviewed by us, and confirmed by the Trustee, up to the date of approval of the financial statements.

We will make enquiries of management and others within BHE as appropriate, regarding their knowledge of any actual and suspected or alleged fraud affecting BHE. In addition, we will be required to ascertain the following from the Audit and Risk Management Committee and Bridge House Estates board / Trustee.

- Whether they have knowledge of any fraud or suspected fraud.
- The role that the Audit and Risk Management Committee and Bridge House Estates board / Trustee exercise in oversight of:
 - i) BHE’s assessment of the risks of fraud, and the design, implementation and maintenance of internal controls to prevent and detect fraud; and
 - ii) their assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We will seek representations from the Trustee on these matters and we will liaise with the finance team, in the first instance, to identify any specific risks or information relevant to these considerations.

5. Staffing, fees and timetable

Staffing

Tina Allison is your Audit Partner. She will be assisted by Rachel Laws as Senior Manager and James Badman as Audit Manager. The onsite team this year will be led by Jack Wickett.

Our audit fees

We understand these are extraordinary and difficult times for the country, and especially for charities. In recognition of these challenges and the pressures on Bridge House Estates we are seeking to limit as far as possible passing on the additional audit costs arising from earnings inflationary pressures and from the introduction of ISA (UK) 315 (Revised) which has an impact on our audit work and has led to a refresh of our audit methodology. To this end we have been working hard to streamline our processes and the tools we use to share information such as the introduction of Inflo which we believe have been making an impact on the quality, efficiency, and the timely delivery of our audits. Whilst we will seek to minimise the extra work as far as possible, we don't believe we can fully absorb these costs.

As in previous years our proposed audit fee is based on two assumptions.

- First draft financial statements and detailed supporting schedules are available at the commencement of the audit. If this information is not available to us at the start of our audit we may seek to charge additional fees to cover any resulting delays or inefficiencies.
- We are required to check and review up to two further drafts of the financial statements prior to these being finalised for approval by the Trustee. If it is necessary for us to review additional drafts we may charge additional fees to cover any resulting extra staff time.

Based on the above, our fee for the audits of the financial statements of Bridge House Estates, incorporating an inflationary rise of 5%, £3,750 and additional costs arising from ISA (UK) 315 of £10,300 will be £89,050 (2021: £75,000):

This fee is stated exclusive of VAT and disbursements.

We propose to submit an initial interim fee of £26,700 at the time of issuing this planning report and subsequent fees of £26,700 at the end of the interim

fieldwork, and £26,700 at the end of the main fieldwork and the final balance of our fees of £8,950 on completion November 2023.

To assist you in providing the required information, we have provided a separate list of audit deliverables to the BHE finance team via inflo.

Timetable

The anticipated timetable and deadlines are as follows.

Key Events	Date
Initial planning meeting	30 May 2023
Bridge House Estates Board meeting to consider audit plan	5 July 2023
Audit and Risk Management Committee and Bridge House Estates board meeting to consider audit plan	10 July 2023
Receipt of fieldwork deliverables and draft financial statements	30 June 2023
Audit fieldwork commences	3 July 2023
Clearance meeting with finance team	8 August 2023
Audit and Risk Management Committee and Bridge House Estates board meeting to consider accounts and report from the auditors	6 November 2023
Bridge House Estates Board meeting to consider accounts and report from the auditors	27 November 2023
Accounts signed by Trustee	November 2023

Our deliverables to you

In addition to carrying out the necessary audit procedures in accordance with International Standards on Auditing we will provide to you the following.

- Statutory audit reports on the financial statements of Bridge House Estates.
- This Audit Planning Report to confirm the details of the planned timing of our audit and related year-end meetings, to confirm the key members of your audit team and their independence, and to summarise our audit approach and any specific issues relevant to our audit which we have identified from our initial discussions with BHE's finance team or elsewhere.
- An Audit Findings Report to summarise any key issues or adjustments identified during our audit which have impacted on the disclosures in, or required adjustment to, the draft financial statements together with comments on any weaknesses in BHE's and the wider Corporation's systems and controls which come to our attention during our audit work on the annual statutory financial statements.
- Draft of the Representations Letter which we are required to obtain from the Trustee to confirm certain specific matters relevant to the completion of the statutory financial statements.

Appendix 1 - Responsibilities and ethical standards

Scope of our audit

Our audit is a statutory requirement to ensure that the Trustee has properly discharged their legal responsibilities to prepare their annual report and the financial statements in accordance with the applicable legislation and financial reporting requirements.

As your auditor we are required to obtain sufficient evidence to enable us to report as to whether the financial statements of BHE give a true and fair view of the financial performance of the entity, are free from material misstatements and are compliant with the requirements of relevant legislation and applicable Financial Reporting Standards.

Your financial statements

The financial statements on which we are to report are your responsibility; our audit of the financial statements does not relieve management or the Trustee of their responsibilities for the financial statements and the Trustee must be satisfied that the financial statements give a true and fair view before approving them. Further details of your and our respective responsibilities are set out in our engagement letters dated 13 July 2022.

Our audit approach

We will carry out our audit in accordance with International Standards on Auditing (UK) ('ISA's (UK)'). Overall, we seek to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, in order that we can report to the Trustee.

Our work will include such tests of transactions and of existence, ownership, valuation and completeness of assets and liabilities that we consider necessary for this purpose.

We will update our understanding of BHE including objectives, strategies, operations, governance structures, sources of incoming resources and related risks. We will also update our understanding of the classes of transactions, account balances, and disclosures to be expected in the financial statements. We will consider your selection and application of

accounting policies and whether they remain appropriate, and your reasons for any changes thereto.

We will review your systems for the purpose of our audit and we will report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention after discussing them with management. Our audit should not, however, be relied upon to identify all systems deficiencies, which are your responsibility, and we shall only draw your attention to matters we have encountered as a part of our audit work.

We will also read the Trustee's Report and any other information that will be included with the financial statements to ensure this is consistent with the financial statements.

We are required to confirm during our audit whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting BHE. We have not been made aware of any such issues from our initial discussions but will be requesting confirmation of this as part of the audit completion process.

Legal and regulatory disclosure requirements

In undertaking our audit work we will consider compliance with the following legal and regulatory disclosure requirements, where relevant:

- Charities Act 2011
- The Charities (Accounts and Reports) Regulations 2008
- The Charities SORP (FRS102)
- Financial Reporting Standard 102

We are not aware that any limitations will be placed on the planned scope of our audit.

Ethical Standard

We are required by the Ethical Standard for auditors issued by the Financial Reporting Council ('FRC') to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the FRC's Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

In our professional judgement there are no relationships between Crowe U.K. LLP and BHE or other matters that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

Independence

International Standards on Auditing (UK) require that we keep you informed of our assessment of our independence.

We confirm that we have not provided any non-audit services to the charity. We have not identified any other issues with regards to integrity, objectivity and independence and, accordingly, we remain independent for audit purposes.

The matters in this report are as understood by us as at 19 June 2023. We will advise you of any changes in our understanding, if any, during our meeting prior to the financial statements being approved.

Use of this report

This report has been provided to the Audit and Risk Management Committee and Bridge House Estates board to consider and ratify on behalf of the Trustee, in line with your governance structure. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Appendix 2 - Audit materiality

Audit materiality and communication of errors and adjustments

We do not seek to certify that the financial statements are 100% correct; rather we use the concept of “materiality” to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment.

The assessment of materiality is a matter of professional judgment but consideration will be given to the highest cumulative error which would not threaten the validity of the financial statements. A matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Whether adjustments are material to the “true and fair” view can only be judged in the particular circumstances of the items and their impact on the financial statements to which they relate. Materiality will be considered having regard to the overall financial statement totals, the relevant individual balance, the type of transaction and the disclosures.

Our overall audit materiality for the financial statements as a whole will take account of the level of funds held by BHE and will be set at approximately 2% of investments. In addition, a lower materiality of 1.5% of expenditure will be applied to auditing transactions in the Statement of Financial Activities and other balance sheet items.

In addition, we will determine whether a materiality amount lower than this materiality level is applicable for any particular classes of transactions, account balances or disclosures.

We also set a level of materiality (‘performance materiality’) below the amount set for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality also refers to amounts set at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

We will, of course, discuss with your finance team all errors, other than those that are “clearly trivial”, that we discover during the course of our audit work. Where such errors would have an impact upon the numbers reported in the

statutory financial statements, but are not significant in terms of our audit, we will ask management if they wish to adjust the financial statements.

We will bring to your attention all significant potential adjustments to the financial statements. We will not, however, bring to your attention matters that we consider to be “clearly trivial” and we therefore propose to only identify amounts greater than 5% of our audit materiality.

The following is a summary of the overall materiality levels that will be applied, based on the prior year financial statements:

Entity	Materiality calculation	Materiality £'000	Reporting threshold £'000
Bridge House Estates	2% Investments	35,352	1,767
	1.5% Expenditure	735	36.75

Appendix 3 - Trustee's Report and Financial Statements

Financial Statements and our audit

The preparation and presentation of the financial statements remains the responsibility of those charged with governance. However, our audit work will include reviewing the statements to ensure that they properly reflect the underlying financial records of the charity and also that they continue to be appropriately prepared in line with the requirements of the Charities SORP (FRS 102) and the requirements of the Charities Act (as applicable).

As part of our audit we will:

- ensure there is a full audit trail from the trial balance to the financial statements;
- review the financial statements against legal, regulatory and the SORP requirements and sector best practice;
- review the processes operated by BHE for identifying any related party transactions that might require disclosure; and
- review the latest copy of the risk register and ensure any key issues for the financial statements have been considered in the context of our audit, and appropriately managed in the context of the BHE's governance.

Trustee's Report

We expect that your Trustee's Report will include discussions of risks, outcomes, outputs and impacts and information on financial and non-financial KPIs.

Whilst we are required to review the report for any inconsistencies with the information included in the financial statements and to ensure that it reflects the SORP and other requirements, we do not audit the Trustee's Report. The responsibility for preparing the report rests with the charity's Trustee.

Although the Trustee may seek the assistance of the charity's staff in drafting the report, the Trustee must approve the final text of the report. It is therefore important that Trustee has some assurance over the process which management have adopted in the collection and verification of the data included in the Trustee's Report.

It will also be important that BHE continues to ensure consistency between the statutory Trustee's Report information and any information that is included elsewhere including on its website.

Governance Code

The Charity Governance Code was updated in December 2020. The key enhancements focussed on Principle 3: Integrity and Principle 6: Equality, Diversity and Inclusion (formerly 'Diversity'). A copy of the refreshed code can be obtained from the Charity Governance Code website at <https://www.charitygovernancecode.org/en/pdf>.

The Governance Code encourages charities to publish a brief statement (a short narrative rather than a lengthy 'audit' of policies and procedures) in their annual report explaining their use of the Code and we therefore anticipate that you will be including an appropriate comment on this in your Trustee's Report.

Fundraising Statement

The Trustee's Report will also again need to include an appropriate statement on the various matters relating to the charity's fundraising activities as required by The Charities (Protection and Social Investment) Act 2016.

Appendix 4 - External developments

We have summarised below some of the developments and changes in the charity sector over the recent period which we believe may be of interest or relevant to you. Please note that this information is provided as a summary only and that you should seek further advice if you believe that you have any specific related issues or intend to take or not take action based on any of the comments below.

We believe it is important to keep our clients up to date on the issues that affect them and, as a part of our ongoing communication, we regularly hold webinars and therefore encourage you to visit our website (<https://www.crowe.com/uk/croweuk/industries/webinars>), or register to our mailing list (nonprofits@crowe.co.uk) to stay updated on these. Any webinars which you have missed remain available on demand on our website.

Governance

The Charities Act 2022: Implementation

The Charities Act 2022 (the Act) received Royal Assent on 24 February 2022 and brings into force a number of key changes to the Charities Act 2011, aimed at simplifying a number of processes.

The Charity Commission are currently working through implementing the various changes brought about by the legislation, and have set out an indicative timetable here: <https://www.gov.uk/guidance/charities-act-2022-implementation-plan>

Other provisions of the Act in force from 31 October 2022

- Section 5: Orders under section 73 of the Charities Act 2011
- Section 8: Power of the court and the Commission to make schemes
- Section 32: Trustee of charitable trust: status as trust corporation
- Section 36: Costs incurred in relation to Tribunal proceedings etc
- Part of Section 37: Public notice as regards Commission orders etc.
- Part of Section 40 and Schedule 2: Minor and consequential amendments

Provisions of the Act expected to come into force Spring 2023

- Sections 9-14 and 35a: Permanent endowment
- Sections 17-23: Charity land

- Section 24 and Schedule 1: Amendments of the Universities and College Estates Act 1925
- Sections 25-28: Charity names
- Section 38 and 39: Connected persons
- Part of Section 40 and Schedule 2: Minor and consequential amendments

Provisions of the Act expected to come into force Autumn 2023

- Section 1-3: Charity constitutions
- Section 29: Powers relating to appointments of trustees
- Section 31: Remuneration etc of charity trustees etc
- Sections 33-35: Charity mergers
- Section 37: For remaining purposes
- Section 40 and Schedule 2: For remaining purposes

The key provisions of the Act that have been implemented to date are set out below, and further information can be found here:

<https://www.gov.uk/guidance/charities-act-2022-guidance-for-charities>

Failed appeals

The Act introduces new rules granting the power for trustees to apply *cy-près*, allowing charities more flexibility in response to a charity appeal that has failed, allowing *donations* to be applied for another charitable purposes rather than having to be returned to donors under certain conditions:

- i) The donation is a single gift of £120 or less; and the Trustees reasonably believe that during the financial year the total amount received from the donor for the specific charitable purpose is £120 or less (unless the donor states in writing that the gift must be returned if the charitable purposes fail); or
- ii) The donor, after all agreed actions have been taken, cannot be identified or found; or
- iii) The donor cannot be identified (for example cash collections)

The Charity Commission published guidance in relation to failed appeals on 31 October 2022, which can be found here:

<https://www.gov.uk/government/publications/charity-fundraising-appeals-for-specific-purposes>

The Charity Commission has also updated its guidance [CC20 'Charity fundraising: a guide to trustee duties'](#) to reflect these changes.

The Fundraising Regulator has also published guidance, further details of which are provided below.

Payments to Trustees for providing goods to the charity

The Charities Act 2011 provided a statutory power for charities, in certain circumstances, to pay trustees for providing a service to a charity beyond usual trustee duties.

The Act extends this power to allow, in certain circumstances for payments to trustees for providing goods to the charity.

Updated guidance can be found here:

<https://www.gov.uk/guidance/payments-to-charity-trustees-what-the-rules-are>

The Charity Commission has also updated its guidance [CC29 'Conflicts of interest: a guide for charity trustees'](#) and [CC11 'Trustee expenses and payments'](#) to reflect these changes.

Power to amend Royal Charters

Royal Charter charities are able to use a new statutory power to change sections in their Royal Charter which they cannot currently change, if that change is approved by the Privy Council.

Updated guidance can be found here: <https://www.gov.uk/guidance/royal-charter-charities>

Responsible investments guidance

The Charity Commission ran a public consultation in April 2021 in respect of updated guidance for responsible investments. Previous Charity Commission guidance was based on the outdated Bishop of Oxford case in 1992.

The outcome of this case recognised that there were times when a charity may wish to pursue an ethical approach to its investments, but that this was a secondary consideration to maximising investment income. The results of the Charity Commission consultation were published on 18 August 2021.

During the consultation two charities were granted permission to bring a case relating to responsible investment to the High Court, The Ashden Trust and the Mark Leonard Trust.

Their investment policies, approved by the High Court, were based on scientific evidence of climate change and excluded, as far as practically possible, investments not aligned with the goals of the Paris Agreement. The charities were seeking clarification of the law. Previous case law in the 1992 Bishop of Oxford case established the principle that charity trustees should maximise return on their investments and ought not to take into account ethical or moral considerations that could cause financial detriment to the charity. There were exceptions to these where an investment directly conflicted with the charity's purposes or indirectly conflicts with its work.

The new High Court ruling charities are able to exclude specific investments from their portfolio should they not align with their charitable purpose, as long as it can be demonstrated that appropriate decision-making processes have been followed. The below extract of paragraph 78 of the judgement clarifies the relevant law that should be referred to when considering responsible investment policies:

1. *"Trustees' powers of investment derive from the trust deeds or governing instruments (if any) and the Trustee Act 2000.*
2. *Charity trustees' primary and overarching duty is to further the purposes of the trust. The power to invest must therefore be exercised to further the charitable purposes.*
3. *That is normally achieved by maximising the financial returns on the investments that are made; the standard investment criteria set out in s.4 of the Trustee Act 2000 requires trustees to consider the suitability of the investment and the need for diversification; applying those*

criteria and taking appropriate advice is so as to produce the best financial return at an appropriate level of risk for the benefit of the charity and its purposes.

4. *Social investments or impact or programme-related investments are made using separate powers than the pure power of investment.*
5. *Where specific investments are prohibited from being made by the trustees under the trust deed or governing instrument, they cannot be made.*
6. *But where trustees are of the reasonable view that particular investments or classes of investments potentially conflict with the charitable purposes, the trustees have a discretion as to whether to exclude such investments and they should exercise that discretion by reasonably balancing all relevant factors including, in particular, the likelihood and seriousness of the potential conflict and the likelihood and seriousness of any potential financial effect from the exclusion of such investments.*
7. *In considering the financial effect of making or excluding certain investments, the trustees can take into account the risk of losing support from donors and damage to the reputation of the charity generally and in particular among its beneficiaries.*
8. *However, trustees need to be careful in relation to making decisions as to investments on purely moral grounds, recognising that among the charity's supporters and beneficiaries there may be differing legitimate moral views on certain issues.*
9. *Essentially, trustees are required to act honestly, reasonably (with all due care and skill) and responsibly in formulating an appropriate investment policy for the charity that is in the best interests of the charity and its purposes. Where there are difficult decisions to be made involving potential conflicts or reputational damage, the trustees need to exercise good judgment by balancing all relevant factors in particular the extent of the potential conflict against the risk of financial detriment.*
10. *If that balancing exercise is properly done and a reasonable and proportionate investment policy is thereby adopted, the trustees have complied with their legal duties in such respect and cannot be*

criticised, even if the court or other trustees might have come to a different conclusion."

A full copy of the judgement can be found here:

<https://www.bailii.org/ew/cases/EWHC/Ch/2022/974.html>

The Charity Commission has indicated that it will publish updated CC14 guidance in Summer 2023.

Charity Commission: Consultation on Charity Use of Social Media

On 17 January 2023 the Charity Commission published a consultation on draft guidance for charities on their use of social media.

The aim of the guidance is to help trustees improve their understanding in this area, and to encourage charities to adopt a policy on social media as a way to set their charity's approach. The guidance does not introduce new trustee duties but seeks to make clear how existing duties are relevant to a charity's use of social media.

The guidance sets out that social media use can raise issues and risks for charities, relating to problematic content:

- posted or shared by the charity on its own social media channels
- posted by the public or third parties on a charity's social media channel
- posted on a personal social media account that can be reasonably associated with the charity

It is important that charities have their say and engage with the consultation, to ensure that the relevant considerations can impact decision making.

The consultation closed on 14 March 2023, and the Charity Commission are now considering the responses received. An analysis of the responses and the final guidance is expected in the Summer. The consultation can be found here: <https://www.gov.uk/government/consultations/draft-guidance-charities-use-of-social-media>

Charity Commission: Manage financial difficulties in your charity arising from cost of living pressures

In December 2022 the Charity Commission published additional guidance "Manage financial difficulties in your charity arising from cost of living pressures",

recognising that many charities are facing difficult circumstances as a result of rapidly increasing costs. At the same time, some charities are also experiencing an increase in demand, in particular those charities providing services to people in need, further compounded by donors also suffering from the similar issues thereby leading to reduced income for some charities.

The guidance reminds trustees of their responsibilities in providing effective financial stewardship and ensuring that any decisions made are in the best interest of the charity. Key is the evaluation of the charity's financial position, and robust and regular reviews of the cashflow forecasts, to ensure the charity is able to continue to carry out its charitable activities, identifying any potential shortfalls and enabling actions to be taken in a timely manner.

The guidance can be obtained here: <https://www.gov.uk/guidance/manage-financial-difficulties-in-your-charity-arising-from-cost-of-living-pressures>

Charity Commission: Internal financial controls for charities (CC8)

In April 2023 the Charity Commission published updated guidance "Internal financial controls for charities (CC8)"

The guidance has been updated to reflect changes in legislation and practise across the sector, including new areas such as mobile payment systems (e.g. Apple Pay) and donations of cryptoassets. Existing guidance has also been refreshed in areas such as payments to related parties and operating internationally.

An updated checklist is also included in the guidance to allow charities to assess themselves against the new guidance.

The guidance can be obtained here: <https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8/internal-financial-controls-for-charities>

Compliance

Harpur Trust vs Brazel – where are we now?

In July 2022 the Supreme Court's judgement in Harper Trust v Brazel made headlines.

The Court set out how holiday pay should be calculated for permanent employees with irregular hours, i.e. 'part-year' workers such as those on zero hours or term time contracts.

Workers are entitled to 5.6 weeks of holiday per year. The Supreme Court stated that part-year workers holiday pay should be calculated with reference to their weekly average hours over a 52-week period, which is then multiplied by the 5.6 to determine the annual entitlement. This change can produce some unusual results e.g. a worker who has worked a 5-day week only once in a 52-week period will receive 28 days holiday.

As a result of the decision a part -year worker will receive more holiday than a part-time worker, who works the same number of hours across the year.

This was referenced in the judgement with the Supreme Court noting that any slight favouring of such workers, was not of a magnitude that would require wholesale revision of the general rules. In response to a strong reaction from industry the government opened a consultation exercise to review the apparent disparity and determine how to formulate a better method of calculation.

The consultation exercise ended on 9 March 2023, but it will be many more months before we have the government's response.

So where does that leave employers?

Until new legislation is introduced the decision of the Supreme Court is still binding, and it's unusual for newly enacted legislation to have retroactive effect.

However, given the upheaval of amending internal policies and procedures for many employers a 'wait and see' approach outweighs the risks of litigation. In taking this approach however we would recommend that an organisation fully understands the potential extent of its liabilities, which can extend for a period of 2 years from the date of the most recent deduction. This evaluation should also include contractors who are potentially open to an employee status challenge.

Employers should consider using a fixed term contract for any new part-year workers to limit further exposure, as holiday pay for a fixed term contract is prorated to reflect the term of the contract rather than being calculated as a full year's entitlement.

Useful links

Gov.uk –

<https://www.gov.uk/government/consultations/calculating-holiday-entitlement-for-part-year-and-irregular-hours-workers>

<https://www.gov.uk/employment-status>

ACAS (employment status definitions) - <https://www.acas.org.uk/checking-your-employment-rights>

Updated guidance on Campaigning and political activity

In November 2022, the Charity Commission published updated guidance on campaigning and political activity for charities (CC9) following the passing of the Elections Act 2022.

Although the basic legal position regarding charity campaigning has not changed, this guidance focuses first on the freedoms and possibilities for charities to campaign, and then on the restrictions and risks that trustees must bear in mind.

As with previous guidance, it also includes guidance on areas of good practice.

The updated guidance can be found here:

<https://www.gov.uk/government/publications/speaking-out-guidance-on-campaigning-and-political-activity-by-charities-cc9>

Charities and terrorism

The Charity Commission guidance on 'Charities and Terrorism', first published in December 2012, has been updated in November 2022.

The guidance forms Chapter 1 of the Charity Commissions compliance toolkit, which provides advice and information on key aspects of the UK's counter-terrorism legislation, highlights how particular provisions are likely to affect charities and their work, explains the various 'terrorism lists' that exist and advises trustees what to do if they discover their charity may be working with or connected to people or organisations on terrorism lists.

The updated toolkit signposts to new guidance from the Crown Prosecution Service on proscription offences and terrorist financing offences and cases involving humanitarian, development and peacebuilding work overseas.

The updated toolkit can be found here:

<https://www.gov.uk/government/publications/charities-and-terrorism>

Fundraising Regulator: Annual complaints report

In October 2022 the Fundraising Regulator has published its latest Annual Complaints Report which covers the period 1 April 2021 to 31 March 2022. The report analyses complaints received by the Fundraising Regulator and complaints reported to 56 of the UK's largest fundraising charities.

The number of complaints to the sample charities rose proportionally for most methods in line with increased fundraising activity – with 13 of the 23 fundraising methods having increased complaint numbers in 2021/22 compared to 2020/21. However, the overall number of complaints had decreased since 2019/20 which is reflective of changes in fundraising activity and public mood during the pandemic, as well as demonstrating the sector's commitment to high standards of fundraising.

Over the same period, complaints about fundraising methods including charity bags (77), digital (74), collections and addressed mail (both 48) accounted for the majority of the 381 complaints within the Fundraising Regulator's scope. Vulnerability was also a theme threaded into many of the complaints we received. We encourage charities to develop policies to guide how fundraisers interact with people in vulnerable circumstances and keep up to date records about donors who may be vulnerable.

You can see the full report [here](#).

Fundraising Regulator: 'Failed appeals' guidance

Following the changes introduced by the Charities Act 2022 ('the Act'), the Fundraising Regulator has also published guidance 'What to do if you raise more donations than you need, don't raise enough, or cannot achieve your purpose'

The guidance includes practical measures that can be taken to avoid triggering the legal requirements of the Act, such as the inclusion of a secondary purpose in appeals literature.

The guidance should be read in conjunction with the guidance issued by the Charity Commission noted above.

The guidance is available here: <https://www.fundraisingregulator.org.uk/more-from-us/news/what-do-if-you-raise-more-donations-you-need-dont-raise-enough-or-cannot-achieve>

Gender pay reporting

Any employer with 250 or more employees on a specific date each year (the 'snapshot date') must report their gender pay gap data. For most entities the snapshot date is the 5 April of each year.

You must report and publish your gender pay gap information within a year of your snapshot date. You must do this for every year that you have 250 or more employees on your snapshot date.

Guidance on what and how to report can be found here:

<https://www.gov.uk/government/publications/gender-pay-gap-reporting-guidance-for-employers>

Financial and other reporting

FRS Consultation: Amendments to FRS 102

On 15 December 2022 the Financial Reporting Council issued FRED 82 "Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review".

FRED 82 proposes a number of changes resulting from the second periodic review of FRS 102 and other Financial Reporting Standards. The proposals include: a new model of revenue recognition in FRS 102 and FRS 105 based on the IFRS 15 five-step model for revenue recognition with appropriate simplifications; a new model of lease accounting in FRS 102 based on IFRS 16 on-balance sheet model (again with appropriate simplifications); and various other incremental improvements and clarifications.

The FRED is accompanied by a consultation stage impact assessment, and the anticipated implementation date will be periods commencing on or after 1 January 2025.

The consultation closed on 30 April 2023, and the FRC will now proceed to review the responses received. The consultation documents can be obtained here: <https://www.frc.org.uk/consultation-list/2022/fred-82>

Charity Commission: Changes to the Annual Return

In June 2022, the Charity Commission began consulting on a range of changes to its Annual Return, through which it hopes to gather more data

about charities. There have not been major changes to the Annual Return since 2018, and the Commission has stated its desire to be more data driven and the Annual Return feeds many of the Commissions analyses.

The consultation closed on 1 September 2022, and the Charity Commission published its consultation response on 21 December 2022.

The updated Annual Return includes 17 new questions, a number of which are aimed at gathering more in-depth information on charity income streams and the extent of any overseas activities.

New questions in the updated Annual Return include:

- What was the value of your charity's single highest value donation received from a corporate donor during the financial period of this return?
- What was the value of your charity's single highest value donation received from an individual during the financial period of this return?
- What was the value of your charity's single highest value donation received from a related party during the financial period of this return?
- How was income from outside of the United Kingdom received by your charity in the financial period of this return?
- Does your charity have formal written agreements in place with any partners delivering charitable activities on its behalf outside of the United Kingdom?

Annex 8 contains a full list of the revised Annual Return questions that are set out in the Charities (Annual Return) Regulations 2022 that came into force on 1 January 2023.

Guidance will be published by the Charity Commission in early 2023 to provide additional details on the information being requested and the reason why.

For some charities, the additional questions will require a significant amount of data collection, and we recommend charities obtain the list of questions and begin collating the information required as soon as possible.

The Annual Return needs to be completed by all charities with an annual income of £10,000 plus, within 10 months of the end of their financial year.

Full details of the outcome of the consultation, along with guidance on completing the annual return can be found here:

<https://www.gov.uk/government/consultations/charity-commission-revisions-to-the-annual-return-2023-25>

NCSC publishes “Cyber Threat Report: UK Charity Sector”

The National Cyber Security Centre has published a report outlining the cyber threats currently facing charities of all sizes.

The 2022 DCMS Cyber Security Breaches Survey, which measures the policies and processes organisations have for cyber security, as well as the impact of breaches and attacks, highlighted 30% of UK charities had identified a cyber-attack in the last 12 months, with 38% of these having an impact on the service.

The report notes that the charity sector is particularly vulnerable as they can hold significant amounts of sensitive or valuable data, making them attractive targets, alongside a perception that charities have fewer resources to commit to cyber security.

The report provides details of the commonly perpetrated cyber-attacks, as well as a number of recommendations and links to guidance to assist charities strengthen their defences.

A copy of the report can be obtained here:

https://www.ncsc.gov.uk/files/Cyber_threat_report-UK-charity-sector.pdf

In addition, the Charity Commission has updated its guidance ‘[Protect your charity from fraud and cybercrime](#)’ The updated guidance includes a number of links to organisations and resources helping to protect against fraud and cybercrime.

FRC publishes "What makes a good Annual Report and Accounts" report

In December 2022, the FRC published its latest report on the attributes of a good Annual Report and Accounts ('ARA') from their perspective as an improvement regulator. It draws on previous FRC publications alongside their day to day work.

The report states that ‘A *high-quality ARA*:

- *complies with relevant accounting standards, laws and regulations, and codes;*
- *is responsive to the needs of stakeholders in an accessible way; and*
- *demonstrates the corporate reporting principles and effective communication characteristics outlined in this publication.’*

Whilst the report is focused on corporate reporting, there are a number of quick tips and pointers, along with examples, which might be of interest when preparing your Trustees’ Annual Report.

The full report can be found here:

<https://www.frc.org.uk/getattachment/d3e86b16-22b6-4aa7-a6fe-1dc83657335f/What-Makes-a-Good-Annual-Report-and-Accounts.pdf>

Sustainability Reporting and the Charity SORP

Sustainability and environmental issues continue to be high priority for all sectors. The Charity SORP Committee produced a briefing note reflecting on the current approach to sustainability reporting.

The Committee sought to identify whether elements of sustainability reporting should be introduced into the trustees’ annual report, and discuss preferred options should this be the case.

The current SORP asks charities to identify the difference their work has made to society as a whole.

The Committee noted that additional support would likely be required to enable charities to comply with additional reporting requirements, and the need to address the scope of the sector. The current requirements are different for large charities, this would need to remain consistent in order to avoid burdening smaller charities.

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

Our guidance on climate change can be accessed [here](#).

We have recently published a review of annual reports, all including a relevant disclosure, which identified a wide variety in the level of detail provided and the format used. A copy of our report, which includes examples of best practice and areas of improvement can be obtained [here](#).

Guidance on Fundraising Reporting Requirements

The Fundraising Regulator has published new research and updated guidance to support compliance with the fundraising reporting requirements in the Charities (Protection and Social Investment) Act 2016).

The Fundraising Regulator has reviewed the annual reports of almost 200 charities with income over £1m to provide a benchmark for the sector and highlight good practice and identify areas for improvement.

The research had noted that an increasing number of charities reported on their fundraising approaches and complains compared to previous years, however only a low proportion of the reports reviewed included a statement on how fundraising carried out on their behalf is monitored or a statement of how they protect the public and vulnerable donors.

The results of the review can be found here:
<https://www.fundraisingregulator.org.uk/more-from-us/resources/charities-act-2016-analysis-july-2022>

and the updated guidance can be found here:
<https://www.fundraisingregulator.org.uk/more-from-us/resources/charities-act-2016-fundraising-reporting-requirements-guidance>

Taxation

Consultation: Charity tax compliance

The Government has launched a consultation into several aspects of tax compliance by charities to consider how to reform some of the tax relief rules that are not working as intended.

The consultation seeks views on a number of areas, including:

- preventing donors from obtaining a financial benefit from their donation
- preventing abuse of the charitable investment rules
- closing a gap in non-charitable expenditure rules
- sanctioning charities that do not meet their Filing and Payment Obligations

It is important that charities have their say and engage with the consultation, to ensure that the relevant considerations can impact decision making.

The consultation closes on 20 July 2023, and response can be submitted by email to charitypolicy.taxteam@hmrc.gov.uk.

The consultation can be found here:
<https://www.gov.uk/government/consultations/charities-tax-compliance/consultation-charities-tax-compliance>

Autumn Statement 2022

The Chancellors Autumn Statement 2022 was published in November 2022.

The key measures relevant for charities are set out below. A copy of the full statement can be found here:
<https://www.gov.uk/government/publications/autumn-statement-2022-documents>

National Minimum Wage (NMW) and National Living Wage (NLW)

Following recommendations from the Low Pay Commission, the NLW will increase for individuals aged 23 and over to £10.42 an hour from 1 April 2023.

The NMW will also increase from 1 April 2023 as follows:

- Increasing the rate for 21-22 year olds to £10.18 an hour;
- Increasing the rate for 18-20 year olds to £7.49 an hour;
- Increasing the rate for 16-17 year olds to £5.28 an hour;
- Increasing the apprentice rate to £5.28 an hour; and
- Increasing the accommodation offset rate to £9.10 an hour

Income tax additional rate threshold

The income tax additional rate threshold will be lowered from £150,000 to £125,140 from 6 April 2023.

Corporation tax rate

The planned increase in the Corporation Tax rate to 25% for companies with over £250,000 in profits will go ahead. Small companies with profits up to £50,000 will continue to pay corporation tax at 19%, with profits between these two figures subject to a tapered rate.

Business Rates: Retail, Hospitality and Leisure Relief

Support for eligible retail, hospitality, and leisure businesses is being extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023-24.

VAT: Changes to Penalty Regime

For VAT accounting periods starting on or after 1 January 2023 there are new penalties for VAT returns that are submitted late and VAT which is paid late, in addition the way interest is charged has also changed. The changes are aimed at simplifying and separating penalties and interest.

The system has changed to a penalty points system, where for each return submitted late, a penalty point is issued. The penalty point threshold is determined by the accounting period, with a higher threshold for more frequently submissions. When the threshold is reached, a penalty of £200 will be issued, with a further £200 penalty for each further late submission.

Penalty points will have a lifetime of 2 years, after which they will expire. The period is calculated from the month after the month in which the failure occurred, e.g. submission due January 2024, so the penalty point will expire in February 2026.

Once a taxpayer reaches the threshold, all points accrued will be reset to zero when the following conditions are met:

- A period of compliance; and
- The taxpayer has submitted all submission in the previous 2 years (even if late).

The new late payment penalty will apply in instances where the return is submitted on time but the payment is not. This penalty considers the length of the delay in making payment and the penalty increases over time.

As part of the new penalty regime, HMRC has also updated its Late Payment Interest ('LPI') rules to bring these in line with other tax regimes.

Full details of the updated regime can be found here:

<https://www.gov.uk/guidance/penalty-points-and-penalties-if-you-submit-your-vat-return-late>

HMRC: Gift Aid on digital donations

HMRC have updated their Gift Aid guidance in January 2023 to clarify that qualifying donations received through digital platforms are eligible for Gift Aid on the gross amount before deduction of administration fees by the platform provider.

The updated guidance reads: "Donations made using digital platforms, credit card or debit card may incur an administration fee which reduces the actual amount received by the charity. Subject to the normal qualifying conditions, the gross donation paid is eligible for Gift Aid, regardless of any processing fees incurred by the charity. The charity may treat these administrative fees as charitable expenditure. Where the charity is unable to demonstrate a clear audit trail of administration fees incurred Gift Aid should only be claimed on the net donation received."

This is a useful clarification which agrees logically with Gift Aid legislation. Charities that historically have claimed Gift Aid on amounts received net of the deduction of administration fees may consider revisiting such claims.

Appendix 5 - Understanding the changes to ISA (UK) 315

ISA (UK) 315 (Revised) comes into effect for periods starting in December 2021 and later (i.e. years ending 31 December 2022). The changes to the standard are fairly fundamental, and are intended to change the way that audit firms approach the identification of risks of material misstatement¹, and by extension, how they respond to these risks. We have set out in the table below the key changes to ISA (UK) 315 and the potential impact on the audit of Bridge House Estates.

Key change	Potential impact on the audit
A more robust risk identification and assessment process, with a separate assessment required of inherent risk and control risk	<p>Additional requests for information to enhance understanding of the systems, processes and controls, including but not limited to:</p> <ul style="list-style-type: none"> - More information regarding the entity's risk assessment process and monitoring of internal controls - Policies and procedure manuals, flowcharts and other supporting information to support our understanding of the information systems relevant to the preparation of the financial statements
Enhanced procedures relating to exercising professional scepticism, and additional documentation requirements	Additional requests for information to clarify areas where evidence obtained appears to contradict information already considered in the audit.
Increased focus on information technology	<p>Additional requests for information to enhance understanding of the IT environment, including:</p> <ul style="list-style-type: none"> - Information on the IT applications used by BHE, including the extent of any automated procedures - Information on the supporting IT infrastructure (i.e. network, operating systems and related hardware and software) and any third party hosting or outsourcing of IT - information on the access controls in place over the use of IT applications, including the setting up and removal of user accounts

¹ Risk of material misstatement: The risk that the financial statements are materially misstated prior to audit. This consists of two components, described as follows at the assertion level:

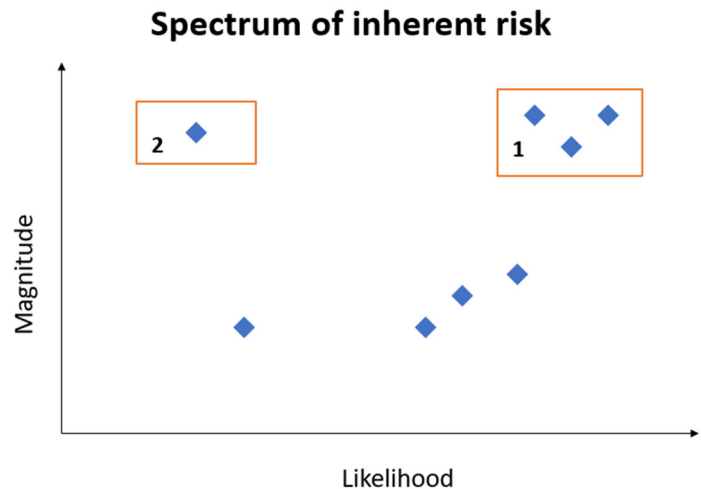
(a) Inherent risk – The susceptibility of an assertion about a class of transaction, account balance or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls.

(b) Control risk – The risk that a misstatement that could occur in an assertion about a class of transactions, account balance or disclosure and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity's controls.

Key change	Potential impact on the audit
<p>Inclusion of specific controls where auditors are required to identify and perform design and implementation thereon.</p>	<p>Additional requests for information in respect of the systems, processes and controls in respect of:</p> <ul style="list-style-type: none"> - Non-standard journal entries - where the journal entries are automated or manual and are used to record non-recurring, unusual transactions or adjustments - Standard journal entries - where the journal entries are automated or manual and are susceptible to unauthorized or inappropriate intervention or manipulation - Other controls identified based on auditor judgement, including but not limited to: <ul style="list-style-type: none"> o Controls that address risks that are assessed as higher on the spectrum of inherent risk (not determined to be a significant risk); o Controls related to reconciling detailed records to the general ledger; or o Complementary user entry controls, if using a service organisation.
<p>A new stand-back requirement when an audit is nearing completion, to evaluate classes of transactions, account balances and disclosures that are material (either quantitatively or qualitatively) but have not been identified as significant and confirm the previous assessed remains appropriate.</p>	<p>Additional audit work may be required where the assessed risk of material classes of transactions, account balances and disclosures are re-evaluated as higher than at the completion of the audit planning.</p>

ISA (UK) 315 (Revised) also introduces the concept of a ‘*spectrum of inherent risk*’. Risk is considered in the context of how, and the degree to which, inherent risk factors affect the likelihood and magnitude of a misstatement occurring. Such factors may be qualitative or quantitative, and include complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors.

The assessment of an inherent risk close to the upper end of the spectrum is indicative of a significant risk (Box 1), however the combination of likelihood and magnitude means that a significant risk could potentially have a low likelihood but the magnitude could be very high if it occurred (Box 2).



We have set out below further details on the inherent risk factors, along with examples of each within a non-profit context.

Inherent Risk Factor	Description per ISA (UK) 315	Examples in a non-profit context
Complexity	Arises either from the nature of the information or in the way that the required information is prepared, including when such preparation processes are more inherently difficult to apply.	<ul style="list-style-type: none"> - A complex group structure, with multiple subsidiaries, branches, in disparate locations and/or joint ventures, which may also include overseas operations - A complex IT environment, such as fundraising information held in a CRM system that is not integrated with the accounting system - The calculation of the actuarial valuation of defined benefit pension schemes
Subjectivity	<p>Arises from inherent limitations in the ability to prepare required information in an objective manner, due to limitations in the availability of knowledge or information, such that management may need to make an election or subjective judgment about the appropriate approach to take and about the resulting information to include in the financial statements.</p> <p>Because of different approaches to preparing the required information, different outcomes could result from appropriately applying the requirements of the applicable financial reporting framework.</p> <p>As limitations in knowledge or data increase, the subjectivity in the judgments that could be made by reasonably knowledgeable and independent individuals, and the diversity in possible outcomes of those judgments, will also increase.</p>	<ul style="list-style-type: none"> - The assessment of whether a grant is performance related, and the associated impact on income recognition - The selection of the accounting policy adopted in respect of legacy income - Selection of assumptions used in preparing the actuarial valuation of defined benefit pension schemes - Determination of the useful economic life and residual value of fixed assets - Determination of any provisions for bad and/or doubtful debts - The assessment of any provisions for dilapidations
Change	Results from events or conditions that, over time, affect the entity's business or the economic, accounting, regulatory, industry or other aspects of the environment in which it operates, when the effects of those events or conditions are reflected in the required information.	<ul style="list-style-type: none"> - Loss of a major funder and the corresponding impact on going concern - Development of a new income stream or activity - Expansion into new locations, such as the opening of an overseas branch - A change in legislation and any impact on operations, for example changes to health and safety legislation

Inherent Risk Factor	Description per ISA (UK) 315	Examples in a non-profit context
Uncertainty	<p>Arises when the required information cannot be prepared based only on sufficiently precise and comprehensive data that is verifiable through direct observation.</p> <p>In these circumstances, an approach may need to be taken that applies the available knowledge to prepare the information using sufficiently precise and comprehensive observable data, to the extent available, and reasonable assumptions supported by the most appropriate available data, when it is not.</p> <p>Constraints on the availability of knowledge or data, which are not within the control of management (subject to cost constraints where applicable) are sources of uncertainty and their effect on the preparation of the required information cannot be eliminated.</p>	<ul style="list-style-type: none"> - The outcome of a pending litigation or claim, and the determination of any potential liability or contingent liability disclosure - The assessment of any provisions for dilapidations - The assumptions and judgements applied in the preparation of budgets and forecasts to support going concern
Susceptibility to misstatement due to management bias or other fraud risk factors insofar as they affect inherent risk	<p>Results from conditions that create susceptibility to intentional or unintentional failure by management to maintain neutrality in preparing the information.</p> <p>Management bias is often associated with certain conditions that have the potential to give rise to management not maintaining neutrality in exercising judgment (indicators of potential management bias), which could lead to a material misstatement of the information that would be fraudulent if intentional.</p> <p>Such indicators include incentives or pressures insofar as they affect inherent risk (for example, as a result of motivation to achieve a desired result, such as a desired profit target or capital ratio), and opportunity, not to maintain neutrality.</p>	<ul style="list-style-type: none"> - Compliance with funding conditions, including the allocation of expenditure and the assessment of any provision in respect of clawbacks - Loan covenants at risk of being breached - Significant transactions with related parties - Significant amount of non-routine or non-systematic transactions including intercompany transactions and journal entries at the reporting date.

Inherent Risk Factor	Description per ISA (UK) 315	Examples in a non-profit context
Other inherent risk factors	<p>Other inherent risk factors, that affect susceptibility to misstatement of an assertion about a class of transactions, account balance or disclosure may include:</p> <ul style="list-style-type: none"> The quantitative or qualitative significance of the class of transactions, account balance or disclosure; or The volume or a lack of uniformity in the composition of the items to be processed through the class of transactions or account balance, or to be reflected in the disclosure. 	<ul style="list-style-type: none"> Lack of personnel with appropriate accounting and financial reporting skills. Control deficiencies – particularly in the control environment, risk assessment process and process for monitoring, and especially those not addressed by management. Past misstatements, history of errors or a significant amount of adjustments at period end.

ISA (UK) 315 requires auditors to consider that the risk of material misstatement may occur at two levels – the overall financial statement level, and at the assertion level for classes of transactions, balances and disclosures.

Assertions are defined in ISA (UK) 315 as *'Representations, explicit or otherwise, with respect to the recognition, measurement, presentation and disclosure of information in the financial statements which are inherent in management representing that the financial statements are prepared in accordance with the applicable financial reporting framework. Assertions are used by the auditor to consider the different types of potential misstatements that may occur when identifying, assessing and responding to the risks of material misstatement.'*

We have set out below the assertions and a short description of how they pertain to classes of transactions, balances and disclosures.

Assertions about classes of transactions and events, and related disclosures, for the period under audit	Assertions about account balances, and related disclosures, at the period end
(i) Occurrence—transactions and events that have been recorded or disclosed have occurred, and such transactions and events pertain to the entity.	(i) Existence—assets, liabilities and equity interests exist.
(ii) Completeness—all transactions and events that should have been recorded have been recorded, and all related disclosures that should have been included in the financial statements have been included.	(ii) Rights and obligations—the entity holds or controls the rights to assets, and liabilities are the obligations of the entity.
(iii) Accuracy—amounts and other data relating to recorded transactions and events have been recorded appropriately, and related disclosures have been appropriately measured and described.	(iii) Completeness—all assets, liabilities and equity interests that should have been recorded have been recorded, and all related disclosures that should have been included in the financial statements have been included.

Assertions about classes of transactions and events, and related disclosures, for the period under audit	Assertions about account balances, and related disclosures, at the period end
(iv) Cut off—transactions and events have been recorded in the correct accounting period.	(iv) Accuracy, valuation and allocation—assets, liabilities and equity interests have been included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments have been appropriately recorded, and related disclosures have been appropriately measured and described.
(v) Classification—transactions and events have been recorded in the proper accounts.	(v) Classification—assets, liabilities and equity interests have been recorded in the proper accounts.
(vi) Presentation—transactions and events are appropriately aggregated or disaggregated and clearly described, and related disclosures are relevant and understandable in the context of the requirements of the applicable financial reporting framework.	(vi) Presentation—assets, liabilities and equity interests are appropriately aggregated or disaggregated and clearly described, and related disclosures are relevant and understandable in the context of the requirements of the applicable financial reporting framework.

Appendix 6 - Fraud risk assessment

The Charity Commission has highlighted that fraud is a serious problem that Boards can't afford to ignore, with a cost to the social purpose organisation sector of potentially billions of pounds each year.

In their guide to tackling fraud in the charity sector the Charity Commission have set out eight guiding principles:

1. **Fraud will always happen** – simply being a charity is no defence. Even the best-prepared organisations cannot prevent all fraud. Charities are no less likely to be targeted than organisations in the private or public sector. Fraudsters do not give a free pass to charitable activities.
2. **Fraud threats change constantly.** Fraud evolves continually, and faster, thanks to digital technology. Charities need to be alert, agile and able to adapt their defences quickly and appropriately.
3. **Prevention is (far) better than cure.** Financial loss and reputational damage can be reduced by effective prevention. It is far more cost-effective to prevent fraud than to investigate it and remedy the damage done.
4. **Trust is exploited by fraudsters.** Charities rely on trust and goodwill, which fraudsters try to exploit. A strong counter-fraud culture should be developed to encourage the robust use of fraud prevention controls and a willingness to challenge unusual activities and behaviour.
5. **Discovering fraud is a good thing.** The first step in fighting fraud is to find it. This requires charities to talk openly and honestly about fraud. When charities do not do this the only people who benefit are the fraudsters themselves.
6. **Report every individual fraud.** The timely reporting of fraud to police, regulators and other agencies is fundamental to strengthening the resilience of individual charities and the sector as a whole.
7. **Anti-fraud responses should be proportionate to the charity's size, activities and fraud risks.** The vital first step in fighting fraud is to implement robust financial controls and get everyone in the charity to sign up to them.
8. **Fighting fraud is a job for everyone.** Everybody involved – the trustee, managers, employees, volunteers, beneficiaries – has a part to play in fighting fraud. The Trustee in particular should manage fraud risks actively to satisfy themselves that the necessary counter-fraud arrangements are in place and working properly.

Fraud poses a serious risk to valuable funds, as well as sensitive data, and can damage the good reputation of social purpose organisations, affecting public trust and confidence in the sector as a whole.

Boards as custodians have a duty to manage their organisation's resources responsibly. They have legal duties and responsibilities under charity and other law to safeguard their organisation and to ensure that its funds and assets are protected, properly used and applied, and accounted for. The public needs to be sure that money donated to social purpose organisations is used properly and goes to the causes for which it is intended

What is a fraud risk assessment?

A fraud risk assessment is an objective review of the fraud risks facing a social purpose organisation to ensure they are fully identified and understood. This includes ensuring:

- fit for purpose counter fraud controls are in place to prevent and deter fraud and minimise opportunity, and
- action plans are in place to deliver an effective and proportionate response when suspected fraud occurs including the recovery of losses and lessons are learnt

Good practice suggests that to be most effective the risk assessment should be undertaken at a number of levels within the organisation:

- Organisational – to assess the key policy, awareness raising and behavioural (including leadership commitment) requirements that need to be in place to build organisational resilience to counter fraud.
- Operational – a detailed analysis of the fraud risk and counter fraud control framework at the operational level – by function (activity) or individual business unit (including programmes and projects).

A one size fits all assessment of fraud risk and response rarely works. Consider, a school and a charity operating internationally with the same level of controls. The risk and impact of fraud at the school may be inherently lower simply because of its operating environment. So a more nuanced approach is needed – one that considers the operating environment and the type and scale of fraud risk exposure. Some measures, are focused only on expenditure but some of

the largest frauds in the non profit sector have been frauds of income diversion. This means that whilst many of the prevention, detection and response policies, systems and procedures may be similar they need to take in to account the different factors.

Any fraud risk assessment should not be seen as a standalone exercise but rather an ongoing process that is refreshed on a regular basis. Carrying out the fraud risk assessment may reveal instances of actual or suspected fraud. Should this happen next steps will be determined on circumstances, the existing control framework (including any response plan(s)), and in consultation with the key members of the organisation's management team.

The Board's risk appetite and fraud

The Charity Commission's first guiding principle as explained above recognises that fraud will always happen.

It is therefore important that, as part of setting their overall risk appetite, the Board considers fraud within their tolerance for the risks associated with the management of the organisation's funds. The development and continued assurance of a robust counter fraud control framework should then contribute to the organisation matching the risk appetite and tolerance agreed by the Board.

Organisational resilience

Organisational resilience is the ability of an organisation to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions in order to survive and prosper.

In order to build organisational resilience in relation to fraud, defined as the measure of how well an organisation is protected against fraud, there are a number of key questions on the organisation's culture, policies and procedures which the Board should consider.

It is essential that Board members understand and meet their responsibilities to create organisational resilience to protect the funds and assets of the organisation from fraud. As part of their counter fraud strategy the Board should establish a counter fraud, bribery and corruption policy that is regularly reviewed together with a response plan for dealing with potential instances of fraud, bribery and corruption.

We have created a document at the below link with relevant checklists and questions to allow for this assess to be carried out methodically. This document contains references that have been made to the Charity Commission guidance. Although this is issued specifically for charities, it also identifies good practice which can be applied for all social purpose organisations.

This document includes:

- key questions for Boards to ask as a starting point in considering fraud risk
- detailed organisational counter fraud checklist which lists key questions for Boards on areas of organisational resilience
- checklist of potential fraud risks by function and activity
- set of questions from the National Cyber Security Centre (NCSC) publication "10 Steps to Cyber Security" to assist Boards with their existing strategic-level risk discussions.

We have provided key extracts of the guidance of checklists to assist boards in their assessment on the following pages. We request this is considered by the Audit, Finance and Risk Committee, on behalf of the board, as part of the fraud risk assessment and responses shared with us as part of the audit.

Full details can be found at:

<https://www.crowe.com/uk/insights/fraud-risk-assessment-non-profit>

Key fraud questions for the Board

All of the below questions need to be considered in the context of the structure and activities of the organisation and the fraud risks which it faces to enable the Board to ensure that the appropriate mitigating controls and action plans are put in place

Do we as a Board:	Comments
1. Understand our key fraud risks and how these change over time?	
2. Have a clear and proportionate anti-fraud strategy, balancing preventative, detective and deterrent activities?	
3. Actively promote the raising of concerns by staff, volunteers and/or third parties?	
4. Promote an anti-fraud culture and set the tone for the organisation?	
5. Understand the fraud risks within our supply chain?	
6. Understand the fraud risks within our third partner delivery organisations?	
7. Understand how we would identify if a significant fraud was happening based on data available to us?	
8. Have a clear Fraud Response Plan, setting out responsibilities, membership and decision-making bodies and investigation processes?	
9. Identified that the right skills to respond to fraud and cyber fraud incidents are available within our organisation or how they can be scaled up as part of our response?	
10. Have an anti-fraud policy and code of ethics which is communicated and understood across staff, volunteers and third parties?	

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Organisational counter fraud checklist

Charities and especially those operating internationally should have as part of their counter fraud, bribery and corruption strategy:

- a counter fraud, bribery and corruption policy that is regularly reviewed, and
- a response plan for dealing with potential instances of fraud, bribery and corruption.

The following questions will assist the Board to assess the adequacy and, where necessary, the development of their current organisational counter fraud policy and response plan and to understand and meet their responsibilities to protect the funds and assets of the organisation from fraud.

Does the Board's organisational counter fraud policy set out:	Yes / No	Comments
<ul style="list-style-type: none"> • The purpose of the policy in setting out the organisation's stance on, and its approach to preventing, detecting, reporting and investigating fraud, bribery and corruption? 		
<ul style="list-style-type: none"> • The scope of the policy, to whom it applies and the implications of non-compliance? 		
<ul style="list-style-type: none"> • A tone from the top that sends a clear message to staff and stakeholders on the standards of expected behaviour, and specifically that fraudulent behaviour is unacceptable, will not be tolerated and that the organisation is committed to reduce instances of fraud to an absolute minimum? 		
<ul style="list-style-type: none"> • How fraud and corruption is defined in the organisation with reference to current legislation and, where relevant, charity commission guidance? 		
<ul style="list-style-type: none"> • The organisation's approach to its fraud risk assessment? 		
<ul style="list-style-type: none"> • The key Board and management responsibilities in relation to the counter fraud policy within the organisation? 		
<ul style="list-style-type: none"> • How the organisation will continue to improve its counter fraud policy based on any lessons learnt? 		

Counter Fraud Response Plan

Does the Board's organisational counter fraud response plan include:	Yes / No	Comments
<ul style="list-style-type: none"> Details of the organisation's whistleblowing policy, including how and where staff, partners and other stakeholders can report potential instances of fraud and corruption? 		
<ul style="list-style-type: none"> How the organisation would respond to identified instances of fraud, bribery or corruption? 		
<ul style="list-style-type: none"> The roles and responsibilities of staff, teams and functional operating groups in responding to instances of fraud, bribery or corruption? 		
<ul style="list-style-type: none"> How any information on potential fraud, bribery or corruption should be reported, both within the organisation and to other relevant bodies (including law enforcement agencies)? 		
<ul style="list-style-type: none"> How the organisation monitors the progress of any investigation, and takes decisions on them? 		
<ul style="list-style-type: none"> The procedure for reporting identified loss from fraud, bribery or corruption both internally and externally and any associated recoveries? 		
<ul style="list-style-type: none"> The allocation of responsibility for an annual fraud action plan that summarises and is used to monitor key actions to improve capability, activity and fraud resilience? 		
<ul style="list-style-type: none"> Agreed activities to seek to detect fraud in high-risk areas where little or nothing is known of the potential risk of fraud, bribery or corruption activity? 		
<ul style="list-style-type: none"> How staff will access training appropriate to their role to promote an understanding and awareness of the organisation's fraud risks and their responsibilities? 		
<ul style="list-style-type: none"> The organisation's policies and procedures to identify potential conflicts of interest, including gifts and hospitality, and the requirements for staff to declare and record offers of gifts and hospitality (whether accepted or declined)? 		

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Committee(s)	Dated:
Audit and Risk Management Committee	10/07/2023
Subject: Internal Audit Charter	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: Chamberlain	For Decision
Report author: Matt Lock	

Summary

The Internal Audit function sets out its purpose, authority and responsibility in an Internal Audit Charter, as required by the Public Sector Internal Audit Standards. These standards also require that the Charter be approved by the Audit and Risk Management Committee.

There are no material changes made to the Internal Audit Charter as part of this review.

Recommendation(s)

The Audit and Risk Management Committee is asked to approve the updated Internal Audit Charter.

Main Report

Background

1. The Public Sector Internal Audit Standards (PSIAS) require all Internal Audit services operating within the public sector to produce an Internal Audit Charter, the PSIAS are mandatory for the City of London Corporation.
2. The Charter sets out the purpose, authority, and responsibility of the Internal Audit function, it should be reviewed annually and presented to the Audit and Risk Management Committee for approval.

Current Position

3. The Internal Audit Charter has been reviewed against the criteria specified in the latest version of the PSIAS and current operational practice. Given there are no changes to

the PSIAS or operationally within the Internal Audit function, the review resulted in no material amendments.

4. A small number of minor amendments have been made to improve the consistency of presentation and, recognising greater autonomy afforded to the Institutions of the City of London Corporation, to state more explicitly that the remit of the Internal Audit function encompasses all operations of the City of London Corporation.
5. The updated Internal Audit Charter is included as Appendix 1 to this report with the updates shown as tracked changes.

Corporate & Strategic Implications

6. 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

7. The Internal Audit function sets out its purpose, authority and responsibility in an Internal Audit Charter, as required by the PSIAS. The Committee is asked to approve this.

Appendix 1 – Internal Audit Charter (marked up version)

Matt Lock

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Introduction

1. This Charter sets out the purpose, authority, and responsibility of the City of London Corporation's Internal Audit function, prepared in accordance with the UK Public Sector Internal Audit Standards (PSIAS) (2017) and the CIPFA Local Government Application Note (LGAN).
2. The Charter is reviewed annually and presented to the Audit and Risk Management Committee for approval.
3. The scope and remit of Internal Audit and Counter-Fraud encompass all operations of the City of London Corporation (including specifically; the City of London Police, the Barbican Centre, the Guildhall School of Music and Drama, Bridge House Estates and the City Corporation's Independent Schools). Where reference is made to the City of London Corporation, these bodies will be deemed to be included in the objectives and requirements of this Charter.

Role of Internal Audit

4. The City of London Corporation has adopted the PSIAS mandatory definition of internal auditing, as specified by the Chartered Institute of Internal Auditors' International Professional Practices Framework (IPPF):

"Internal auditing is an independent, objective assurance and consulting (advisory) activity designed to add value and improve an organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

5. Internal Audit seeks to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight, specifically:
 - Assessing whether all significant risks are identified and reported appropriately to Members and Senior Leadership
 - Assessing the design and operation of key controls to determine whether they are effective at mitigating significant risks
 - Challenging Senior Leadership to improve the effectiveness of governance, risk management and internal controls by providing assurance over the effectiveness of the first and second line of defence functions.

Scope and Purpose

6. The scope of Internal Audit work is unrestricted and is based on Internal Audit's independent assessment of the key risks faced by the City of London Corporation and how effectively these risks are being managed.
7. Internal Audit may undertake assurance projects at the request of Audit and Risk Management Committee or the Audit (Sub) Committees of the institutions; the Head of

Internal Audit will determine the most appropriate way to deliver any such requests. In addition, Internal Audit may undertake lessons learned reviews following significant adverse events.

8. Internal Audit validates that management actions arising from audits have sustainably remediated the control weaknesses identified.
9. The Team provides advice and guidance to management on governance, risk and control and may engage with the City's Corporate and Departmental change projects providing expert independent and objective advice on the design of internal controls. The Head of Internal Audit will ensure that the independence of future Internal Audit assurance work is not compromised through this activity.

Independence and Authority

10. Internal Audit receives its authority from the Audit and Risk Management Committee. This Committee receives its authority directly from the Court of Common Council and, therefore, will fulfil the functions of the "board" as defined in the Public Sector Internal Audit Standards.
11. The Internal Audit function has unrestricted access to all Corporation records and information (held in any format), cash, stores and other Corporation property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter City Corporation property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Corporation should be set out in the conditions of funding.
12. Although line-managed by the Chamberlain, the Head of Internal Audit has direct access to the Town Clerk, Comptroller and City Solicitor, the Chairman of Audit and Risk Management Committee and the Chairmen of the Audit (Sub) Committees (or equivalent) for the institutions of the City of London Corporation.
13. In addition to reporting formally to Members at Audit and Risk Management Committee meetings, the Head of Internal Audit has access to all Members of City of London Committees in the reporting and discussion of Internal Audit work.
14. All Internal Audit staff are responsible for being independent, objective, and constructive in the conduct of their work and avoiding conflicts of interest and personal, business or other issues that may impair impartiality.

Head of Internal Audit Responsibilities

15. The Head of Internal Audit fulfils the role of the Chief Audit Executive (as required by the PSIAS) and is required to provide an annual opinion on the adequacy and effectiveness of the system of internal control for the whole Corporation and not limited to financial controls. In order to achieve this, the Internal Audit function has the following objectives:
 - Develop and deliver a programme of audit work that focuses on the key risks to the City Corporation, providing assurance that significant risks to the Corporation's

objectives are being managed and reporting outcomes from this work to Audit and Risk Management Committee on a regular basis

- Attend and present reports at the relevant Audit and Risk Committees and to senior management as appropriate. This includes reporting significant findings and their root causes and providing opinions on the effectiveness on the governance, risk management and control environment within systems reviewed
- Provide assurance to management that the Corporation's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
- Provide advice and support to management to enable an effective control environment to be maintained
- Investigate concerns of irregularity
- Access additional expertise and resource through the use of third parties e.g. professional services firms where required. In appointing third parties the Head of Audit and Risk Management considers the following factors: competence, independence and objectivity.

16. The Head of Internal Audit will report on conformance with the PSIAS in their annual report. An independent peer review will be undertaken at least every five years to assess the Internal Audit function's compliance with these standards.

Standards of Audit Practice

17. The Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 and most recently revised in 2017 are **mandatory** for the City of London Corporation, the Internal Audit service is designed and operates within these.

18. This is also in accordance with the IPPF, which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

19. Internal Audit officers are required to follow the Chartered Institute of Internal Auditors' Code of Ethics which is a statement of principles and expectations governing behaviour required in the conduct of internal auditing.

20. In addition, Internal Audit officers must comply with Internal Audit's policies and procedures and those of the City of London Corporation together with any other relevant professional bodies' standards of conduct. Auditors must possess the knowledge, skills and disciplines necessary to discharge their responsibilities.

Additional Responsibilities of the Head of Internal Audit

21. **Provision of Services to Outside Bodies** - The City of London Corporation Internal Audit function provides Internal Audit services under a service level agreement to London Councils and the Museum of London. In addition, Internal Audit will occasionally provide assurance to Central Government on the appropriate use of ring-fenced grants or performance returns where required by grant conditions.

22. **Counter-Fraud and Corruption** - Promoting fraud awareness and maintaining an effective anti-fraud and corruption function, acting as a central function for the

investigation of irregularities and, where criminal investigation is considered appropriate, to liaise directly with the Police and advise departments on such matters. The Section plays a specific anti-fraud and investigation role in relation to Housing Tenancy Fraud and the investigation of serious whistleblowing concerns raised through the City of London Whistleblowing policy.

23. Independent assurance as to the adequacy and effectiveness of Counter-Fraud and Corruption arrangements will be provided to senior management and the Audit and Risk Management Committee through periodic external assessment.

Reviewed and updated 13 June 2022

Committee(s)	Dated:
Audit and Risk Management Committee	10/07/2023
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: Chamberlain	For Information
Report author: Matt Lock	

Summary

This report provides an update on Internal Audit activity since 1 April 2023. 5 substantive Internal Audit reviews have been completed and work is in progress at various stages for a number of Audit reviews.

A recruitment campaign is currently live, with 2 senior positions in the team advertised. Successful appointment to these positions will see the Internal Audit team at full capacity within the current structure.

Recommendation(s)

Members are asked to:

- Note the outcomes of completed Internal Audit work

Main Report

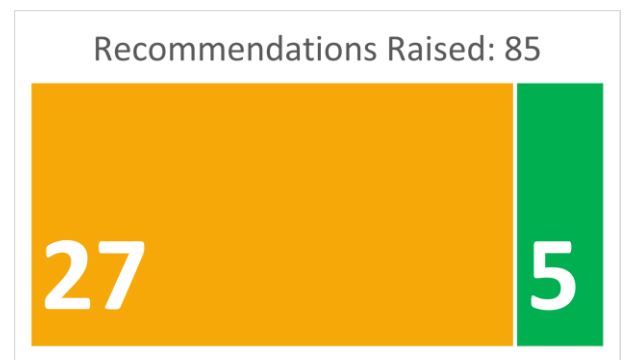
Background

1. This report provides an update on the work of Internal Audit since 1 April 2023, specifically, an overview of the outcomes from completed Internal Audit reviews, completion of the External Quality Assessment and Internal Audit recruitment.

Current Position

2. Final Audit Reports have been issued in respect of 5 Audit Reviews so far in 2023/24, 1 Substantial and 4 Moderate Assurance opinions were provided. The overall outcomes from the recently completed Audit reviews are summarised in the following table:

Audit Assignment	Assurance Rating	Recommendations Made		
		Red	Amber	Green
Corporate Wide – Purchase Order Compliance	Moderate	0	2	0
Guildhall School – Safeguarding	Substantial	0	3	2
Guildhall School – Universities UK Code of Practice for the Management of Student Housing	Moderate	0	5	0
City of London Freeman’s School - Key Financial Controls	Moderate	0	11	3
Corporate Wide – Data Protection 2 nd Line of Defence	Moderate	0	6	0



External Quality Assessment

3. As referenced at the May Committee meeting, completion of the External Quality Assessment was a priority for early 2023/24. There are two elements to this process; a self-assessment against the Public Sector Internal Audit Standards and, an independent validation of this. The independent validation has been completed in May and June, concluding the EQA. The assessor’s report is included as a separate item on the agenda for this meeting.

Internal Audit Recruitment

4. At the time of writing this report a recruitment campaign is in progress to appoint a Principal Auditor and a Senior Auditor, a verbal update will be provided in relation to the response to this campaign and the strength of the shortlisted pool of candidates. Interviews are scheduled for later in July.

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. Given the current capacity of the Internal Audit team, delivery of planned Audit work is good. 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.

Matt Lock

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Committee(s)	Dated:
Audit and Risk Management Committee	10/07/2023
Subject: Internal Audit External Quality Assessment	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: Chamberlain	For Information
Report author: Matt Lock	

Summary

In accordance with the requirements of the Public Sector Internal Audit Standards, an External Quality Assessment (EQA) has been undertaken in respect of the Internal Audit service. The EQA concludes that the service “generally conforms to the standards”

Recommendation(s)

Members are asked to note the report and the findings of the EQA.

Main Report

Background

1. The Public Sector Internal Audit Standards (PSIAS) require an external quality assessment be undertaken at least every five years. The PSIAS are mandatory and apply in full to the City of London Corporation.

Current Position

2. Across London, the London Audit Group has organised a system of independently validated assessments. It has been agreed that self-assessments will be completed and that these will be validated by suitably qualified individuals or teams from other members of the group.
3. The review of internal audit’s performance at the City of London has been led by Mike Pinder, Assistant Director, Audit and Investigations Ealing and Hounslow Shared Service. The full report from the EQA is included as Appendix 1 to this report. A small number of recommendations have been made, these are duly noted by the Head of Internal Audit and an action plan has been agreed, progress in implementing these recommendations will be reported to this Committee.

4. Based on the self-assessment, supporting evidence and independent validation it is the view of the lead assessor that the Internal Audit service for the City of London **generally conforms with the Public Sector Internal Audit Standards**. This is the highest category of conformance, full definitions of all the ratings are detailed in the assessor's report.

Conclusion

5. Members should note the findings from the EQA review; the Internal Audit service at the City of London Corporation generally conforms with the PSIAS.

Appendices

- **Appendix 1** EQA Final Report

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City of London Corporation

Internal Audit Performance External Quality Assessment

Date: June 2023

Report Authors:
Mike Pinder, Assistant Director Audit and Investigations
Ealing and Hounslow Shared Service

Introduction

The Public Sector Internal Audit Standards (PSIAS) require an external quality assessment be undertaken at least every five years, although more frequent assessments may take place. The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced.

Standard 1312 states:

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

The standards and interpreting guidance go on to clarify that the external assessor must conclude as to conformance with the Code of Ethics and the Standards. The lead assessor must demonstrate competence in the professional practice of internal auditing and the external assessment process. Neither the lead assessor or any members of the assessment team should have an actual or perceived conflict of interest and they must not be a part of, or under the control of, the organisation to which the internal audit activity belongs. The scope of the assessment must be agreed with an appropriate sponsor, such as the Director of Finance or the Chair of the Audit Committee.

Across London, the London Audit Group has organised a system of independently validated assessments. It has been agreed that self-assessments will be completed and that these will be validated by suitably qualified individuals or teams from other members of the group.

This review of internal audit's performance at the City of London has been led by Mike Pinder, Assistant Director, Audit and Investigations Ealing and Hounslow Shared Service, who is appropriately qualified, independent and has no actual or perceived conflicts of interest. The terms of reference for this assessment were discussed and agreed with Matt Lock, Head of Audit, City of London.

Conclusion

Based on the self-assessment, supporting evidence and independent validation it is the view of the lead assessor that the internal audit service for the City of London **generally conforms with the Public Sector Internal Audit Standards**. Definitions of all the ratings are detailed in Appendix A.

Generally Conforms	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
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Stakeholder Survey

During this assessment a survey of key stakeholders was undertaken. 25 survey responses were received. In summary the survey results were positive and have revealed the following:

- Senior managers understand and fully support the work of internal audit;
- The internal audit service is delivered with professionalism at all times;
- The internal audit service demonstrates integrity in the way that it operates;
- Internal audit advice has a positive impact on the governance, risk, and the system of control of the organisation; and
- The internal audit service raises significant control issues at an appropriate level in the organisation.

A total of 323 responses were received across 19 questions. A summary of the responses can be seen in the table below:

Responses	Number	%
Fully Agree	81	25%
Generally Agree	154	48%
Partially Agree	68	21%
Does Not Agree	20	6%

For two of the questions, three responses of 'do not agree' were provided and for a further 2 questions, one response of 'do not agree' was received. However, on view of the wider responses received against these questions, as summarised below in Appendix B, these responses do not appear to be representative of the overall view of stakeholders who completed the survey.

The highest combined score of 'do not agree' and 'partially agree' were:

- 71%, which was in relation to the question 7: *The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.*
- 59% in relation to question 8. *The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes.*
- 41% in relation to question 3. *Internal audit is valued throughout the organisation* and question 17 *The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives.*

Related comments were also received:

IA is a highly valued and professional unit however they are under resourced and need investment. They could also improve how they share results so the learning is applicable across the organisation not just the area within focus.

Two questions received a combined 'Fully Agree' and 'Generally Agree' score of over 90%. These were:

- The internal audit service is delivered with professionalism at all times (94%)
- The internal audit service demonstrates integrity in the way that it operates (94%);

A number of positive comments were also received:

- The team has always been helpful and has a "can do" attitude despite being under staffed.
- IA is a highly valued and professional unit
- I've been very much impressed by the leadership of Matt Lock and his team. They are always at pains to establish what audits would be most helpful and how best to report them back. All in all a very positive, informative, well-managed and worthwhile experience.
- Matt Lock's leadership has always been exemplary but a personal and professional and practical approach.

The full results of the survey are shown at Appendix B.

Stakeholder Interviews

In addition to the survey, a number of key stakeholders were interviewed as part of the assessment:

- Chief Executive;
- Chamberlain & CFO
- City Surveyor
- Chair of Audit and Risk Management Committee and Deputy Chair of the Audit and Risk Management Committee.

The feedback received from the stakeholders was very positive. Internal Audit was described as:

- Really positive in all areas.

- Matt has done a fantastic job. Very happy with his performance. Very open to new ideas and wants to improve the quality of work of the committee. Works well with Chief Officers.
- Responsive
- Quality is good; very good and professional auditors.
- Solution focus, reflected and committed to continuous improvements.
- Holds fast to integrity and audit opinion. Speaks truth to power. Taken on some thorny issues.
- Good at connecting across London.

In terms of areas for improvement, the interviews indicate that:

- Internal Audit doesn't currently have enough resources in the team; struggling to recruit at the moment. Would be great to have more audit and more resource would be helpful.
- The Committee wants to support to ensure Matt can remain independent. Provide expertise without pressure.

Areas of Good Practice

The assessment has identified some areas of notable good practice, for example:

- Risk deep dive process.
- Continuous improvement programme.

Areas for Improvement

The assessment has identified some areas for improvement which includes the following:

- **1110 Organisational Independence**
The PSIAS requires that the Chief Audit Executive (CAE) confirms to the board, at least annually, that the internal audit activity is organisationally independent. Whilst the independence of Internal Audit is implied through the work it carries out, the HIA's Annual Opinion statement, and via stakeholder interviews, it was noted that this is not explicitly confirmed or stated as required by the standards.
- **1230 Continuing Professional Development**
Continuing Professional Development is logged with auditors professional bodies only. Auditors will attend training and development, but it is not logged within the service. With a new team and succession planning, greater planning and recording of training may help with resourcing and demonstrating expertise to undertake certain audits.
- **1312 External Assessment**
There was a gap of greater than 5 years between external assessments. The last external assessment was undertaken in 2017. Whilst this EQA was planned for 2022/23 it was delayed due to the resourcing constraints.

- **2010 Planning**
The planning process generally confirms. Feedback from managers and the audit committee on the immediate plan (up to 3 months) medium term plan (3-9 months) is positive. Whilst there is no documented risk assessment, potential areas of internal audit are evaluated against prioritisation criteria. Deep dives are also undertaken of key risks on the risk register. Regularity of coverage on mitigated risks needs to be considered (e.g. key financial systems, IT audits) moving forwards.
- **2030 Resource Management**
The HIA was able to provide an opinion and considered they had sufficient resource to do so. The assessment noted that the number of audits completed in 2023 was significantly less than 2021. Feedback from the survey and meetings also suggested that additional resource may be beneficial. Discussion with the HIA identified awareness of this issue last year, there was a vacancy in the team last year. A revised structure, including succession planning has now been put in place.
- **2500 Monitoring Progress**
There is a strong process for following-up management actions. There were, however, 83 actions outstanding with some going as far back as 2018-19. The HIA advised that this was a concern that they had raised with Executive Leadership Board and Audit Committee. This has improved in recent times and continues to progress, but requires ongoing traction from auditees. .

A summary of the outcomes of this assessment follows. An action plan has been developed with the Head of Internal Audit to address these areas and is included as Appendix C. Progress/completion of this action plan should be reported to senior management and the Audit and Risk Management Committee.

Summary Assessment

Statement	Generally Conforms	Partially Conforms	Does not Conform
Mission of Internal Audit			
Does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?	✓		
Definition of Internal Auditing			
Is the internal audit activity independent and objective?	✓		
Does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓		
Core Principles			
Does the internal audit activity conform with the PSIAS by demonstrating integrity?	✓		
Does the internal audit activity conform with the PSIAS by demonstrating competence and due professional care?	✓		
Does the internal audit activity fully conform with the PSIAS by being objective and free from undue influence (independent)?	✓		
Does the internal audit activity fully conform with the PSIAS by being aligned with the strategies, objectives, and risks of the organisation?	✓		
Is the internal audit activity appropriately positioned and adequately resourced?		✓	
Does the internal audit activity demonstrate quality and continuous improvement?	✓		
Does the internal audit activity communicate effectively?	✓		
Does the internal audit activity provide risk-based assurance, based on adequate risk assessment?	✓		
Is the internal audit activity insightful, proactive, and future-focused?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Does the internal audit activity promote organisational improvement?	✓		
Code of Ethics			
Do internal auditors display integrity?	✓		
Do internal auditors display objectivity?	✓		
Do internal auditors display due respect and care by maintaining confidentiality?	✓		
Do internal auditors display competency?	✓		
Do internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	✓		
Attribute Standards			
Does the internal audit charter conform with the PSIAS by including a formal definition of the purpose, authority and responsibility of the internal audit activity?	✓		
Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?	✓		
Internal Audit Charter.	✓		
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?	✓		
Does the CAE have direct and unrestricted access to senior management and the board?	✓		
Are threats to objectivity identified and managed.	✓		
Does the CAE report to an organisational level equal or higher to the corporate management team? Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓		
Does the CAE's position in the management structure: Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?	✓		
Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?	✓		
Does the CAE communicate and interact directly with the board?	✓		
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity? Does the board periodically review these safeguards?	✓		
Do internal auditors have an impartial, unbiased attitude?	✓		
Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓		
Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓		
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties?	✓		
Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?	✓		
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	✓		
Is the risk of over-familiarity or complacency managed effectively?	✓		
Have internal auditors declared interests in accordance with organisational requirements?	✓		
Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties has this been declared and investigated fully?	✓		
Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?	✓		
Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	✓		
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	✓		
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent? Is the CAE suitably experienced?	✓		
Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	✓		
Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	✓		
Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	✓		
Do internal auditors have sufficient knowledge of key information technology risks and controls?	✓		
Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	✓		
Do internal auditors exercise due professional care?	✓		
Do internal auditors exercise due professional care during a consulting engagement?	✓		
Has the CAE defined the skills and competencies for each level of auditor? Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	✓		
Do internal auditors undertake a programme of continuing professional development?	✓		
Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	✓		
Does the QAIP include both internal and external assessments?	✓		
Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Do internal assessments include ongoing monitoring of the internal audit activity?	✓		
Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?	✓		
Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?	✓		
Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	✓		
Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?			✓
Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?	✓		
Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	✓		
Has the CAE reported the results of the QAIP to senior management and the board?	✓		
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	✓		
Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	✓		
Has the CAE reported any instances of non-conformance with the PSIAS to the board?	✓		
If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	✓		
Performance Standards			
Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	✓		
Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	✓		
Does the risk-based plan set out the: Audit work to be carried out?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	✓		
Is the internal audit activity's plan of engagements based on a documented risk assessment?		✓	
In developing the risk-based plan, has the CAE also given sufficient consideration to: Any declarations of interest (for the avoidance for conflicts of interest)? The requirement to use specialists, eg IT or contract and procurement auditors? Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	✓		
In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?	✓		
Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	✓		
Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval? Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	✓		
Has the CAE communicated the impact of any resource limitations to senior management and the board?	✓		
Does the risk-based plan explain how internal audit's resource requirements have been assessed?	✓		
Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?	✓		
If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?	✓		
Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	✓		
Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	✓		
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	✓		
Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes?	✓		
Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities?	✓		
Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	✓		
Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes?	✓		
Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems?	✓		
Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	✓		
Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	✓		
Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	✓		
Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems	✓		
Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	✓		
Do internal auditors develop and document a plan for each engagement?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Do internal auditors consider the following in planning an engagement, and is this documented: objectives, controls, risks, resources, operations, risk mitigation, adequacy, effectiveness, improvements?	✓		
Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party?	✓		
For consulting engagements, have internal auditors established an understanding with the engagement clients	✓		
Have objectives been agreed for each engagement?	✓		
Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?	✓		
Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	✓		
Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?	✓		
Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	✓		
For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?	✓		
Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement	✓		
Have internal auditors developed and documented work programmes that achieve the engagement objectives?	✓		
Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?	✓		
Have internal auditors generally based their conclusions and engagement results on appropriate analyses and evaluations?	✓		
Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented: Intentional wrongdoing? Errors and omissions? Poor value for money? Failure to comply with management policy? Conflicts of interest?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Have internal auditors documented the relevant information required to support engagement conclusions and results?	✓		
Does the CAE control access to engagement records?	✓		
Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	✓		
Do the communications of engagement results include the following: The engagement's objectives? The scope of the engagement? Applicable conclusions? Recommendations and action plans, if appropriate?	✓		
Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	✓		
If recommendations and an action plan have been included, are recommendations prioritised according to risk?	✓		
Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?	✓		
Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	✓		
When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	✓		
Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?	✓		
Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?	✓		
If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	✓		
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? The reason(s) for non-conformance? The impact of non-conformance on the engagement and the engagement results?	✓		
Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	✓		
Has the CAE communicated engagement results to all appropriate parties?	✓		
Before releasing engagement results to parties outside the organisation, did the CAE: Assess the potential risk to the organisation? Consult with senior management and/or legal counsel as appropriate? Control dissemination by restricting the use of the results?	✓		
Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	✓		
Has the CAE delivered an annual internal audit opinion?	✓		
Does the communication identify the following: The scope of the opinion, including the time period to which the opinion relates? Any scope limitations? The consideration of all related projects including the reliance on other assurance providers? The risk or control framework or other criteria used as a basis for the overall opinion?	✓		
Does the annual report incorporate the following: annual opinion, summary of work, qualifications, impairments, comparisons, conformance with PSIAIS, results of the QAIP, progress against improvement plans, summary of performance?	✓		
Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?	✓		
Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	✓		
If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	✓		

Appendix A – Definitions

Generally Conforms	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and practice statements within the section or sub-sections. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the Audit Committee.

Appendix B – Survey Results

The results of the stakeholder feedback survey are based on 17 responses. Due to rounding, some may add up to 101%.

	Do Not Agree	Partially Agree	Generally Agree	Fully Agree
Standing and Reputation of Internal Audit				
1. The internal audit service is seen as a key strategic partner throughout the organisation	6% (1)	18% (3)	53% (9)	23% (4)
2. Senior managers understand and fully support the work of internal audit	6% (1)	12% (2)	59% (10)	23% (4)
3. Internal audit is valued throughout the organisation	12% (2)	29% (5)	53% (9)	6% (1)
4. The internal audit service is delivered with professionalism at all times	6% (1)	0% (0)	41% (7)	53% (9)
5. The internal audit service demonstrates integrity in the way that it operates	0% (0)	6% (1)	41% (7)	53% (9)
Impact on Organisational Delivery				
6. The internal audit service responds quickly to changes within the organisation	18% (3)	12% (2)	59% (10)	12% (2)
7. The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate	18% (3)	53% (9)	29% (5)	0% (0)
8. The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes	12% (2)	47% (8)	18% (3)	24% (4)

	Do Not Agree	Partially Agree	Generally Agree	Fully Agree
9. The internal audit service ensures that recommendations made are commercial and practicable in relation to the risks identified	6% (1)	6% (1)	76% (13)	12% (2)
10. There have not been any significant control breakdowns or surprises in areas that have been positively assured by the IA service	6% (1)	12% (2)	47% (8)	35% (6)
Impact on Governance, Risk and Control				
11. The internal audit service includes consideration of all risk areas in its work programme	0% (0)	18% (3)	65% (11)	18% (3)
12. Internal audit advice has a positive impact on the governance, risk, and the system of control of the organisation	0% (0)	24% (4)	35% (6)	41% (7)
13. Internal audit activity has enhanced organisation-wide understanding of governance, risk, and control	6% (1)	24% (4)	53% (9)	18% (3)
14. The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas	6% (1)	24% (4)	53% (9)	18% (3)
15. The internal audit service raises significant control issues at an appropriate level in the organisation	6% (1)	18% (3)	35% (6)	41% (7)
16. Internal audit advice is insightful, proactive and future-focused	6% (1)	18% (3)	53% (9)	24% (4)
17. The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives	0% (0)	41% (7)	35% (6)	24% (4)

	Do Not Agree	Partially Agree	Generally Agree	Fully Agree
18. Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation	6% (1)	29% (5)	47% (8)	18% (3)
19. Internal audit activity promotes appropriate ethics and values within the organisation	0% (0)	12% (2)	53% (9)	35% (6)
Total Scores	6% (20)	21% (68)	48% (154)	25% (81)

Survey – extracts of further comments:

That not all staff at Guildhall School necessarily appreciate the work of the Internal Audit Team is more of an historic failing by the School than a lack of communication by the team itself. Since my time as Principal I've been very much impressed by the leadership of Matt Lock and his team. They are always at pains to establish what audits would be most helpful and how best to report them back. All in all a very positive, informative, well-managed and worthwhile experience.

Note that where I have only partially agreed with some points in general this is the result of lack of engagement on the part of certain colleagues within the management team and not a reflection of the work of the internal audit team

I am a relatively new member to this committee. The team has always been helpful and has a "can do" attitude despite being under staffed. I look forward to working more closely with the team.

IA is a highly valued and professional unit however they are under resourced and need investment. They could also improve how they share results so the learning is applicable across the organisation not just the area within focus.

It is hard for internal audit to balance the Corporation wide guidance with the specific local practice and needs for individual business given the diverse nature of the Corporation. Specific industry recommendations would be helpful as well as monitoring adherence to guidance that may or may not be fit for purpose.

Matt Lock's leadership has always been exemplary but a personal and professional and practical approach.

The auditors should be granted access to the committee database

Somehow we need to enhance influence and impact of internal audit so that it is seen as an important business tool which is respected by members. The same challenge affects the same role in commercial life. Findings probably need to be robust but better communicated.

I have never heard of this function, or interacted with it

Appendix C – Action Plan

PSIAS Ref	Area for Improvement	Planned Actions	Responsible Officer and Target Date
1110 Organisational Independence	The PSIAS requires that the Chief Audit Executive (CAE) confirms to the board, at least annually, that the internal audit activity is organisationally independent. Whilst the independence of Internal Audit is implied through the work it carries out, the HIA's Annual Opinion statement, and via stakeholder interviews, it was noted that this is not explicitly confirmed or stated as required by the standards.	A statement will be incorporated within future annual opinion reports and the AGS (under the heading "Role of Internal Audit"	<i>Matt Lock 31/03/2024</i>
1230 Continuing Professional Development	Continuing Professional Development is logged with auditors professional bodies only. Auditors will attend training and development, but it is not logged within the service. With a new team and succession planning, greater planning and recording of training may help with resourcing and demonstrating expertise to undertake certain audits.	A team Learning and Development Plan will be introduced, this will be in place by 31/07/2023 but will be backdated to provide a record of learning for the full 2023/24 year.	Matt Lock 31/07/2023
1312 External Assessment	There was a gap of greater than 5 years between external assessments. The last external assessment was undertaken in 2017. Whilst this EQA was planned for 2022/23 it was delayed due to the resourcing constraints.	This review has in effect addressed this finding.	Matt Lock (June 2023)
2010 Planning	The planning process generally confirms. Feedback from managers and the audit committee on the immediate plan (up to 3 months) medium term plan (3-9 months) is positive. Whilst there is no documented risk assessment, potential areas of internal audit are	Full use will be made of the Audit Planning module within the new Internal Audit Management IT	Matt Lock and Cirila Peall (Audit Manager) 30/09/2023

	<p>evaluated against prioritisation criteria. Deep dives are also undertaken of key risks on the risk register. Regularity of coverage on mitigated risks needs to be considered (e.g. key financial systems, IT audits) moving forwards.</p>	<p>application, it is anticipated that, while much of the Internal Audit programme of work will be maintained on an agile basis, this will be built around a programme of periodic assurance against key systems and risks. The incoming application allows for a risk systematic assessment so it will be possible to better demonstrate how Internal Audit work has been prioritised and, importantly, why systems have been identified as not significant for audit review.</p>	
2030 Resource Management	<p>The HIA was able to provide an opinion and considered they had sufficient resource to do so. The assessment noted that the number of audits completed in 2023 was significantly less than 2021. Feedback from the survey and meetings also suggested that additional resource may be beneficial. Discussion with the HIA identified awareness of this issue last year, there was a vacancy in the team last year. A revised structure, including succession planning has now been put in place.</p>	<p>Recruitment is in progress, interviews are scheduled for July 2023, successful appointment is anticipated to fully bridge the resource shortfall, this will be monitored over the longer term.</p> <p>The current composition of the team includes 2 Trainee Auditors</p>	<p>Matt Lock</p> <p>Expected to improve by 01/10/2023 following recruitment to 2 vacancies.</p> <p>Further improvement by June 2024 when the Trainee Auditors conclude their apprenticeships.</p>

		<p>(Apprentices), 1 Auditor, 1 Senior Auditor – we are “trainee-heavy” at the moment, but this balance will quickly shift as the professional development of the junior team members progresses.</p>	
<p>2500 Monitoring Progress</p>	<p>There is a strong process for following-up management actions. There were, however, 83 actions outstanding with some going as far back as 2018-19. The HIA advised that this was a concern that they had raised with Executive Leadership Board and Audit Committee. This has improved in recent times and continues to progress, but requires ongoing traction from auditees.</p>	<p>In order to improve the clarity and focus of recommendations, we have adopted a slightly more granular/specific approach (for example, we may raise multiple recommendations where we would previously raise one recommendation with multiple elements). This increases the gross number of recommendations, also where we are targeting our work to higher risk/priority areas, we expect to find more issues. Nonetheless, the position does continue to improve, our regular dashboard reporting to Chief Officers has helped, this will be monitored.</p>	<p>Matt Lock – Ongoing activity, reporting to ELB and A&RM Committee</p>

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Committee(s): Audit and Risk Management Committee	Dated: 10/07/2023
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: Tabitha Swann, Head of Corporate Strategy and Standards	

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 May 2023. 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 attached to this report.
- That the total number of corporate risks remains at 15, with no changes to the risk ratings since the previous written update.
- That the number of red departmental risks remains at 26, with no changes to the risk register (risk ratings or risks) since the previous written update.

Main Report

Background

1. The corporate and red departmental risks are reported to this Committee as a minimum 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 Executive Leadership Board (ELB) on 17 May, and by the Chief Officers Risk Management Group on 19 June as Senior Officers accountable for CoLC risk management actions, decisions and outcomes (including consideration of developing risk areas and cross-corporation risk management themes). ELB also

discussed the management of reputational risks at their meeting on 21 June and this will be explored in more detail at the next CORMG.

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 26 June 2023 compared with 2 May 2023 (the figures last seen by the Committee).

Risk rating (RAG)	June 2023	May 2023	Difference
Red	74	71	+3
Amber	274	276	-2
Green	122	121	+1
Total	470	468	+2

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

4. Table 2 below shows the breakdown of the red, amber and green rated risks by risk level as of 26 June 2023 compared to 20 May 2023.

Risk rating	Red		Amber		Green	
	June 2023	May 2023	June 2023	May 2023	June 2023	May 2023
Risk level						
Corporate	4	4	11	11	0	0
Departmental	26	26	102	104	25	24
Service	44	41	161	161	96	96
Team	0	0	0	0	0	0
PPM	0	0	0	0	1	1
Total	74	71	274	276	122	121
Difference	+3		-2		+1	

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

Corporate Risks

5. There are currently 15 corporate risks on the corporate risk register (4x Red, 11x Amber). The number of risks and the risk scores remains the same as when the Committee last received an update.
6. The highest scoring corporate risks - 1x Red 24 (8x3 impact extreme, likelihood possible) and 3x Red 16 (4x4 impact major, likelihood likely) - remain:
- CR16 Information Security – Red 24
 - CR37 Maintenance and Renewal of Corporate Physical Operational Assets – Red 16
 - CR38 Unsustainable Medium Term Finances City's Cash – Red 16
 - CR39 Recruitment and Retention – Red 16

7. Attached to this paper at Appendix 1 is the corporate risk register showing the eight risks above appetite.

8. Table 3 below shows a summary of all CoLC corporate risks as of 26 June 2023.

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight path	Risk creation date (Pentana)	Risk added to CR Register (year)
CR16	Information Security (formerly CHB IT 030)	24				10 May 2019	Pre-Pentana (2014)
CR37	Maintenance and renewal of Corporate Operational Assets (excluding housing assets)	16				04 Nov 2019	2022
CR38	Unsustainable Medium Term Finances - City's Cash	16				31 Oct 2022	2022
CR39	Recruitment and Retention	16				21 Feb 2023	2023
CR01	Resilience Risk	12				20 Mar 2015	Pre-Pentana (2014)
CR02	Loss of Business Support for the City	12				22 Sept 2014	Pre-Pentana (2014)
CR29	Information Management	12				08 Apr 2019	Pre-Pentana (2014)
CR30	Climate Action	12				07 Oct 2019	2019
CR33	Major Capital Schemes	12				14 Feb 2020	2020
CR35	Unsustainable Medium Term Finances - City Fund	12				19 Jun 2020	2020
CR36	Protective Security	12				10 Jan 2022	2022
CR09	Health Safety and Wellbeing Risk (Management System)	8				22 Sept 2014	Pre-Pentana (2014)
CR10	Adverse Political Developments	8				22 Sept 2014	Pre-Pentana (2014)
CR17	Safeguarding	8				22 Sept 2014	Pre-Pentana (2014)
CR21	Air Quality	6				07 Oct 2015	2015

Table 3: June 2023: List of Current Corporate Risks by Current Risk Score.

9. The RAG matrices below show the distribution of corporate risks as of 26 June (Table 4) and 2 May 2023 (Table 5):

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

Table 4: Jun 2023 Corporate Risk Heatmap

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

Table 5: May 2023 Corporate Risk Heatmap

10. Following discussion at the May committee meeting, CR37 Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets) has been reviewed and amended to better reflect the risks in this area relating to the Barbican Centre and the Guildhall School of Music and Drama. You can find a copy of the updated risk at Appendix 2.

Red Departmental Risks

11. There are currently 26 departmental red risks – as reported in the last written update to the Committee. A summary of the top red departmental risks can be found at Appendix 3.

12. The following two risks remain the highest rated departmental risks with current risk scores of Red 32 (impact extreme 8 x likelihood likely 4).

- GSMD CROSC 012 Failure to invest in the renewal of buildings and estate infrastructure
- GSMD SUS 001 Inability to invest in new infrastructure and teaching spaces

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 document (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: CR37 Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets)
- Appendix 3: All Red Departmental Risks - short summary report

Tabitha Swann

Head of Corporate Strategy and Standards

Tabitha.Swann@cityoflondon.gov.uk

Corporate Risk Detailed Register EXCLUDING completed actions by risk appetite

Generated on: 26 June 2023



Rows are sorted by Risk Score

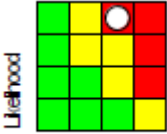
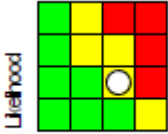
Risk Appetite Level Description Risk above appetite

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
0316 Information Security (formerly CHB IT 030) 10-May-2019 Emma Moore	<p>Cause: Breach of City of London Corporation IT Systems resulting in unauthorised access to data by internal or external sources.</p> <p>Event: The City Corporation does not adequately prepare, maintain robust (and where appropriate improve) effective IT security systems and procedures.</p> <p>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.</p>		<p>The project to implement a raft of new security improvements is complete</p> <p>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.</p> <p>08 Jun 2023</p>		<p>31-Mar-2024</p> <p>Reduce</p>	<p>Constant</p>

Action no,	Action description	Latest Note	Action	Latest Note	Due Date
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Title,			owner	Date	
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. Final stages of delivery with the IT project team.	Gary Brailsford-Hart	08-Jun-2023	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 This is now in place and communications are being routinely shared	Gary Brailsford-Hart	08-Jun-2023	31-Jan-2024
CR16q User behaviour monitoring	Monitoring user activity on the network for any suspicious or unauthorized behaviour	Whilst we have monitoring of activity in place there is no behavioural analytical solution to identify anomalous behaviour. This capability is a significant control in detecting and preventing ransomware attacks.	Gary Brailsford-Hart	08-Jun-2023	31-Jul-2023
CR16r Access control monitoring	Monitoring access control systems and processes to ensure that only authorized users have access to sensitive information	Controls are in place to manage the access control to the estate; improvements have been made in the application of multifactor authentication. However, the escalation and acceptance of privileged accounts remains within the IT department and is not subject to independent scrutiny.	Gary Brailsford-Hart	08-Jun-2023	31-Jul-2023
CR16s Incident response	Developing and implementing a plan to respond to any security incidents that occur.	We have drafted a Cyber Incident Plan as well as operating cyber testing exercises. However, there is a need to produce further playbooks and develop more testing and exercising events	Gary Brailsford-Hart	08-Jun-2023	31-Jul-2023
CR16t Security information and event management (SIEM)	Using software tools to collect and analyze data from various security sources to detect and respond to security incidents.	This is in place and operating. Microsoft Sentinel is in place and collecting activity from across CoL. This is monitored and managed by the InfoSec team who will detect and investigate incidents highlighted by the SIEM.	Gary Brailsford-Hart	08-Jun-2023	31-Jul-2023
CR16u Security awareness training	Providing regular training to staff and employees on cyber security best practices to prevent security breaches.	We have confirmed that MetaCompliance Learning is currently licenced for CoL but has not been deployed. InfoSec team will be engaging with learning and development to support, refresh and deliver this across CoL. We have developed an awareness plan and produce weekly cyber security articles which are	Gary Brailsford-Hart	08-Jun-2023	31-Aug-2023

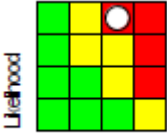
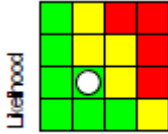

		being shared with communications colleagues			
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Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR38 Unsustainable Medium Term Finances - City's Cash 31-Oct-2022 Caroline Al-Bayerty	<p>Causes: High inflation –Office for Budget Responsibility forecasting peak in Autumn 2022 and although predicted to fall over the next two years, embedded increases. Construction inflation running at 5% for 2023/24. Contraction in key income streams and increase in bad debts following post pandemic change in working practices still continues into 2023.</p> <p>Event: Inability to contain financial pressures within year (2022/23) and deliver sustainable savings already baked in and/or increase income generation not realised requiring further draw down on Reserves. 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. 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.</p>	 Likelihood Impact	16	Refer CR35 for Price Index and inflation rates. The 5 year financial forecast was approved by Court of Common Council on 9th March, however the risk remains at red as City's Cash is unable to levy taxes in the same way City Fund can – City's Cash long term financial plan is running at a deficit which still needs to be addressed. 15 May 2023	 Likelihood Impact	8	31-Mar-2023	↓
							Reduce	Decreasing

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a 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 	The five year financial plan was approved by Court of Common Council on 9 March: 2023/24 base budgets include 2% uplift plus increase in base to support July 2022 pay award. Mitigations approved by CoCo in March 2023 include: central contingencies held to support new pay pressures; carry forwards from 2022/23 underspends to support one-off pressures; transformation funding held centrally to support Resource Prioritisation Refresh workstreams	Sonia Virdee	15-May-2023	31-Mar-2024

		and the culture shift. Additional funding allocated to support the backlog of urgent Cyclical Works Programme. £3m contingency ringfenced for urgent health and safety works under capital programme.			
CR38b Impact of construction inflation on capital programme	Impact of construction inflation on capital programme: <ul style="list-style-type: none"> • Major projects • Business as usual capital programme Remain within the financial envelopes approved for major projects	Refer to CR35c.	Sonia Virdee	15-May-2023	31-Mar-2024
CR38e A reduction in key income streams and increase in bad Debt	A reduction in key income streams and increase in bad Debt <i>Triggers:</i> <i>Increase in loss of property investment portfolio income over £5m p.a.</i>	This is being monitored monthly, with action being taken to reduce spend where possible. Budget forecast for 22/23 included 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.	Phil Black; Sonia Virdee	15-May-2023	30-Jun-2024
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%).	The five year financial plan provides recommendations for one-off cost pressures and on-going pressures. An officer Star Chamber is being held over the next two months to review savings yet to be delivered during 2023/24 and will be presented to RASC sub away day.	Sonia Virdee	15-May-2023	31-Mar-2024

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Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR39 Recruitment and Retention 21-Feb-2023 Emma Moore Page 114	Cause: The Corporation had an employee turnover rate of 18.69% for the period 1 January to 31 December 2022. This is a high and is affected by a wide of factors including labour market shortages and high levels employment in the wider economy. Like many employers, the Corporation is competing for scarce talent, particularly in highly skilled areas such professional services. Event: Unable to attract and retain the best talent due to factors such as remuneration, working conditions and benefits becoming out of line with competitor organisations. Effect: The corporation is at risk of failing to deliver its corporate objectives. Costs of delivering services increase due to high turnover, and increased reliance on agency workers and interims, particularly in shortage areas. This means our ability to deliver objectives is at risk. This affects both outcomes for policy objectives and statutory functions, as well as the brand and reputation of the organisation.	 Likelihood Impact	16	Risk reviewed and updated on 26 June 2023 26 Jun 2023	 Likelihood Impact	4	31-Dec-2024	 Constant
							Reduce	

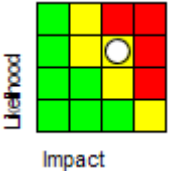
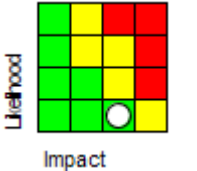

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date	
CR39a	Develop and consider alternative models of service delivery which are cost effective and ensure corporate and statutory objectives are met	Develop options for new models of service delivery in services facing significant recruitment and retention issues and will improve service delivery. Options to include, commissioning, joint arrangements and shared services with partners and outsourcing	City Corporation wide workforce planning is at a very nascent stage. With the exception of current TOM work and bespoke interventions on an ad hoc basis, organisation-wide workforce planning will require basics to be in place including a robust and accurate establishment structure, an improved identification of job families accompanied by a standardised job evaluation approach and a ERP system that connects employees and finance to support analysis and decision-making. Skilled capacity to work closely with business areas to identify current and future workforce needs will be required to work with the management community.	Emma Moore; Cindy Vallance	26-Jun-2023	31-May-2023
CR39b	Reward	Full review of pay, terms and conditions to update working	Consultancy Partner appointed to start in January 2023. Additional funding granted to	Alison	21-Feb-	31-Jul-2024

refresh	patterns and reward to improve recruitment and retention. Phase 1 completed by April 2023 with options for change. Phase 2 implementation of agreed options for change by Autumn 2024	establish reward project team.	Littlewood	2023	
CR39c Develop new call off framework for recruitment agencies search companies	Support recruitment in hard to fill roles and provide additional capacity when in house capacity is stretched. Options will be developed in early 2023 as part of developing new options to commission a managed service supplier to supply both temporary and permanent workers	Work has commenced with Commercial Services and HR. Options will be developed in 2023 as part of developing new options to commission a managed service supplier to supply both temporary and permanent workers. This specific project is sitting alongside BAU duties and is a significant undertaking that would benefit from additional dedicated expert resource. There is a high risk of falling behind on the timelines that have been set without additional support. The alternate option may be to take a phased approach to commission only what is absolutely necessary given current contract arrangements and build procurement using a more modular approach.	Cindy Vallance	26-Jun-2023	30-Apr-2024
CR39d Improve timeliness and efficiency of recruitment process to improve candidate and hiring manager experience	Identify “quick wins” in relation to current recruitment / applicant tracking system to improve user experience. Develop and put in place clear requirements for new ERP system. Phase 1 June 2023 and phase 2 April 2025	Areas for improvements in current processes already identified and underway. Quick wins work to be completed in January 2023 and actioned by March 2023. Planning for additional short-term improvements in iTrent are underway, subject to budget approval. Phase 2 work to be completed as part of ERP programme. Procurement to Nov 2023. Implementation Nov 2023 – Apr 2025.	Cindy Vallance; Dionne Williams-Dodoo	26-Jun-2023	30-Apr-2024
CR39e Support development of departmental workforce planning reports	Develop workforce reports for each department. HR Business Partners to support the planning process using data. This action is reliant upon accurate data and reporting from the new ERP system	Data cleanse and establishment data improvement work will commence in early 2023 in preparation for ERP. This will support department level reporting with increased accuracy. Completion date Sep 23.	Dionne Williams-Dodoo	26-Jun-2023	02-Jan-2024
CR39f Define Talent, Succession and Career Pathway Approach	As part of People Strategy, review organisational approach to talent management and succession planning. This will include review of ERP module that can support a consistent approach. Career pathways will be part of the Reward Refresh project.	Options to be consulted upon as part of People Strategy engagement.	Alison Littlewood ; Cindy Vallance	21-Feb-2023	02-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	Current Risk score change indicator
CR01 Resilience Risk 20-Mar-2015 Ian Thomas	<p>Cause - Lack of appropriate planning, leadership and coordination</p> <p>Event - Emergency situation related to terrorism or other serious event/major incident is not managed effectively</p> <p>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.</p>	 Likelihood Impact	12	Castellan (formerly Clearview) BC management tool continues to be implemented rollout has begun across Col depts 19th June 2023 latest update 19 Jun 2023	 Likelihood Impact	8	28-Dec-2023	 Constant
							Accept	

Action no, Title,	Action description	Latest Note	Action owner	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	<p>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.</p> <p>The BC software product now 'Castellan' formerly Clearview has been built with rollout beginning across the Col January 2023 the onboarding process is now taking place. The intention is for the Dept BC leads end users to familiarise themselves and be confident using the system over the next few months and to input their Dept BIA business impact analysis which will help populate the Dept plans. BC leads are meeting on 14th February 2023 to discuss rollout and timeline for completing their sections. We will then schedule a BC training exercise , full use of the system and completion is expected by the end of April 2023. This date is extended due to staff loss and changes but with implementation continuing across depts with further training and admin rights being established.</p>	Gary Locker	19-Jun-2023	30-Sep-2023
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	<p>Training for this session complete process and call out still to be finalised Continues</p> <p>Intranet note to staff to identify new potential LALO March 2022</p> <p>LALO were involved in a City based partnership exercise February 2020, Intranet note seeking further staff support posted March 2022 to boost capabilities</p>	Gary Locker	19-Jun-2023	31-Dec-2023

		<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>LALO event Refresher set for 10/3/23 . This is to ensure capability and resource of the LALO Role are up to date on current procedures and best practice Successful Refresher complete 10/3/23 dates for the end of December 23 are being considered for development training</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	<p>Gold major incident awareness training day completed for new Col Chief Officers 21/10/21 module 1 included Media</p> <p>training event planned for 22/9/23 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.</p> <p>To identify new course dates and potential new candidates . 2 senior staff Comptroller and COO have been given notice of MAGIC course dates 2023. National Multi agency Gold Incident Command</p>	Gary Locker	19-Jun-2023	30-Sep-2023
CR01Q 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	Matt Gosden	19-Jun-2023	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	Current Risk score change indicator
CR30 Climate Action 07-Oct-2019 Damian Nussbaum	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 		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. The scheduled annual emission accounting assessments encompass all three scopes and Square Mile, aiming to meet and make progress towards Net Zero targets while addressing any data-driven issues that may arise. 26 Jun 2023		4	31-Mar-2027	
							Reduce	

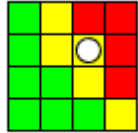
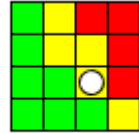

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR30k Impact on City financial and	Ongoing political and international relationship management	Strategy picked up by media and helping promote reputation of City financial. Stakeholder engagement plan identifies opportunities for political and international engagement opportunities.	Damian Nussbaum	03-Feb-2023	31-Mar-2027

<p>ability to champion sustainable growth of not hitting net zero targets / maintaining resilience</p>					
<p>CR301 Risk of not hitting net zero and resilience targets for City Corporation operational and investment assets, whilst maximising returns</p>	<p>Deliver programme of works across operational and investment portfolios</p>	<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 were updated in April 2023 and discussed with individual Asset Managers, to inform an overall Operational Plan which is currently undergoing development and should be released not later than September 2023.</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 includes introduction of behavioural management programme in buildings and the implementation and potential expansion of the Power Purchase Agreement (PPA). The cost saving fund is being implemented and the first cost savings should be transferred to fund during FY 203/24.</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>Paul Wilkinson</p>	<p>26-Jun-2023</p>	<p>31-Mar-2027</p>

		Therefore, a dedicated engagement plan for this residential community to be in place for March '23.			
CR30m Risk of not hitting net zero targets for financial investments and supply chain	Monitor and drive performance against net zero and financial targets for financial investments and supply chain, continually refreshing learning	<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. With a focus on the most impactful contracts, we have successfully transitioned from proxy values to enhance the accuracy of tracking carbon performance by implementing the new carbon accounting software, Avarni. As a result, six out of the top 25 suppliers have been migrated to the software, enabling them to report actual emissions instead of relying on spend-based proxies. * 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> <p>Financial Investment actions for the coming year</p> <ul style="list-style-type: none"> * Formulating and implementing plan to address financial physical and transition risks within the upcoming strategic asset allocation process. * Working with fund managers to ensure robust risk management on the portfolio and timely disclosures. <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>	Caroline Al-Beyerty	26-Jun-2023	31-Mar-2027
CR30n Resilience risks of Square Mile infrastructure and public realm and risk of not hitting	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>	Juliemma McLoughlin	03-Feb-2023	31-Mar-2027

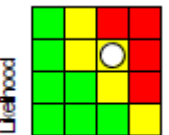


net zero targets for developments and transport		Phase 1 of pedestrian priority programme has been approved. Phase 2 still needs approval and has political risk attached to it. If the programme of Pedestrian Priority restrictions and traffic reduction is not delivered this significantly undermines the ability to reach net zero.			
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> <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>	Juliemma McLoughlin	03-Feb-2023	31-Mar-2027
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	Damian Nussbaum	03-Feb-2023	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.	Judith Finlay	16-Nov-2022	31-Mar-2027
CR30r That the scope, budget, timescales,	Agree to and implement appropriate governance to embed Climate Action in departmental scrutiny. Ensure appropriate capacity and capabilities are in place including	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 is being reviewed and updated each quarter. This update process is governed by a new Dashboard Data	Damian Nussbaum	26-Jun-2023	31-Mar-2027

<p>targets and/or commitments of the climate action strategy are not delivered upon through the climate action programme of work</p>	<p>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>	<p>Governance & Reporting Procedure which has been shared with key officers in Q4 of 2022/23. The dashboard allows tracking to take place across an initial 31 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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Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR35 Unsustainable Medium Term Finances - City Fund 19-Jun-2020 Caroline Al-Beyerty	<p>Causes: High inflation – Office for Budget Responsibility forecasting peak reached Autumn 2022 and although predicted to fall over the next two years, embedded increases. Construction inflation running at 5% for 2023/24. Contraction in key income streams and increase in bad debts following post pandemic change in working practices still continues into 2023/24. 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 (2023/24) and deliver sustainable savings already baked in and/or increase 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 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>		12	<p>Note written by Leah Woodcock on 15 May 2023</p> <p>Retail Price Index rose by 13.5% and Consumer Price Index rose by 10.1% in 12 months to March 2023. Inflation is predicted to fall 6.1% in 2023, however increases are feared to be embedded creating pressures on service/departmental 2023/24 budgets to make further savings.</p> <p>Construction inflation is forecast at 5% for 2023/24</p> <p>The Bank of England base rate rose to 4.25% at end of March 2023 (next review 11 May), with an expectation at a three year horizon falling to 3%.</p> <p>The risk has reduced, the medium term financial plan was approved by Court of Common Council on 9 March, which includes contingency measures to support 2023/24 pressures.</p> <p>15 Jun 2023</p>		8	31-Mar-2023	
		Likelihood Impact			Likelihood Impact		Reduce	Constant

Action no, Title,	Action description	Latest Note	Action owner	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 	<p>2023/24 base budgets include 2% uplift plus increase in base to support July 2022 pay award.</p> <p>Mitigations approved by CoCo in March 2023 include: increase in Business Rate Premium; rise in core Council Tax and Adult Social Care; rise in HRA rents; central contingencies held to support new pay pressures; carry forwards from 2022/23 underspends to support one-off pressures; transformation funding held centrally to support Resource Prioritisation Refresh workstreams and the culture shift.</p> <p>Identified inflationary pressures are well within the contingencies held, in addition, interest rates are giving a welcome boost to City Fund finances.</p> <p>The £30m ringfenced reserves released to support the backlog of urgent Cyclical Works Programme.</p> <p>£3m contingency ringfenced for urgent health and safety works under capital programme.</p>	Sonia Virdee	15-May-2023	31-Mar-2024
CR35b Impact of the HRA	<ul style="list-style-type: none"> • Capital schemes forecast to exceed budget. • Review of HRA commissioned and due to report at the end of November 2022. • 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>Close monitoring of capital schemes is required during 2023/24. Regular reporting of capital forecasts is now planned into the forward plan.</p> <p>Review of HRA commissioned from Savills and Interim Report received at the end of November 2022, following member review and comments, final version now received and went to DCCS in March and will go to Finance in May. Housing are now looking at detailed options following up on the report, to come back to Committee for agreement in the autumn.</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 case.</p> <p>The latest five year financial projections show the revenue funding position remains precarious and vulnerable to revenue overspends or significantly rising capital costs (leading to higher loan repayments and interest charges)</p>	Mark Jarvis; Paul Murtagh	15-May-2023	31-Mar-2024
CR35c Impact of construction inflation	Remain within the financial envelopes approved for major projects	For Major Projects – Capital Buildings Board monitors delivery within the revised budget envelopes. Monthly updates on the cash flow requirements on the major projects are provided to Policy and Resources Committee, Investment Board and Finance Committee to understand the investment/asset disposal strategy. Regular reporting on the major projects programmes will be presented to Capital Buildings Board, Finance Committee, and Policy and Resources Committee on a monthly basis and draw down requirements to the Investment Committee.	Sonia Virdee	15-May-2023	31-Mar-2024
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 - £12m+ p.a. cumulative savings included in MTFP, including £4.6m savings for 23/24 onwards. There remains a continuing risk to sustaining the delivery of savings of this scale, alongside delivering against the National Officer Uplift programme. Increase in Business Rates Premium approved by CoCo in March 2023 helps mitigate future	Alistair Cook; Sonia Virdee	15-May-2023	30-Jun-2023

		<p>Police deficits.</p> <p>The medium term plan provides recommendations for one-off cost pressures and on-going pressures.</p> <p>An officer star chamber is being held over the next two months to review savings yet to be delivered during 2023/24 and will be presented to RASC sub away day.</p>			
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Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
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 style="text-align: center;">Life/hood Impact</p>	<p>12</p>	<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. 06/01/2022</p> <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</p>	 <p style="text-align: center;">Life/hood Impact</p>	<p>8</p>	<p>01-Jan-2024</p>	

			<p>2017.31/3/22</p> <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. State Banquet of South Africa and Lord Mayors Banquet. 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 of and delivery of all previous security footprints to ensure they are up to date and independent audit of works done. We also continue to support the National Public Authority Information Exchange run by CPNI sharing learning.</p> <p>CoLP have created new vulnerability reports for Guildhall, Tower Bridge and Leadenhall Market that show all identified risk is being managed down to a low level. An updated PSIA report for the Barbican shows no red risk and an increase in 10 percentage points since Q2 2022/23. The CCC is currently undergoing a CoLP full</p>				
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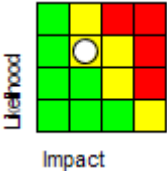
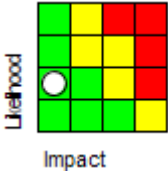

<p>10-Jan-2022 Ian Thomas</p>				<p>review from which recommendations will be actioned. Furthermore, the Corporation is set to adopt the PoolRe VSAT process for its property portfolio that will, for the first time, put all of its key locations onto a single database. This creates a security vulnerability dashboard that can be reported on at the SSB and P&R</p> <p>Work continues in all areas, there is ongoing Gold command training for new chief officers cohort. The previously report VSAT system has now been fully adopted and working parallel with site protect packs, this is now been reviewed across the City Surveyors estate to asses where we are in relation to protective security across our estate. The draft Terrorism (Protection of Premises) Bill has been announced, this was discussed in detail at SSB and work is in place to respond to the home affairs select committee and ensure as an organisation and across the institutions we are fit for purpose. The 10 high risk properties have now had protective measures applied, one final element will be addressed in Sept 2023.</p> <p>21 Jun 2023</p>			<p>Reduce</p>	<p>Constant</p>
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Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR36a Governance	To ensure that there is effective governance across the CoLC with COLP and other partners	Governance structures in place, led by Town Clerk Chief Executive, through Senior Security Board, terms of reference and strategy have just been reviewed and updated. With thematic	Ian Thomas	21-Jun-2023	01-Jan-2024

		<p>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> <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> <p>The new TC and CEO has chaired the two recent SSB's holding all thematic workstreams to account and the implications of the draft Terrorism (Protection of Premises) Bill has been detailed and mitigations mapped out.</p> <p>People Security Board is now back in place looking at insider threat and CT training.</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>COLP Contest Board TOR have also just been reviewed.</p> <p>Continual monitoring continues.</p>	Richard Woolford	21-Jun-2023	01-Jan-2024
CR36c 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>	Richard Woolford	21-Jun-2023	01-Jan-2024

		<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> <p>With current Chief Officer movements, awaiting new CEO arrival, training and accreditation is and will take place around Gold command to ensure resilience. Comptroller is booked into a MAGIC course and COO course being arranged, chief officers are joining other staff from across portfolios addressing a) security and protest exercise and b) a Resilience scenario during February. This will be followed by further command and control training, across Strategic, Tactical and Operational levels.</p> <p>New Gold training sept for 22nd September 2023, with Comptroller attending a recent MAGIC (Multi Agency Gold Incident Command) Course, with enquiries in hand for others to do likewise. All events continue to be risk assed RAG, with appropriate command teams in place.</p>			
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> <p>Continual monitoring continues.</p>	Valeria Cadena	21-Jun-2023	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>	Simon Causer	21-Jun-2023	01-Jan-2024

		<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> <p>Continual monitoring continues.</p> <p>The previously report VSAT system has now been fully adopted and working parallel with site protect packs, this is now been reviewed across the City Surveyors estate to asses where we are in relation to protective security across our estate.</p>			
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Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR21 Air Quality Page 132 07 Oct-2015 Emma McLoughlin	<p>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.</p> <p>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.</p> <p>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</p>		6	94% of the publicly accessible area met the target level for Nitrogen Dioxide in 2022. Only areas adjacent to the busiest roads remained a problem. Levels of nitrogen dioxide increased slightly in 2023 as the country returned to normal post pandemic but levels are significantly lower than pre pandemic. New national targets for PM2.5 have been introduced to be achieved by 2040. Coordinated action across many sectors is required to meet the target as only 4% of the PM2.5 measured in the Square Mile is emitted within its boundary, most is therefore not within our direct control 09 Jun 2023		2	31-Dec-2026	 Constant
							Reduce	

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR21 001h	Develop baseline model for compliance assessment and publish annual report of air quality data	Work has commenced on the 2022 annual status report. All data needs to be ratified and equipment audited before it can be included in the report.	Ruth Calderwood	09-Jun-2023	31-Dec-2025
CR21 001i	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 8 hybrid and 19 pure electric vehicles. A database has been created of fleet carbon and air pollution (NOx and PM) emissions.	Ruth Calderwood	09-Jun-2023	31-Dec-2025
CR211 Compliance	Assess percentage compliance rate with NO2 target	The % area compliance for 2021 was 94%.	Ruth Calderwood	09-Jun-2023	31-Dec-2024

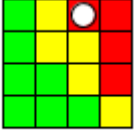
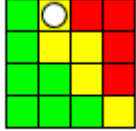

with NO2 target			d		
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CR37 Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets)

Generated on: 26 June 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	Current Risk score change indicator
<p>CR37 Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets)</p>	<p>Cause: Poor property condition combined with insufficient budget allocation to maintain assets in line with strategy/ commitments/expectations. Event: Misalignment between funding available and that required by the asset (as defined by the relevant Asset Management Strategy). Impact: Built estate becomes not fit for purpose / functions / occupancy. Cost of maintenance and utility costs increases, placing further pressure on City resources. In extreme circumstances there will be H&S implications, leading to potential enforcement action, legal action by tenants or asset failure in whole or part with detrimental effects leading to impact on occupiers</p>	 <p>Lifeblood Impact</p>	<p>16</p>	<p>The main driver of this risk is the adequacy of funding to manage and mitigate asset risks.</p> <p>This risk is corporate wide, so extending to sites where asset accountability sits with the relevant Premises Controller in occupation.</p> <p>This risk includes the Barbican and the Guildhall School of Music and Drama (GSMD). At these sites there is a requirement to ensure an appropriate experience for audiences, performers, students and staff, to sustain their business models.</p> <p>Whilst funding remains the overriding mitigation, the City Surveyor is working to ensure that accountability and responsibilities for maintenance is understood across the organisation. Where gaps in expertise or capacity</p>	 <p>Lifeblood Impact</p>	<p>8</p>	<p>31-Mar-2024</p>	

04-Nov-2019 Paul Wilkinson				exist, the City Surveyor is looking to develop solutions with the Premises Controllers in line with his role as the Head of Profession.					
				02 Jun 2023					Reduce

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR37a	Cyclical Works Programme (CWP)	<p>The Cyclical Works Programme (CWP) is the principal way that the backlog of asset maintenance is delivered to Corporate properties (excluding ring-fenced assets).</p> <p>A paper was presented to Operational Property and Projects Sub Committee (OPPS) in April 2023 which includes a proposal to address the cyclical maintenance backlog to achieve the Corporate Property Asset Management Strategy 2020/2025 and beyond. This recommended funding a ringfenced programme of works to address the backlog element of the portfolio. This paper included a detailed appendix which included a 10-year forward look at our asset requirements.</p> <p>OPPSC supported the approach presented by the City Surveyor. This approach is subject to funding, and this will be discussed at Resource Allocation Sub Committee (RASC) in June.</p>	Peter Collinson; Paul Wilkinson	02-Jun-2023	31-Mar-2024
CR37b	Ring fenced properties and budgets (CoLP estate, New Spitalfields, Billingsgate and the three private schools	<p>The City Surveyor's Department (CSD) is communicating with ring fenced departments to identify appropriate building maintenance requirements and spend (forward maintenance). These departmental occupiers allocate their own funds for the maintenance of the built assets. Whilst CSD recommends work to be undertaken, it is the occupying department who holds the budget responsibility and thus decides with final control over maintenance activity.</p> <p>This element is being mitigated through the delivery of the recommendations arising from the recent Internal Audit. Whilst there has been progress in some areas, the actions have not been implemented comprehensively across the Corporation. A follow-up review of the Audit Recommendations has been scheduled for June/July 2023 and the department will be supporting this activity.</p> <p>CSD has recently reviewed all departmental risk registers in order to identify property & asset maintenance risks. This was in order to validate the articulation and approach taken by this corporate risk, and to identify any areas of concern.</p>	Paul Wilkinson; Peter Young	02-Jun-2023	31-Mar-2024

CR37f	Annual Major Capital Bids	<p>The City Surveyor's Department is progressing several capital projects, and these are essential to keep the operational estate including the Guildhall in a good standard. Significant works have been identified from the recent Smithfield Market Condition Survey and if not funded present a live Health and Safety risk for Markets. Some departments submit their own direct bids based upon advice from the City Surveyor. If more H&S works are required, this limits the scope for further improvement projects.</p> <p>There will be no capital bids for 2023/24 – however there will be a small emergency funding pot should any immediate H&S issue arise.</p>	Peter Young	02-Jun-2023	31-Mar-2024
CR37g	Operational Property Review	<p>The City Corporation has recently commenced an Operational Property Review (OPR) to consider the future property requirements to deliver the organisations services. This will align with the Resource Priority Refresh programme.</p> <p>The review is commencing and further details as to milestones and objectives will be available shortly.</p> <p>Rationalisation of the organisation's property estate will help alleviate pressure on maintenance budgets. However, it should be highlighted that rationalisation will only be able to make a small contribution to the overall position.</p> <p>The OPR programme will be reported to RASC in June.</p>	Peter Young	02-Jun-2023	31-Mar-2024
CR37h	Renewal Programmes	<p>The Barbican Centre renewal project is a £50-£150m project which will repair the building to it can function long into the future, opening up under-utilised space, improving accessibility, whilst delivering against its sustainability aspirations. Public survey and workshops were completed in December 2022 with detailed public consultation scheduled for Spring 2023.</p> <p>The Guildhall School of Music and Drama (GSMD) are working closely with corporate colleagues to develop and further the Barbican Renewal Team. Further, it is working with the Department of Community and Children's Service in respect of waterproofing works, and the City Surveyor on Fire Safety. GSMD have also engaged space consultants who are undertaking a wide-ranging review of the site. This is with the view that current and future needs are detailed, and future funding bids align with this requirement.</p> <p>The Guildhall Renewal programme has recently been presented to Members. However, this programme is at an early stage, so will not offer immediate mitigations to this risk.</p>	Claire Spencer; Jonathan Vaughan; Peter Young	02-Jun-2023	31-Mar-2024
CR37i	Integrated Facilities Management (IFM)	<p>The new Integrated Facilities Management (IFM) contract commenced in April 2023, and this has added resilience to maintenance and repair functions. This benefit is particularly apparent at the Barbican Centre and the Guildhall School of Music and Drama</p>	Peter Collinson	02-Jun-2023	31-Mar-2024

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Top red risks only - short summary by department

Report Type: Risks Report

Generated on: 21 June 2023






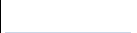


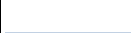











Rows are sorted by Risk Score

Department Description Barbican Centre




Department Description: Barbican Centre 11

Page	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
137	BBC Buildgs 007	Failure to Invest in the Renewal of Buildings and Estates Infrastructure	8	3	24		4	1	4		30-Apr-2024	Reduce	
	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		31-Jul-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-2024	Reduce	
BBC Buildgs 028	Insufficient Staffing Levels to Cover Safety	4	4	16		4	2	8		31-Mar-2024	Reduce	
BBC CL 002	Safeguarding	4	4	16		4	1	4			Reduce	
BBC Finance 008	Inadequate Levels 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/Risk of Terrorism	8	2	16		8	1	8		31-Mar-2024	Reduce	
BBC H&S 005	Failure to Deliver the Fire-Related Projects	8	2	16		2	1	2		31-Dec-2024	Reduce	




Department Description Chamberlain's

Department Description: Chamberlain's 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
CHB 001	Chamberlain's department transformation and knowledge transfer	4	4	16		2	2	4		31-Mar-2023	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 Junior School

Department Description: City Junior School 2

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
CJS 002	Failure to recruit and retain high quality teaching and support staff	4	4	16		2	2	4		31-Dec-2023	Reduce	
CJS 004	Failure to complete building and then to Maintain Buildings and Site	4	4	16		2	2	4		31-Jul-2023	Reduce	

Department Description City of London Schools for Girls

Department Description: City of London Schools for Girls 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
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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	

Department Description City Surveyor's

Department Description: City Surveyor's 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
SR SMT 005	Construction Price Inflation	4	4	16		2	3	6		31-Mar-2024	Reduce	
SR SMT 006	Construction Consultancy Management	4	4	16		4	1	4		31-Mar-2024	Reduce	
SR SMT 009	Recruitment and retention of property professional	4	4	16		4	2	8		31-Mar-2023	Reduce	



Department Description Department of Community & Children's Services

Department Description: Department of Community & Children's Services 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
DCCS HS 007	Blake Tower – Barbican Estate	4	4	16		2	2	4		31-Mar-2024	Reduce	













Department Description Environment

Department Description: Environment 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
ENV-SLT 001	Maintenance and renewal of physical assets	4	4	16		2	3	6		31-Mar-2024	Reduce	



Department Description Guildhall School of Music and Drama

Department Description: Guildhall School of Music and Drama 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
GSMD BOSCH	Failure to invest in the renewal of buildings and estates infrastructure	8	4	32		4	1	4		31-Mar-2024	Reduce	
GSMD SUS 001	Inability to Invest in New Infrastructure and teaching spaces	8	4	32		2	3	6		31-Mar-2024	Reduce	
GSMD DDP 002	Reduced Recruitment and Retention of Key Staff	4	4	16		2	2	4		30-Sep-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	

Department Description Town Clerk's

Department Description: Town Clerk's 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
TC PA 03	Fraud and Cyber Crime Reporting & Analysis Service (FCCRAS) Procurement	8	3	24		8	2	16		31-Mar-2024	Reduce	

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