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Audit and Risk Management Committee

Date: **MONDAY, 11 SEPTEMBER 2023**

Time: 10.00 am

Venue: **COMMITTEE ROOMS, GUILDHALL**

Members:

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

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

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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 10 July 2023.

   For Decision
   (Pages 5 - 10)

4. **ACTION TRACKER**

   Members are asked to note the Committee's Action Tracker.

   For Information
   (Pages 11 - 12)

5. **COMMITTEE WORK PROGRAMME**

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

   For Information
   (Pages 13 - 16)

Governance

6. **ANNUAL TERMS OF REFERENCE REVIEW**

   Report of the Town Clerk.

   For Decision
   (Pages 17 - 22)

Financial Statements

7. **CITY FUND AND PENSION FUNDS STATEMENT OF ACCOUNTS UPDATE**

   Report of the Chamberlain.

   For Decision
   (Pages 23 - 100)

8. **CITY FUND AND PENSION FUND AUDIT PLAN 22-23**

Report of the Chamberlain.

For Information
(Pages 101 - 146)

Internal Audit

9. **INTERNAL AUDIT UPDATE**

Report of the Chamberlain.

For Information
(Pages 147 - 150)

Risk Management

10. **RISK MANAGEMENT UPDATE**

Report of the Chief Strategy Officer.

For Information
(Pages 151 - 182)

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

The Chairman has requested that questions are submitted two days before the meeting to allow officers to prepare answers.

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

13. **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

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

To agree the non-public minutes of the previous meeting held on 10 July 2023.

For Decision

(Pages 183 - 184)

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

The Chairman has requested that questions are submitted two days before the meeting to allow officers to prepare answers.

16. **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

Monday, 10 July 2023

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Monday, 10 July 2023 at 2.00 pm

Present

Members:
Gail Le Coz (Deputy Chairman)
Deputy Randall Anderson
Deputy Christopher Boden
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
Michael Cogher	-	Comptroller and City Solicitor
Dionne Corradine	-	Town Clerk's Department
Tabitha Swann	-	Town Clerk's Department

1. **APOLOGIES**
Apologies for absence were received from the Chairman, the Deputy Chairman, Deputy Rehana Ameer, Alderman Alexander Barr, Deputy Henry Colthurst, Aaron D'Souza, and Judith Pleasance.

In the Chairs absence, the Deputy Chair (External) took the Chair.

Ruby Sayed observed the meeting virtually.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
There were no declarations.

3. **MINUTES OF THE PREVIOUS MEETING**
The public minutes and non-public summary of the meeting held on 12 May 2023 were approved as a correct record.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**
Members received the Outstanding Actions.

At the request of Members, officers undertook to take the following actions:

- Provide an update on the schedule for a risk appetite review;
- Schedule a deep dive into CR39 Recruitment and Retention for a future Committee meeting.

5. **COMMITTEE WORK PROGRAMME**
The Committee's work programme was noted.

6. **ANNUAL REPORT OF THE COMMITTEE**
Members received a report of the Town Clerk relative to the annual report of the Committee.

The Head of Internal Audit informed Members that the report would need to be amended to include reference to the Committee's interventions regarding the final sign-off of the 2020/21 City Fund and Pension Fund Statements.

Members also requested further amendments to the section on Counter-Fraud to add prior year comparisons, clarification on the reference to mandate fraud and a mention of single person discount fraud.

RESOLVED, that – Members agree the 2022/23 Annual Report of the Audit and Risk Management Committee at Appendix 1, as amended, for onward submission to the Court of Common Council.

7. **CROWE EXTERNAL AUDIT PLAN FOR BHE**
Members received a report of the External Auditors (Crowe) relative to the audit plan for Bridge House Estates.

Members also received oral updates from the Financial Director and the External Auditors (Grant Thornton) regarding the external audits for City's Cash and City's Fund respectively.

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

8. **INTERNAL AUDIT CHARTER**
Members received a report of the Chamberlain relative to the Internal Audit Charter.

A Member asked if the Charter would be an appropriate place to reflect Internal Audit planning. The Head of Internal Audit replied that the Charter was line with the industry best practice requirements, and suggested that the covering report or the annual report of the Committee would be an appropriate place to consider how work was programmed.

Members requested that information on the current programme of internal audits be included in the regular Internal Audit updates going forward.

RESOLVED, that – Members approve the updated Internal Audit Charter.

9. **INTERNAL AUDIT UPDATE**

Members received a report of the Chamberlain providing an update on the work of Internal Audit.

In reply to a Member's question, the Chamberlain confirmed that she would be asking for a follow-up on the application of key financial controls at the City of London Freemans School. The Head of Internal Audit added that concerns on the second line of defence were an issue for the Board of Governors of the City of London Freeman's School. The Chair noted that it was the second Committee meeting in a row where concerns had been expressed on this subject, and asked the Head of Internal Audit to return to the Committee with reassurance.

Members reiterated a request for progress on the outstanding actions in the update.

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

10. **INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT**

Members received a report of the Chamberlain relative to the Internal Audit External Quality Assessment.

Members congratulated the Head of Internal Audit and his team for the EQA's conclusion that the Internal Audit service 'generally conforms to the standards' and noted that this was the highest category of conformance.

Members noted that updates on the Internal Audit Action Plan would be included in Internal Audit Update Reports.

The Chair requested that the Head of Internal Audit consider other ways in which he could increase his presence across the City Corporation, noting that he now attended the Executive Leadership Board.

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

11. **RISK MANAGEMENT UPDATE**

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

A Member felt that a rating of 16 was insufficient for CR37 Maintenance and Renewal of Corporate Physical Operational Assets, and asked if there should be sub-risks. In reply, officers said that corporate risks did not have sub-risks, but that CR37 was continually reviewed by the Chief Officer Risk Management Group.

The Chief Strategy Officer informed Members that the Policy and Resources Committee had agreed to a new Corporate Plan from 2024, with the approach to corporate risk management to be included as an input to the Plan going forward.

RESOLVED, that – the report be received and Members note that:

- the total number of corporate risks remained at 15, with no changes to the risk ratings since the previous written update;
- the number of red departmental risks remained at 26, with no changes to the risk register (risk ratings or risks) since the previous written update.

12. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.

13. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
The Town Clerk informed Members that the Chairman of the Finance Committee was seeking to change his *ex-officio* positions on the Audit and Risk Management Committee to allow him to nominate a representative. This would require a change to the Committee's terms of reference, which could be included as part of the annual review.

Members also noted that the Chairman of the Committee had agreed to an interim measure whereby James Bromiley-Davis, a Member of the Finance Committee, would attend Audit and Risk Management Committee meetings with a standing invitation to speak.

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

15. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
The non-public minutes of the meeting held on 12 May 2023 were approved as a correct record.

A Member, referring to the discussion at item 18, asked if there were any other risks relating to charitable assets. Officers undertook to return with further information on how charitable risks were managed and on the governance structures for donated assets.

16. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
Following a question from a Member, the Chief Strategy Officer provide an update regarding resourcing in her department relating to risk management.

A Member asked for clarification on CR10 Adverse Political Developments. Officers confirmed that the risk related to potential proposals questioning the legitimacy of the City of London Corporation, or political developments which might have an impact on the City Corporation delivering on its objectives.

17. **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 3.40 pm

Chairman

Contact Officer: Ben Dunleavy

ben.dunleavy@cityoflondon.gov.uk

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Items from meeting held 22 November 2022		
ITEM	**Action**	**Officer and target date**
12. Any Other Business	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.	Chief Strategy Officer – ongoing

Items from meeting held 10 July		
ITEM	**Action**	**Officer and target date**
5. Annual Report of the Committee	Finalise wording of Annual Report to include comments from Committee: • Financial Statements 2021/21 interventions • Single Mandate Fraud and Single Person Discount Fraud	Head of Internal Audit – Court publication on Wednesday 12 June COMPLETED
11. Risk Management Update	Review of CR37 Maintenance and Renewal of Corporate Operational Assets at next CORMG	Chief Strategy Officer – next CORMG (August) COMPLETED
13. AOB	Include change to *ex-officio* position of Finance Chairman in next Annual Review of Terms of Reference so they can nominate a representative	Town Clerk - September COMPLETED
15. NP Minutes	Investigate governance structures for donated assets	Chief Strategy Officer - tbc

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Audit and Risk Management Committee

Work Programme – Linked to CIPFA Audit Committees Position Statement 2022

11/09/2023	
Work Item	**Link to CIPFA Position Statement**
City Fund and Pension Funds Statement of Accounts Update	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. Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them. 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. Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
City Fund and Pension Funds Statement of Accounts Audit Plan	As above

Internal Audit Update Report (information) Regular (approx. quarterly) update from the Head of Internal Audit, covering: ▪ 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	In relation to the authority's internal audit functions: ▪ **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.**
Risk Management Update (information)	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.**
Terms of Reference of the Committee (Discussion) Annual review of the Terms of Reference of the Committee, giving due regard to relevant legislation and professional guidance.	Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.

Audit and Risk Management Committee

Work Programme – Linked to CIPFA Audit Committees Position Statement 2022

06/11/223	
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. Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them. 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. Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
Draft City's Cash Accounts (decision) Annual review of the Financial Statements for City's Cash	
Draft City Fund Accounts (decision) Annual review of the Financial Statements for City Fund	
Internal Audit Update Report (information) Regular (approx. quarterly) update from the Head of Internal Audit, covering: ▪ 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	In relation to the authority's internal audit functions: ▪ **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.**

Risk Management Update (information)	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.**
Terms of Reference of the Committee (Discussion) Annual review of the Terms of Reference of the Committee, giving due regard to relevant legislation and professional guidance.	Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.

Committee: Audit & Risk Management Committee	**Date:** 11 September 2023
Subject: Annual Terms of Reference Review	**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: Town Clerk & Chief Executive	**For Decision**
Report author: Ben Dunleavy, Town Clerk's Department	

Summary

As part of the implementation of the 2021 Governance Review, it was agreed that the cycle and process of annually reviewing the Terms of Reference of all Committees/Boards should be revised, to provide more time for Committees to consider and discuss changes before they are submitted to the Policy and Resources Committee.

This will enable any proposed changes to be considered at the Policy and Resources Committee in March 2023, in time for the re-appointment of Committees by the Court of Common Council in April.

Following the 2022/23 review process, the Court approved several changes to the Committee's terms of reference (Appendix 2). A small further change to the committee's composition is recommended, to allow the Finance Chairman and Deputy Chairman to appoint representatives to serve in place of their ex-officio positions (Appendix 1). The Committee was informed of this at its meeting in July.

Recommendations

It is recommended that Members:

- Endorse the change to the Committee's composition to allow the Finance Chairman and Deputy Chairman to appoint representatives;
- Members consider any further changes to the Committee's terms of reference for further submission.

Appendices

- Appendix 1 – Revised Composition
- Appendix 2 – Court Order 2023/24 – Audit and Risk Management Committee

Ben Dunleavy
Governance Officer
Town Clerk's Department E: ben.dunleavy@cityoflondon.gov.uk

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Appendix 1

AUDIT & RISK MANAGEMENT COMMITTEE

1. **Constitution**

A Non-Ward Committee consisting of,

- ten Members elected by the Court of Common Council* at least one of whom shall have fewer than five years' service on the Court at the time of their appointment
- three external representatives (i.e. non-Members of the Court of Common Council with no voting rights)
- the Chairman and Deputy Chairman of the Finance Committee (ex-officio with no voting rights) or their representatives
- a representative of the Policy & Resources Committee (ex-officio with no voting rights)

**NB:- The Chairmen of the Policy and Resources, Finance and Investment Committees are not eligible for election to this Committee and the Deputy Chairman of the Audit & Risk Management Committee for the time being may not be a Chairman of another Committee.*

From April 2017 onwards, Members of the Court of Common Council are appointed for terms of three years. The maximum continuous period of service (except when serving as Chairman or Deputy Chairman) shall be nine years in any twelve-year period.

The Committee shall also have a second Deputy Chairman, appointed from the External Membership of the Committee.

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LYONS, Mayor	**RESOLVED:** That the Court of Common Council holden in the Guildhall of the City of London on Thursday 27th April 2023, doth hereby appoint the following Committee until the first meeting of the Court in April, 2024.

AUDIT & RISK MANAGEMENT COMMITTEE

1. **Constitution**

A Non-Ward Committee consisting of,

- ten Members elected by the Court of Common Council* at least one of whom shall have fewer than five years' service on the Court at the time of their appointment
- three external representatives (i.e. non-Members of the Court of Common Council with no voting rights)
- the Chairman and Deputy Chairman of the Finance Committee (ex-officio with no voting rights)
- a representative of the Policy & Resources Committee (ex-officio with no voting rights)

**NB:- The Chairmen of the Policy and Resources, and Finance Committees are not eligible for election to this Committee and the Deputy Chairman of the Audit & Risk Management Committee for the time being may not be a Chairman of another Committee.*

From April 2017 onwards, Members of the Court of Common Council are appointed for terms of three years. The maximum continuous period of service (except when serving as Chairman or Deputy Chairman) shall be nine years in any twelve-year period.

The Committee shall also have a second Deputy Chairman, appointed from the External Membership of the Committee.

2. **Quorum**

The quorum consists of five Members i.e. at least three Members elected by the Court of Common Council and at least one external representative.

3. **Membership 2023/24**

3	(3)	Rehana Banu Ameer, Deputy
7	(2)	Alexander Robertson Martin Barr, Alderman
4	(2)	Ruby Sayed
2	(2)	Bronek Masojada, Alderman
2	(2)	Judith Pleasance
2	(2)	Paul Singh
7	(1)	Randall Anderson, Deputy
7	(1)	Christopher Boden
4	(1)	Alderman Prem Goyal, O.B.E, J.P., Alderman
		Vacancy

together with three external representatives :-

Dan Worsley *(appointed for a three-year term expiring in April 2026)*

Gail Le Coz *(appointed for a three-year term expiring in April 2024)*

Karen Sanderson (*appointed for a three-year term expiring in April 2025)*

and together with the Members referred to in paragraph 1, plus four Members to be appointed this day.

4. **Terms of Reference**

Audit

(a) To consider and approve the annual External Audit Plan.

(b) To commission and to receive reports from the Chief Internal Auditor on the extent that the City of London Corporation can rely on its system of internal control and to provide reasonable assurance that the City of London Corporation's objectives will be achieved efficiently and within any time expectations set.

(c) To meet with the external auditors as necessary prior to the presentation of the Accounts to the Court, consider the audited annual accounts of the City Fund and the various non-local authority funds (other than for Bridge House Estates) to receive and consider the formal reports, letters and recommendations of the City of London Corporation's external auditors (other than for Bridge House Estates) and to make recommendations relating to the approval of the accounts to the Finance Committee (other than for Bridge House Estates).

(d) To report back, as necessary and at least annually, to the Court of Common Council.

(e) To appoint an Independent Audit Panel to make recommendations on the appointment of external auditors to the Court of Common Council.

Risk Management

(f) To monitor and oversee the City of London Corporation's risk management strategy and to be satisfied that the City Corporation's assurance framework properly reflects the risk environment and that the risk management framework for the identification and mitigation of existing and emerging risks is robust and effective.

(g) To receive an annual report from the Head of Internal Audit, to include a review of the effectiveness of the City of London's risk management strategy.

(h) To consider and report back to the Court on any risks related to all governance and value for money issues arising from the operational activities of the City Corporation.

(i) To undertake periodic reviews of the risk management procedures, financial capabilities, controls, and safeguarding procedures of the City of London School, the City of London School for Girls, the City of London Freemens' School, the City of London Academies Trust (including its embedded academies) and the City Academies which are free-standing entities.

Anti-Fraud and Anti-Corruption Arrangements

(j) To monitor and oversee the City of London Corporation's anti-fraud and anti-corruption arrangements.

General

(k) To report back, as necessary and at least annually, to the Court of Common Council.

(l) To measure and demonstrate the effectiveness of the Committee and its Membership.

Committee(s): Audit and Risk Management Committee – For decision Finance Committee – For decision	**Dated:** 11/09/2023 19/09/2023
Subject: City Fund and Pension Funds Statement of Accounts Update	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**N/A**
Does this proposal require extra revenue and/or capital spending?	**N**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: The Chamberlain	**For Decision**
Report author: Daniel Peattie, Assistant Director – Strategic Finance	

Summary

This report provides an update on the audit of the 2020/21 and 2021/22 Statement of Accounts, and the publication and audit of the 2022/23 Statement of Accounts.

Recommendation(s)

The **Audit and Risk Management** Committee is asked to:

- **Note** the progress made on the 2020/21 Statement of Accounts.
- **Consider** the Audit Progress Report 2021/22 as set out in Appendix 2.
- **Note** the responses from Management as per Appendix 3 and Appendix 4.
- **Authorise** to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, to approve any significant changes to the 2021/22 Statement of Accounts that may be necessary prior to the issuance of the audit opinion by Grant Thornton (GT), expected by the end of September 2023.

The **Finance Committee** is asked to:

- **Note** the progress made on the 2020/21 accounts.
- **Consider** the Audit Progress Report 2021/22 as set out in Appendix 2.
- **Note** the responses from Management as per Appendix 3 and Appendix 4.
- **Authorise** the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Finance Committee, to approve any significant changes to the 2021/22 Statement of Accounts that may be necessary before the issuance of the audit opinion by GT, expected by the end of September 2023.

Main Report

Background

2020/21 Accounts

1. The 2020/21 City Fund and Pension Fund accounts were presented to the Audit and Risk Management Committee in November 2021 and subsequently to the Finance Committee in December 2021 for approval. Similar to previous years, while some matters remained unresolved, the audit was largely complete. As a result, authority was delegated to the Chamberlain, in consultation with the Finance Committee Chairman and Deputy Chairman, for final sign-off.

2. This process experienced delays due to a late audit issue relating to a disclosure note supporting the cashflow statement, as well as a national technical accounting concern regarding infrastructure asset accounting. This technical issue was resolved with the release of temporary variations to the accounting code by CIPFA in January 2023.

2021/22 Accounts

3. The audit of the draft 2021/22 accounts commenced in November 2022. However, revisions to the accounts were necessary in February 2023 to address the technical matter concerning the accounting for infrastructure assets referenced above. The draft 2021/22 accounts are set out in Appendix 1.

4. During the Audit and Risk Management Committee meeting in March 2023, Grant Thornton reported a substantial number of outstanding items that were preventing the completion of the 2021/22 audit. This included the completion of the audit for the 2020/21 accounts by previous auditors BDO.

5. Subsequent to that meeting, another national audit issue emerged regarding the impact of the latest triennial valuation of the pension fund on the City Corporation's pension fund liabilities. This was in contrast to the 'rollover' method used in producing the City Corporation's draft 2021/22 accounts.

6. Separately, the auditors also raised concerns about the appropriateness of the accounting treatment for lease premia (£176.9m).

2022/23 Accounts

7. The City Corporation released its draft accounts for the 2022/23 financial year on July 12, 2023, which can be accessed here.

Current Position

2020/21 Accounts

8. Currently no outstanding queries remain regarding the 2020/21 accounts. The Statement of Accounts is undergoing final external audit checks before the issuance of an audit opinion, expected in mid-September from BDO.

2021/22 Accounts

9. Significant progress has been achieved since the last update to the Audit and Risk Management Committee in March 2023. Out of the 973 samples selected for the

2021/22 audit, 872 have now been cleared by the auditors, representing a completion rate of 90%.

10. The City Corporation has also commissioned and received updated actuarial reports to assess the impact of the triennial valuation on the City Corporation's pension fund liability. This assessment indicates a £37.8m change in the value reported on the balance sheet. Due to the value of the movement, the accounts will need to be restated. A working paper demonstrating the impact and the areas of the accounts that will be affected have been shared with the auditors. External audit procedures are currently underway to validate this conclusion using underlying data.

11. Updated actuarial reports for the Pension Fund itself have been commissioned and are expected imminently. This will enable the conclusion of the review in this area.

12. The issue regarding the accounting for lease premia has been largely resolved and the approach taken by the City Corporation agreed with, the auditors are in the final stages of their work in this area.

13. With the majority of the work on the 2021/22 audit now completed and the 2020/21 audit opinion expected in the coming weeks, it is anticipated that Grant Thornton will be able to issue their audit opinion on the 2021/22 accounts by the end of September 2023.

14. The Audit and Risk Management Committee as well as the Finance Committee are requested to grant authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of their respective Committees, for the approval of any significant changes to the 2021/22 Statement of Accounts prior to the issuance of Grant Thornton's audit opinion. A Member briefing session will be arranged prior to the end of September to consider Grant Thornton's final report and provide an opportunity for the scrutiny of the financial statements in more detail. The outcome from this meeting will be included in the delegation approval process.

<u>2022/23 Accounts</u>

15. The audit of the 2022/23 accounts is set to commence in September 2023. Grant Thornton's work plan for this audit of the City Fund and Pension Fund Accounts for 2022/23 is presented as a separate agenda item for the Audit and Risk Management Committee meeting on 11th September 2023.

16. Grant Thornton will present the findings from their work on the 2022/23 audit to the Audit and Risk Management Committee on November 6, 2023.

Corporate & Strategic Implications

17. Strategic implications – There are no specific links to the Corporate Plan. However, the accounts assist the City Corporation in maintaining a clear and transparent dialogue regarding its activities with residents and other stakeholders.

Conclusion

18. At present, there are no remaining queries regarding the 2020/21 accounts. The external audit is conducting final reviews of the Statement of Accounts, and an audit opinion is projected to be issued by BDO around mid-September.

19. The 2021/22 audit has now reached a substantial completion. It is expected that Grant Thornton will be in a position to provide their audit opinion on the 2021/22 accounts by the end of September 2023.

Appendices

- Appendix 1 – Draft Statement of Accounts 2021-22 (circulated in a separate appendix pack)
- Appendix 2 – Audit Progress Report 2021-22
- Appendix 3 – City Corporation City Fund Responses of Management 2021-22
- Appendix 4 – City Corporation Pension Fund Responses of Management 2021-22

Background Papers

Audit and Risk Management Committee – Tuesday 30th November 2021 – Item 4: City Fund and Pension Fund Statement of Accounts 2020-21

Finance Committee – Tuesday 7th December 2021 – Item 9: 2020-21 City Fund and Pension Fund Statement of Accounts

Finance Committee – Tuesday 25th January 2022 – Item 15a: City Fund Accounts

Finance Committee – Tuesday 20th September 2022 – Item 7: 2020-21 City Fund and Pension Fund Statement of Accounts – Delegation of Approval

Audit and Risk Management Committee – Tuesday 22nd November 2022 – Item 6: 2020-21 City Fund and Pension Fund Statement of Accounts Approval

Audit and Risk Management Committee – Monday 16th January 2023 – Item 9: City Fund Audit Progress report and sector update

Audit and Risk Management Committee – Monday 13th March 2023 – Item 7: Auditor's Annual Report on the City of London Corporation: City Fund

Audit and Risk Management Committee – Monday 13th March 2023 – Item 15a: Audit Progress Report

Audit and Risk Management Committee – Monday 13th March 2023 – Item 15b: Audit Findings Report: Pension Fund

Daniel Peattie
Assistant Director – Strategic Finance

E: daniel.peattie@cityoflondon.gov.uk

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Grant Thornton

City of London Corporation Audit Progress Report

Year ending 31 March 2022

August 2023

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

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Introduction

Your key Grant Thornton team members are:

Paul Dossett
Key Audit Partner
T 020 7728 3180
E Paul.Dossett@uk.gt.com

Sophia Brown
Director
T 020 7728 3179
E Sophia.Y.Brown@uk.gt.com

Nick Halliwell
Engagement Manager
T 020 7728 2469
E Nick.J.Halliwell@uk.gt.com

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

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

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

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Progress at August 2023

21-22 Financial Statements Audit

In January we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2021-22 financial statements.

We began our work on your draft financial statements in November 2022, but due to the finance team needing to prioritise the audits of City Cash and Bridge House Estates, the audit fieldwork did not gain momentum until the beginning of February 2023. There has been relatively high staff turnover in the finance team during our audit. This has, at times, led to us having to deal with multiple contact points in relation to the same queries. This has resulted in inefficiencies in completing the work.

The authority still has the prior year accounting period open along with several other audits on the City of London Corporation ongoing. This creates pressure on the finance team's ability to respond to audit queries. We have also faced challenges receiving appropriate responses on samples and this has resulted in sample testing taking significantly longer than we would expect. On completion of this year's audit, we will assess the additional cost that the above elements have had.

Considerable progress has been made since our last update, but there are still several items preventing us from completing our work. The primary outstanding requirement is as follows:

- **completion of the 2020-21 financial statements audit by your predecessor auditor. As at August 2023, the City Fund and Pension Fund audit are yet to be completed for the year-ended 31 March 2021.**

Other key outstanding work:

- Ongoing internal consultation on the accounting for lease premia (£176.9m) – we are discussing the Corporation's accounting treatment, on the valuation of lease premia received in relation to several investment properties, with our financial reporting team. On this area, we have had multiple responses with the most recent response raising new considerations on the matter, which we are now assessing.

- Ongoing hot review of the accounts – this is a process undertaken on all first-year audit clients and involves our technical teams review of the accounts. Given the nature of the authority, with there being several complex arrangements, this has taken time to close down. Staff turnover has had some impact on the pace this has been completed in.

- We are of the view that the latest triennial valuation contains information that should be considered in the 31 March 2022 position. Management have obtained the required reports from the actuary to restate the 2021/22 position for the Authority but did not initially obtain them for the Pension Fund. This is required to complete the audit. This work is ongoing for both the 21/22 City Fund and Pension Fund accounts.

- We are also consulting with our internal audit quality team to revise the benchmark for our materiality threshold, with the intention to retrospectively increase the figure. This approach is not typical in Local Authority accounting but reflects the fact we feel the authority has some unique circumstances that could lead to a different benchmark being used in our work going forwards.

- We are also undergoing our routine review process by the engagement manager, engagement lead and quality control reviewer.

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Progress at August 2023 (cont.)

Other key outstanding work (cont.):

- As at the time of writing this report, there are a number of samples for which evidence is still outstanding, or for which follow-up queries are unresolved. These samples are in our testing of:
  - Completeness expenditure
  - Completeness income
  - Grant income
  - Fees and other charges
  - Employee benefits
  - Infrastructure assets
  - Assets under construction
  - Additions (PPE and Investment Properties)
  - REFCUS
  - Debtors
  - Creditors

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Progress at August 2023 (cont.)

Other areas

Certification of claims and returns

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

Meetings

We met with Finance Officers in regularly as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Value for Money

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

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 21-22 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

We issued our Auditor's Annual Report for 2021-22 at the Audit and Risk Management Committee on 13th March 2023.

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Audit Deliverables

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

Audit related Deliverables	Planned date	Status
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform. • 2020-21 HBAP return • 2021-22 HBAP return	TBC	TBC

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Audit Deliverables

2022/23 Deliverables	Planned Date	Status
Audit Plan – City Fund We are required to issue a detailed audit plan to the Audit and Risk Management Committee setting out our proposed approach in order to give an opinion on the City Fund 2022-23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	September 2023	Completed
Audit Plan – Pension Fund We are required to issue a detailed audit plan to the Audit and Risk Management Committee setting out our proposed approach in order to give an opinion on the Pension Fund 2022-23 financial statements.	September 2023	Completed
Audit Findings Report – City Fund The Audit Findings Report will be reported to you at the Audit & Risk Management Committee.	TBC	Not yet due
Auditors Report – City Fund This includes the opinion on your financial statements.	TBC	Not yet due
Audit Findings Report – Pension Fund The Audit Findings Report will be reported to you at the Audit & Risk Management Committee.	TBC	Not yet due
Auditors Report – Pension Fund This includes the opinion on your financial statements.	TBC	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements for 2022-23.	TBC	Not yet due

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Delayed publication of audited local authority accounts

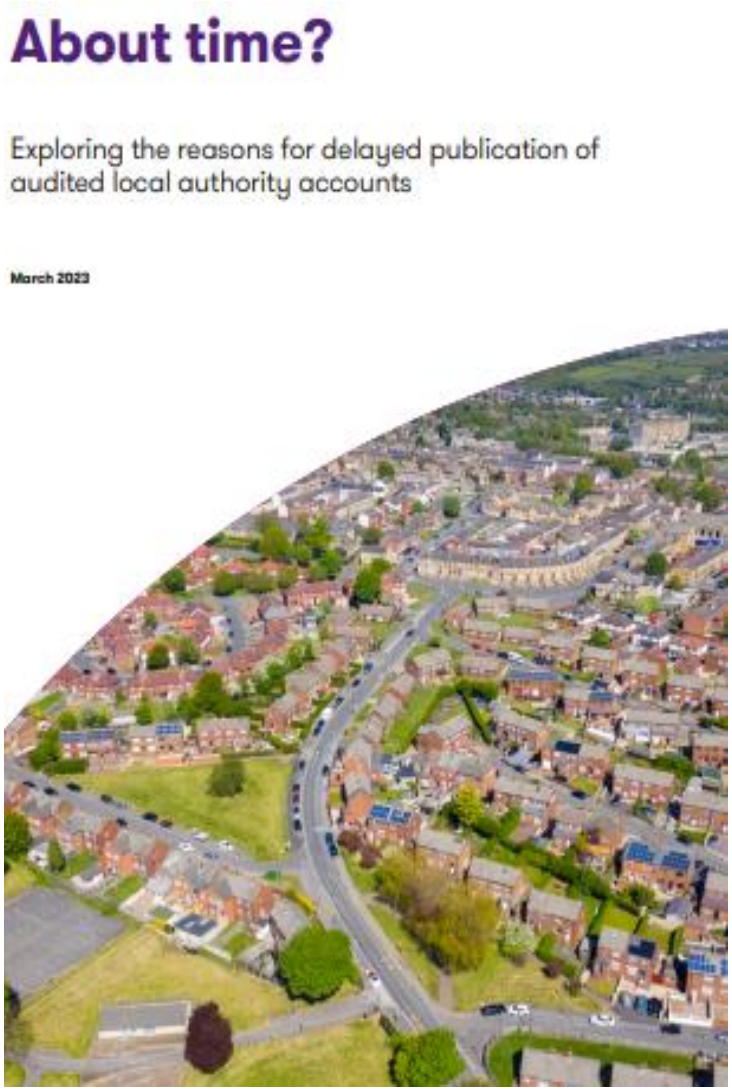
In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20



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Delayed publication of audited local authority accounts

What more can be done?

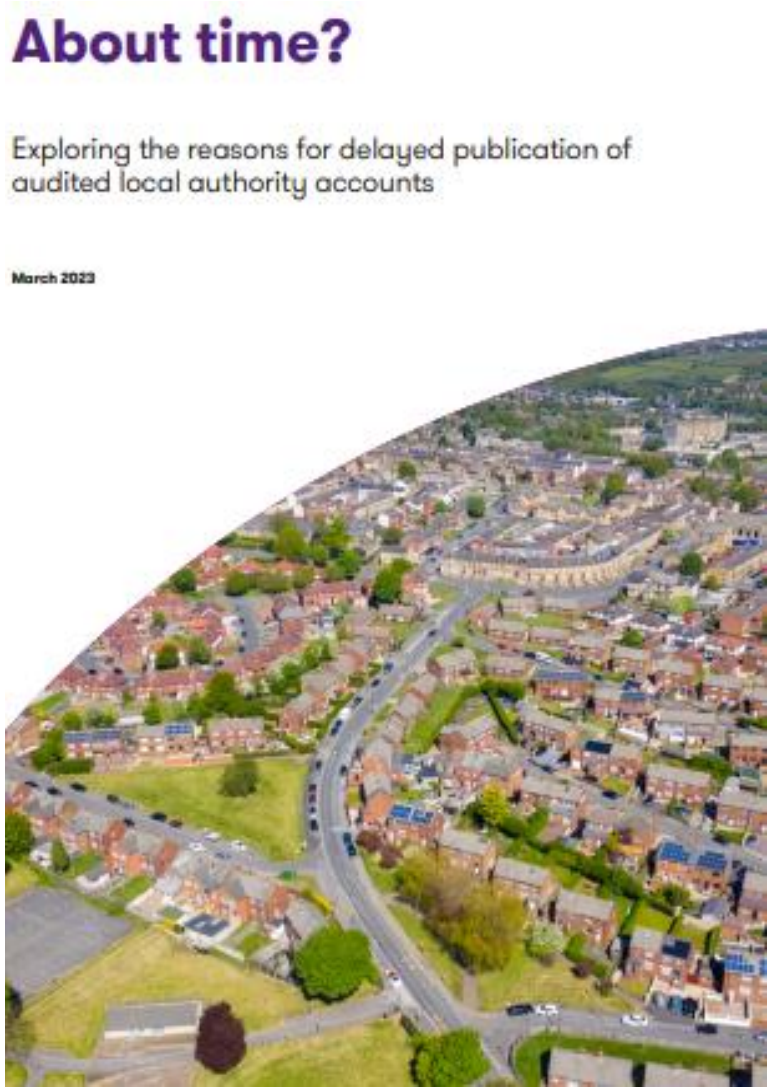
All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

Click here for full report



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SEND deficits kept off budgets for another three years

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before today's announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".

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Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.

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Informing the audit risk assessment for City of London Corporation Pension Fund 2021/22

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between City of London Corporation Pension Fund's external auditors and City of London Corporation Pension Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the City of London Corporation Pension Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

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Purpose

This report includes a series of questions on each of these areas and the response we have received from City of London Corporation Pension Fund's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

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General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	There have been no key events or issues that have a significant impact on these statements. For the City Fund, Grant Thornton asked for the IAS 19 valuation to be redone. This does not impact the Pension Fund accounts. Following the Triennial review , Grant Thornton has asked for the IAS 26 to be revised. This is a standalone note and does not impact the Fund Account/Net Asset Statement of the Pension Fund accounts.
2. Have you considered the appropriateness of the accounting policies adopted by City of London Corporation Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Accounting policies are reviewed as part of the preparation of the accounts. No changes have been made in 21/22
3. Is there any use of financial instruments, including derivatives? If so, please explain	The pension fund monies are invested with fund managers within different asset classes such as equity, multi asset, private equity and infrastructure
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No

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General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by City of London Corporation Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	No external solicitors are used by the Pension Fund.

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General Enquiries of Management

Question	Management response
9. Have any of the City of London Corporation Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Pension Fund has Mercer as its investment consultant. Mercer provide general advice around the investments of the fund, state of the market etc. Barnett Waddingham are the Pension Fund actuary
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Assessment of expected credit losses are made on all non-statutory account debtors as per the requirements. Provision are made based on backward and forward looking factors

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Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As City of London Corporation Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from City of London Corporation Pension Fund's management.

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Fraud risk assessment

Question	Management response
1. Has City of London Corporation Pension Fund assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the City of London Corporation Pension Fund's risk management processes link to financial reporting?	Reliance is placed on the controls in place to prevent fraud e.g. systems/processes/financial monitoring/procurement practice etc and any concerns would be flagged to the Chamberlain and Audit and Risk committee, which would be factored into the financial statements preparation. A fraud register is maintained of any actual or suspected fraud cases.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	See response to Question 5 below.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of London Corporation Pension Fund as a whole, or within specific departments since 1 April 2021? If so, please provide details	No

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Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Biannual counter fraud and investigation reports delivered to the Audit & Risk Management Committee. Corporate risk report as standard item at each meeting of the Audit & Risk Management Committee.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within City of London Corporation Pension Fund where fraud is more likely to occur?	Yes – those areas where there is an inherent risk of fraud, despite having a sound control framework, the risks of human fraud or error can still exist • Continued payment of pensions following death • Over payment of pensions • Scammers targeting scheme members to persuade them to transfer their benefits to other arrangements that may be unusual or high risk or allow the scammers to steal the funds outright. No
6. What processes do City of London Corporation Pension Fund have in place to identify and respond to risks of fraud?	Fraud risks are considered as part of each internal audit assignment, with appropriate testing undertaken to assess the scale of the fraud risks in that service. Internal Audit's counter fraud team consider fraud risks as part of corporate fraud investigation activity and these are reported as appropriate to management, with recommendations made as appropriate to improve the control framework.

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Fraud risk assessment

Question	Management response
7. How do you assess the overall control environment for City of London Corporation Pension Fund including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	Delivery of a programme of Internal Audit work, this incorporates assurance work reviewing controls within key financial systems as well as a risk based programme of activity (the approach to the latter still focusses on the adequacy of the Internal Control environment). Segregation of duties is built into many of our existing processes, often driven/enforced by the design and implementation of our IT systems. The review of the effectiveness of the system of internal control is based upon review and analysis of completed Internal Audit work and other relevant information that the Head of Internal Audit becomes aware of, this is a judgement/opinion based assessment so does not follow a specific process. Refer to Head of Internal Audit Annual Opinion report to Audit and Risk Management Committee to identify risk areas from absent/weak internal controls. Mitigating actions are usually to implement /improve the controls identified as weak. There is always the potential for override or inappropriate influence, some of the City Corporation's financial arrangements are complicated, that said, Internal Audit work has not identified any specific instances
8. Are there any areas where there is potential for misreporting? If so, please provide details	Not to our knowledge

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Fraud risk assessment

Question	Management response
9. How does City of London Corporation Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	Both the Corporate Anti-Fraud & Corruption Strategy and the Whistleblowing Policy provide confidential routes for staff to report any fraud concerns to the Internal Audit & Counter Fraud division for consideration of further investigation. A mandatory fraud awareness eLearning package is in place to raise staff awareness of fraud risks and acts as a reminder to staff about what risks they need to report. This eLearning is repeated periodically for staff employed in high fraud risk areas, such as housing, benefits, accounts payable etc. Staff are encouraged to report any concerns they may have, these are triaged by the Internal Audit & Counter Fraud division upon receipt with appropriate action taken.
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	Posts where there is an inherent risk of fraud through misappropriation of funds or the Pension Fund's assets. These include, pensions administration, cashiers and investments. Staff in high-risk posts are required to submit a declaration of interest return on an annual basis to their Chief Officer, any third-party interests are considered on the basis of the risks posed and appropriate safeguards put in place. The mandatory fraud awareness eLearning training is repeated periodically for staff employed in high fraud risk posts.
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	No Self-declaration of conflicts of interests/ third party interests expected to be reported by officers and Members. The City utilises the NFI AppCheck as part of its recruitment checks to see if staff have a third-party interest (recorded within NFI data) that may impact their duties at CoL. Scope exists to use AppCheck periodically for high-risk posts, but not known if this is being done holistically at present.

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Fraud risk assessment

Question	Management response
12. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	The Audit & Risk Management Committee receive an annual counter fraud & investigation report to its May committee and a half yearly report to its November committee. Regular updates on follow up work and have the power to hold officers to account, through calling management to committee to explain why recommendations not implemented Overall arrangement for reporting and responding to recs has been positive and not required further intervention by ARMC
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No
14. Have any reports been made under the Bribery Act? If so, please provide details	No

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Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that City of London Corporation Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

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Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does City of London Corporation Pension Fund have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the City of London Corporation Pension Fund's regulatory environment that may have a significant impact on the City of London Corporation Pension Fund's financial statements?	Various regulations are awaited from central government such as those around McCloud – these will affect the accounts for 2023/24 onwards. Keep relevant laws and regulations under review – focus on changes in liaison with Comptroller and City Solicitor's department. The Comptroller and City Solicitor, is responsible for providing all legal services required by the City of London. This includes providing legal advice to Committees, Departments of the City, to the Commissioner of Police for the City, and to other organisations for whom the Comptroller & City Solicitor is required to act as legal adviser (e.g. the Museum of London). No
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	See corporate risk management procedure.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	No
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	No

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Impact of laws and regulations

Question	Management response
5. What arrangements does City of London Corporation Pension Fund have in place to identify, evaluate and account for litigation or claims?	Management and insurance arrangements - see annual governance statement.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No, not that we are aware.

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Related Parties

Matters in relation to Related Parties

City of London Corporation Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by City of London Corporation Pension Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Pension Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Pension Fund, or of any body that is a related party of the Pension Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Pension Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

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Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in City of London Corporation Pension Fund's 2020/21 financial statements? If so please summarise: • the nature of the relationship between these related parties and City of London Corporation Pension Fund whether City of London Corporation Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions	Members have agreed to disclose all related party transactions of £10k to ensure transparency so our disclosures go above the strict accounting requirement. The disclosure in the accounts makes clear the movements from the previous year.
2. What controls does City of London Corporation Pension Fund have in place to identify, account for and disclose related party transactions and relationships?	Members are required to complete these disclosures as part of their role. Related parties linked to roles obtained through the Corporations are included by default.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The Corporation does not operate single member decision making so all decisions are routed through the committee system. All procurement activity follows procurement rules which would usually result in a tender or approved framework being utilised with a transparent selection process.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Whilst delegation limits are in place for Officers to action transactions most if not all significant transactions would be routed through a committee process. An audit trail of approvals will be required in order for payments to be processed.

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Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government pension scheme bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

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Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by City of London Corporation Pension Fund will no longer continue?	The Pension Fund undergoes a triennial valuation to set the employer contribution rates for the following three years. Each year an IAS 19 is produced as are FRS102 (for some of the admitted bodies.
2. Are management aware of any factors which may mean for City of London Corporation Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by City of London Corporation Pension Fund, does City of London Corporation Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for City of London Corporation Pension Fund to cease to exist?	The City of London Pension Fund is a local government pension scheme and is governed by regulations. There are no plans for it to “cease to exist”. The administration of the pension fund will continue to be provided in house.
4. Are management satisfied that the financial reporting framework permits City of London Corporation Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

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Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

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

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

Specifically do Audit Committee members:

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

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

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Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	These are disclosed in the notes to the accounts. Significant areas include the estimation of retirement benefits as well as valuations of private equity investments and infrastructure and pooled property.
2. How does the City of London Corporation Pension Fund's risk management process identify and address risks relating to accounting estimates?	This is disclosed in the accounts under Critical Judgements in apply accounting policies and Assumptions about other major sources of estimation uncertainty. The City of London Corporation is committed to ensuring risk management is utilised in every aspect of the organisation to drive efficiency, innovation and effectiveness in its overall decision-making process. The Corporate Risk Register contains the City Corporation's most significant risks and is reviewed by the Performance and Strategy Summit Group (chaired by the Town Clerk) before being reported to the Audit and Risk Management Committee on a periodic basis. Each department has a nominated Risk Coordinator who can provide support and guidance to officers and managers on risk management. The Risk Management Group, chaired by the Chamberlain's Corporate Risk Advisor, allows all the Risk Coordinators to jointly take a holistic view of the operational elements of risk management, including the review, development and engagement of managing risks within departments.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	This is mainly driven by technical reporting requirements (IAS19, IAS26 and FRS 102) which are undertaken by the actuary (Barnett Waddingham)
4. How do management review the outcomes of previous accounting estimates?	Many of these areas are constantly evolving and therefore these estimates only reflect a point in time. Previous years values form the starting point against current year estimates will be measured. See also Question 3 above.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No

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Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	These are largely focused on the key areas of estimation which are material to the accounts requiring specialist training in making assessment (e.g. property and actuarial valuations) or where access to specialist knowledge provides support and advice when linking into the estimations process (e.g. NNDR provisions) Actuarial valuations must be undertaken by an actuary – for the City of London Pension Fund, the actuary is Barnett Waddingham.
7. How does the City of London Corporation Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The pension valuations are largely formulaic, but we do ensure that significant movements between years are understood. At the triennial valuation, the draft valuation is subject to review and challenge by officers and a small group of Members.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See Question 7 above.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	See Question 7 above. Actuary Actuary Accounting policies

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Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	These are established processes which are supported by external advice adhering to professional standards
12. How is the Audit & Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The Audit & Risk Committee are aware of any prior audit issues raised with accounting and are informed of changes made to address these issues. Briefing sessions are held on the accounts prior to sign off which can enable Members (within and outside of the committee) to challenge the approach to any aspect of the accounts. Member appoint senior staff within Chamberlain's with appropriate skills and qualifications to provide the relevant assurance around the statement of accounts. The Audit & Risk committee also maintains 3 independent members with appropriate skills and experience to provide challenge to all element of the Audit & Risk Committee remit including the approval of the statement of accounts.

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Actuarial PV of Retirement Benefits	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	Underlying data is provided by CoL, estimates are reviewed and challenged once provided by Actuary.	Yes, Barnett Waddingham	There is a degree of uncertainty involved due to the long-term nature of pension liability.	No
Level 2 investments	The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).	Underlying data provided by Fund Manager and Custodian. CoL challenge any variances between Custodian and Fund Managers values.	Fund Manager/Custodian	Degree of uncertainty is low as market values are provided by Fund Manager/Custodian, potential differences arise from different foreign exchange rates used (i.e. rounding of decimal places) and whether values have been taken as at MID pricing or BID pricing.	No
Level 3 investments	As above for Infrastructure (IFM) and Property. For Private Equity and Infrastructure (DIF), this is determined by using latest available data and calculated using the latest available market values (31 December, in most cases) and adjusted for cash flow and foreign exchange movements occurring during the period.	Underlying data provided by Fund Manager. The adjustments used for cashflows are reconciled on a quarterly basis.	Fund Manager/Custodian	There is a degree of uncertainty involved due to the adjustment for cash flow and foreign exchange movement.	No
Contribution Accruals	Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate.	N/A, no estimates used	No	Contributions are as per sent by employers/members per rates and adjustment certificates	No

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Informing the audit risk assessment for City of London Corporation – City Fund 2021/22

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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between City of London Corporation City Fund's external auditors and City of London Corporation City Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the City of London Corporation City Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

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Purpose

This report includes a series of questions on each of these areas and the response we have received from City of London Corporation City Fund's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

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General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	We are moving away from the impact of COVID-19 but there are still some residual issues affecting the 21/22 accounts including collection fund deficits and inflated reserve balance due to S31 offset funding, business support funding and COVID additional relief fund (CARF) impacting on creditor balances. Aside from those issues the accounts reflect previous areas which have an impact including IAS19 valuations, PPE valuations, investment property valuation and the assessment of business rate appeal provisions. The forecast Medium Term Financial Plan position show deficits occurring from 2023/24 which will require addressing as part of the budget setting process.
2. Have you considered the appropriateness of the accounting policies adopted by City of London Corporation City Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The City Fund accounts are prepared in accordance with proper accounting practices as required by the Accounts and Audit Regulations 2015. This comprises the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS). Accounting policies are reviewed as part of the preparation of the accounts. No changes have been made in 21/22.
3. Is there any use of financial instruments, including derivatives? If so, please explain	City Fund is invested in money market funds to the value of £325m
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	As part of the new Police HQ project there has been circa £100m transfer from investment property to operational property as this site will be used for the building. This is an internal transfer.

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General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	CoL has entered into a guarantee contract for the Police ICT Company – as a national body supporting all forces with ICT services. This guarantee is limited to £28k.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by City of London Corporation City Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Provided as a separate document

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General Enquiries of Management

Question	Management response
9. Have any of the City of London Corporation City Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	The Corporate fraud register will be provided. Confirmation of non-compliance with laws and regulations has been provided via the Comptrollers and City Solicitor. You will be aware of the outstanding issue regarding the accounting for infrastructure assets. The accounts have been presented according to the latest guidance but we are awaiting further guidance on how this issue will be managed.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The City commission several valuation experts to conduct the valuation of their operational and investment property. These are Gerald Eve, Cushman and Wakefield and Savills. The City Corporation commission Barnet Waddingham to conduct its actuarial valuations including IAS19. We use Analyse Local to support our appeal provision calculation. Details to be provided separately.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Assessment of expected credit losses are made on all non-statutory account debtors as per the requirements. Provisions are made based on backward and forward looking factors. Bad debt provision calculations have been provided as part of the audit pack.

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Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As City of London Corporation City Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from City of London Corporation City Fund's management.

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Fraud risk assessment

Question	Management response
1. Has City of London Corporation City Fund assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the City of London Corporation City Fund's risk management processes link to financial reporting?	Reliance is placed on the controls in place to prevent fraud e.g. systems/processes/financial monitoring/procurement practice etc and any concerns would be flagged to the Chamberlain and Audit and Risk committee, which would be factored into the financial statements preparation. A fraud register is maintained of any actual or suspected fraud cases. Internal Audit has provided independent and objective assurance across a range of City Corporation activities and services, in accordance with the Annual Internal Audit Plan (part of a 3-year Strategic Audit Plan). The Audit Plan has been managed proactively throughout the year with the engagement and support of the Audit and Risk Management Committee; amendments were made to accommodate the continued impact of the Target Operating Model review, with work being reprioritised and rescheduled accordingly. The Head of Internal Audit and Risk Management has provided an annual opinion stating that the City has adequate and effective systems of internal control (which includes governance arrangements) in place to manage the achievement of its objectives. This is informed by completed Audit work, discussion with key officers and observation of the governance process in operation, with particular regard to the implementation and continued operation of amended governance processes to address the impact of the COVID-19 pandemic.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	See response to Q5 below
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of London Corporation City Fund as a whole, or within specific departments since 1 April 2021? If so, please provide details	All frauds, whether actual or suspected are recorded on the corporate fraud register – 2021/22 extract of the full register attached.

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Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Biannual counter fraud and investigation reports delivered to the Audit & Risk Management Committee. Corporate risk report as standard item at each meeting of the Audit & Risk Management Committee.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within City of London Corporation City Fund where fraud is more likely to occur?	Yes – those areas where there is an inherent risk of fraud, despite having a sound control framework, the risks of human fraud or error can still exist. Housing allocations and rents (HRA properties) AP (Mandate) Social care (Direct Payments) All frauds, whether actual or suspected are recorded on the corporate fraud register – 2021/22 extract of the full register attached.
6. What processes do City of London Corporation City Fund have in place to identify and respond to risks of fraud?	Fraud risks are considered as part of each internal audit assignment, with appropriate testing undertaken to assess the scale of the fraud risks in that service. IA's counter fraud team consider fraud risks as part of corporate fraud investigation activity and these are reported as appropriate to management, with recommendations made as appropriate to improve the control framework.

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Fraud risk assessment

Question	Management response
7. How do you assess the overall control environment for City of London Corporation City Fund including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	Delivery of a programme of Internal Audit work, this incorporates assurance work reviewing controls within key financial systems as well as a risk based programme of activity (the approach to the latter still focusses on the adequacy of the Internal Control environment). Segregation of duties is built into many of our existing processes, often driven/enforced by the design and implementation of our IT systems. The effectiveness of the system of internal control is based upon review and analysis of completed Internal Audit work and other relevant information that the Head of Internal Audit becomes aware of. This is a judgement/opinion based assessment so does not follow a specific process. Refer to the Head of Internal Audit Annual Opinion report to Audit and Risk Management Committee to identify risk areas from absent/weak internal controls. Mitigating actions are usually to implement /improve the controls identified as weak. There are also some effective 2nd line controls, for example in relation to procurement, we also make use of the NFI and more recently the London NFI fraud hub. There is always the potential for override or inappropriate influence, some of the City Corporation's financial arrangements are complicated, that said, Internal Audit work has not identified any specific instances.
8. Are there any areas where there is potential for misreporting? If so, please provide details	Not to our knowledge.

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Fraud risk assessment

Question	Management response
9. How does City of London Corporation City Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	Both the Corporate Anti-Fraud & Corruption Strategy and the Whistleblowing Policy provide confidential routes for staff to report any fraud concerns to the Internal Audit & Counter Fraud division for consideration of further investigation. A mandatory fraud awareness eLearning package is in place to raise staff awareness of fraud risks and acts as a reminder to staff about what risks they need to report. This eLearning is repeated periodically for staff employed in high fraud risk areas, such as housing, benefits, accounts payable etc. Staff are encouraged to report any concerns they may have, these are triaged by the Internal Audit & Counter Fraud division upon receipt with appropriate action taken. Details of the cases referred and investigated during the 2021/22 reporting year can be found in the attached registers.
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	Posts where there is an inherent risk of fraud through misappropriation of funds or the City's assets. These include, finance, cashiers, AP, payroll, benefits, revenues, social care (DP) and housing teams. Staff in high-risk posts are required to submit a declaration of interest return on an annual basis to their Chief Officer, any third-party interests are considered on the basis of the risks posed and appropriate safeguards put in place. The mandatory fraud awareness eLearning training is repeated periodically for staff employed in high fraud risk posts.
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	No Self-declaration of conflicts of interests/ third party interests expected to be reported by officers and Members. The City utilises the NFI AppCheck as part of its recruitment checks to see if staff have a third-party interest (recorded within NFI data) that may impact their duties at CoL. Scope exists to use AppCheck periodically for high-risk posts, but not known if this is being done holistically at present. Testing through the NFI biennial exercise – employees to Companies House data matching, The CoL is signed up to the NFI fraud hub, meaning more regular data matching of staff data to Companies House data.

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Fraud risk assessment

Question	Management response
12. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	The Audit & Risk Management Committee (ARMC) receive an annual counter fraud & investigation report to its May committee and a half yearly report to its November committee. The Committee also receives regular updates on follow up work and has the power to hold officers to account, through calling management to committee to explain why any recommendations have not been implemented Overall arrangement for reporting and responding to recommendations has been positive and not required further intervention by ARMC.
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Not for pensions. Wider organisation wise - details of the disclosures raised under the whistleblowing procedure, along with the outcome of any investigation undertaken during 2021/22 can be found in the 2021/22 disclosure register attached. All disclosures raised under the whistleblowing channels are reported to the Audit & Risk Management Committee for oversight, along with a redacted summary of the outcome.
14. Have any reports been made under the Bribery Act? If so, please provide details	No

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Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that City of London Corporation City Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

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Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does City of London Corporation City Fund have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the City of London Corporation City Fund's regulatory environment that may have a significant impact on the City of London Corporation City Fund's financial statements?	Management and Committee reporting arrangements. See annual governance statement. Keep relevant laws and regulations under review – focus on changes in liaison with Comptroller and City Solicitor's department. The Comptroller and City Solicitor, is responsible for providing all legal services required by the City of London. This includes providing legal advice to Committees, Departments of the City, to the Commissioner of Police for the City, and to other organisations for whom the Comptroller & City Solicitor is required to act as legal adviser (e.g. the Museum of London). No
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	The City Corporation has established formal Risk Management arrangements which include the development and maintenance of corporate, departmental, and service risks, their regular review by departmental senior management, through the Chief Officer Risk Management Group, and reported to the relevant Grand/Service Committee. These arrangements are subject to annual review by the Audit and Risk Management Committee and have continued to operate effectively. The Audit and Risk Management Committee continue to play an important and integral part in ensuring that our most important risks were reviewed through regular risk updates and deep dives of corporate risks on a rolling basis. The Committee also continued to operate the Informal Risk Challenge process, meeting with Chief Officers individually to evaluate their approach to managing risk within their operations. See Risk Management Policy and Strategy for further details.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	Not as far as we are aware.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	Not of a material nature.

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Impact of laws and regulations

Question	Management response
5. What arrangements does City of London Corporation City Fund have in place to identify, evaluate and account for litigation or claims?	See response to Q2 above. In addition, confirmation is required from each Chief Officer that events after the balance sheet date and contingent liabilities/outstanding claims have been considered, with details of any material items or a nil return being provided.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	Not as far as we are aware.

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Related Parties

Matters in relation to Related Parties

City of London Corporation City Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by City of London Corporation City Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (Fund) for the benefit of employees of the Fund, or of any body that is a related party of the Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

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Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in City of London Corporation City Fund's 2020/21 financial statements? If so please summarise: • the nature of the relationship between these related parties and City of London Corporation City Fund whether City of London Corporation City Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions	Members have agreed to disclose all related party transactions of £10k to ensure transparency so our disclosures go above the strict accounting requirement. The disclosure in the accounts makes clear the movements from the previous year.
2. What controls does City of London Corporation City Fund have in place to identify, account for and disclose related party transactions and relationships?	Members are required to complete these disclosures as part of their role. Related parties linked to roles obtained through the Corporations are included by default.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The Corporation does not operate single member decision making so all decisions are routed through the committee system. All procurement activity follows procurement rules which would usually result in a tender or approved framework being utilised with a transparent selection process.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Whilst delegation limits are in place for Officers to action transactions most if not all significant transactions would be routed through a committee process. An audit trail of approvals will be required in order for payments to be processed.

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Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

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Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by City of London Corporation City Fund will no longer continue?	The organisation maintains regular in year monitoring, medium term forecasting, risk management processes and has a strong financial standing which would prevent such an occurrence from happening.
2. Are management aware of any factors which may mean for City of London Corporation City Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by City of London Corporation City Fund, does City of London Corporation City Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for City of London Corporation City Fund to cease to exist?	The City of London expects continued delivery of these services.
4. Are management satisfied that the financial reporting framework permits City of London Corporation City Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

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Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

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

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

Specifically do Audit Committee members:

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

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

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Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	These are reviewed and disclosed in note 2 of the accounts. Potential areas include business rates, pension liability, PPE, asset valuations and arrears.
2. How does the City of London Corporation City Fund's risk management process identify and address risks relating to accounting estimates?	The City of London Corporation is committed to ensuring risk management is utilised in every aspect of the organisation to drive efficiency, innovation and effectiveness in its overall decision-making process. The Corporate Risk Register contains the City Corporation's most significant risks and is reviewed by the Performance and Strategy Summit Group (chaired by the Town Clerk) before being reported to the Audit and Risk Management Committee on a periodic basis. Each department has a nominated Risk Coordinator who can provide support and guidance to officers and managers on risk management. The Risk Management Group, chaired by the Chamberlain's Corporate Risk Advisor, allows all the Risk Coordinators to jointly take a holistic view of the operational elements of risk management, including the review, development and engagement of managing risks within departments.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	These are largely driven by technical reporting requirements as set out but professional bodies (RICS and IAS etc). CoL does maintain some level of internal expertise like property specialists, accountants, those operating within the pension field etc to support the process. In relation to NNDR appeals the use of external experts provides us with a wider view of the evolution within this area and our position as the second largest business rate authority means we have close contact with Govt and other large business rate areas (like Westminster) to understand potential changes. Judgements on the recoverability of arrears are reviewed each year to ensure they appropriately capture the risk around this.
4. How do management review the outcomes of previous accounting estimates?	Many of these areas are constantly evolving and therefore these estimates only reflect a point in time. Previous years values form the starting point against current year estimates will be measured, and understanding key movements is critical to understanding how positions may have evolved.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	In terms of overall approach, there were no changes in 21/22

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Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	These are largely focused on the key areas of estimation which are material to the accounts requiring specialist training in making assessment (e.g. property and actuarial valuations) or where access to specialist knowledge provides support and advice when linking into the estimations process (e.g. NNDR provisions). Where specialised skills or knowledge are not available internally, the Corporation utilises interim staff to ensure that the required skills are accessible.
7. How does the City of London Corporation City Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	All external advice is subject to review processes where information provided is challenged to ensure it is robust and any movements are understood. For valuations, formal challenge sessions are held with our internal property experts and then further challenge is made by our capital accountants if there are any valuations that are flagged as outliers. The pension valuations are largely formulaic but we do ensure that significant movements between years are understood with additional disclosures included if necessary. NNDR appeals are subject to review by the Head of Revenues and the collection fund accountant. Bad debt provisions are viewed by the relevant head of finance and service leads to ensure a reasonable position is reached. Note in the case of external experts the base data used to produce these estimates is provided by CoL so we ensure these remain robust.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See response to Q7 above
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	See response to Q7 above

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	These are established processes which are supported by external advice adhering to professional standards
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The audit committee are aware of any prior audit issues raised with accounting estimates and are informed of changes made to address these issues. Briefing sessions are held on the accounts prior to sign off which enables Members (within and outside of the committee) to challenge the approach to any aspect of the accounts. Members appoint senior staff within Chamberlain's with appropriate skills and qualifications to provide the relevant assurance around the statement of accounts. The audit committee also maintains 3 independent members with appropriate skills and experience to provide challenge to all elements of the audit committee remit including the approval of the statement of accounts.

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	External RICS valuations	Passing over of data by CoL to base valuations on, review meetings to discuss valuations, further challenge by capital team on valuation report.	Yes, detail already provided	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Council dwelling valuations	Internal valuer using beacon methodology	Qualification of valuers, training, peer review	Internal qualified valuers	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Investment property valuations	External RICS valuations	Passing over of data by CoL to base valuations on, review meetings to discuss valuations, further challenge by capital team on valuation report	Yes, detail already provided	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Depreciation	Methods used as accepted by CIPFA code of practice. Asset lives determined as part of capital scheme development and principle as identified in the accounts	Discussion with capital scheme managers and subsequent use of valuations process to determine changes in UEL. Control in place to ensure all capital spend is capture through project procedure.	Project manager identified when capital scheme undertaken to advise to UEL	UEL are an inherent estimate.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of pension liabilities	Actuarial valuations as set out by actuarial standards	Underlying data is provided by CoL, estimates are reviewed and challenged once provided by Actuary	Yes, Barnett Waddingham	There is a degree of uncertainty involved due to the long-term nature of pension liability.	No
Fair value estimates	Only applies to short dated bond fund investments whose value are deemed via market price.	N/A	None – albeit these fund are invested with an investment firm.	N/A	No
Provisions	Currents only applicable for NNDR appeals. In general confirmation of potential issues received via Chief Officer confirmations	Senior leaders, including the Town Clerk and City Solicitor determine if there is an issue.	No	Would be subject to the specific provision issue that was being dealt with.	No
Accruals	Based on financial commitments at the end of the financial year yet to be recorded. Limited use of models but judgement require on value of capital works completed at year end, which is determined by contractor	Review of financial position by budget holders and finance professionals.	No	Limited uncertainty as this is usually based on actual delivery of product or service.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	Generally review of historic trends, with account taken of future issues that may impact specific income streams	Review of historic trends, information for service managers	No	Locally determined depending on income stream.	No
Finance lease liabilities	Method as set out in CIPFA code of practice.	n/a	No	n/a	No
NNDR Appeals provision	Analyse provide by Analyse Local	VOA listing of CCA	Analyse Local	Uncertainty inherent but wider data set utilised by Analyse Local provide greater level of support for approach.	No

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Committees: Audit and Risk Management Committee – For information Pensions Committee – For Information	**Dated:** 11 September 2023 12 September 2023
Subject: City Fund and Pension Fund Audit Plan 22-23	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**N/A**
Does this proposal require extra revenue and/or capital spending?	**N**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: The Chamberlain	**For Information**
Report author: Daniel Peattie, Assistant Director – Strategic Finance	

Summary

The attached External Auditor's report outlines their work plan for undertaking the audit of the City Fund and Pension Fund Accounts for 2022/23. In addition, the report outlines the work they will undertake to reach a Value for Money conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources. The report also identifies specific risks and includes a statement of their fees.

Recommendations

The **Audit and Risk Management** Committee is asked to:

- **Note** the Indicative City Fund Audit Plan for 2022/23 as set out in Appendix 1.
- **Note** the Indicative Pension Fund Audit Plan for 2022/23 as set out in Appendix 2.

The **Pensions Committee** is asked to:

- **Note** the indicative Pension Fund Audit Plan for 2022/23 as set out in Appendix 2.

Main Report

Background and Current Position

1. The Audit and Risk Management Committee oversees the City of London Corporation's systems of internal control and makes recommendations to the Finance Committee relating to the approval of the Annual Statements of Accounts – this includes the Pension Fund accounts.

2. The Authority published its draft accounts for the 2022/23 financial year on 12th July 2023, these can be found here and the audit of the draft accounts is expected to commence in September 2023 in-line with this plan.
3. Grant Thornton (GT) will be carrying out the external audit of the City Fund and Pension Fund accounts for 2022/23. It is considered good practice and part of the assurance framework for the External Auditor to report to the Audit and Risk Management Committee at regular intervals.
4. Grant Thornton will report the findings arising from their work on the 2022/23 audit to this Committee on 6th November 2023.
5. As the Pension Fund accounts form part of the City Fund accounts as a whole, the Audit and Risk Management Committee retain ultimate responsibility for receiving and considering audit plans as well as receiving any reports arising from the audit. The Pension Fund Audit Plan for 2022/23 is included in Appendix 2; the audit plan and any reports arising from the audit will also be reported to the Pension Fund Committee.

Corporate & Strategic Implications

6. Strategic implications – There are no specific links to the Corporate Plan. However, the accounts assist the Authority in maintaining a clear and transparent dialogue regarding the its activities with residents and other stakeholders.
7. Financial implications – The fees for the audits are included within the appendices and can be met from the existing budget provision.
8. Legal implications – The recommendations of the report request the Audit and Risk Management Committee to note indicative Audit Plans for 2022/23, which outlines Grant Thornton's planning and approach to the audit, including the audit timetable. The Committee is not requested to make any decision and there are no significant legal implications arising from the content of this report.

Conclusion

9. The attached External Auditor's report outlines their work plan for undertaking the audit of the City Fund and Pension Fund Accounts for 2022/23. In addition, the report also outlines the work they will undertake to reach a Value for Money conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources. The report also identifies specific risks and includes a statement of their fees which have been reviewed and queried by officers as appropriate.

Appendices

- Appendix 1 – City Fund Audit Plan 22-23 (Audit & Risk Committee only)
- Appendix 2 – Pension Fund Audit Plan 22-23

Daniel Peattie
Assistant Director – Strategic Finance

E: daniel.peattie@cityoflondon.gov.uk

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

City of London – City Fund Indicative Audit Plan

Year ending 31 March 2023

August 2023

Contents

Your key Grant Thornton team members are:

Sophia Brown
Key Audit Partner
T 020 7728 3179
E Sophia.Y.Brown@uk.gt.com

Nick Halliwell
Senior Manager
T 020 7728 2469
E Nick.J.Halliwell@uk.gt.com

Antoinette Mtembu
Assistant Manager
T 020 7865 2402
E Antoinette.M.Mtembu@uk.gt.com

Bheki Dlamini
Assistant Manager
T 020 7728 3359
E Bhekithemba.Dlamini@uk.gt.com

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

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Key matters

Local context

City Fund's largest area of spend is the City of London Police, which is largely funded via grants from government along with a contribution from the business rate premium. City Fund also benefits from a large property investment portfolio, overseen by the Property Investment Board, which generates additional income to fund its services. During the year the City Corporation instigated a new Target Operating Model (TOM) to achieve savings required to ensure financial sustainability going forward and to better align resources to organisational priorities. This has brought the overall cost of services down by £9m before accounting for any in-year service spend variances.

Within the financial year 2022-23, City Fund has recorded an underspend of £26.1m (2021-22 underspend £48.1m), with the significant driver being delays in drawing down central contingencies contributing to an underspend along with slippage on supplementary revenue projects. The Authority also maintains a strong balance sheet position with net assets totalling £1,869.4m at year end. The key movements which have contributed to an overall balance sheet increase of £777.6m are largely due to the reduction in pension liability compared to the previous year.

The current financial projections for City Fund across the medium-term planning horizon indicate that City Fund maintains adequate levels of both general and earmarked reserves (£262.2m) to support its functions across the short to medium term. The projected deficits in 2025-26 and 2026-27 will require addressing as part of the financial planning process carried out in the autumn.

National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, authorities are also essential in driving strong and inclusive local economies, through their economic development functions and measures like

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Key matters

increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work across the sector highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit reporting delays

In a report published in January 2023 the NAO highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outlines a number of reasons for this and proposed actions. In our view, it is critical for early sign off that local authority draft accounts are prepared to a high standard and supported by strong working papers.

Grant Thornton produced a report 'About Time' that explores the reasons for delayed publication of audited local authority accounts. Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The report concluded that amongst other things, the local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts.

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Key matters

Our responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Chamberlain.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- Our final audit plan will include consideration of progress against previously agreed recommendations.
- We will continue to provide you and your Audit & Risk Management Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our audit committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

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Introduction and headlines

Purpose

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

Respective responsibilities

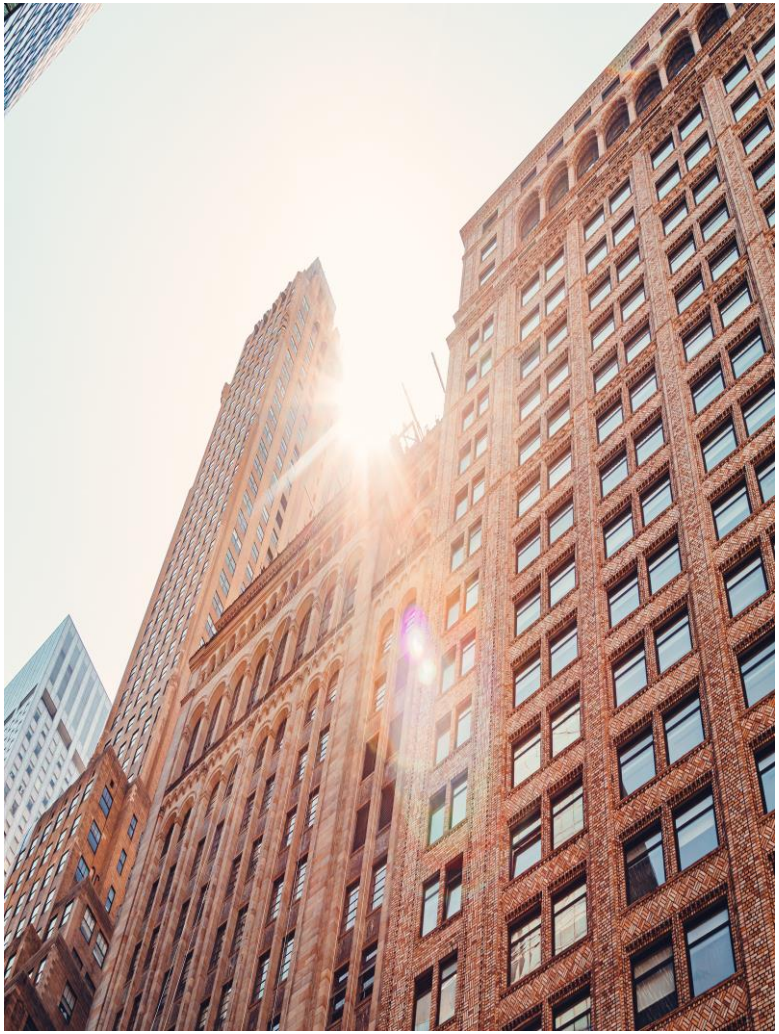
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and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

Scope of our audit

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

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

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



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Introduction and headlines

Indicative significant risks

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

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

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

Materiality

At this indicative stage we expect materiality for City Fund to be approximately £8.1m (2021-22 £7.69m), which equates to 1.5% of your draft gross expenditure for the period.

Value for Money arrangements

We will report the outcome of our risk assessment regarding your arrangements to secure value for money in our final audit plan, including any risks of significant weaknesses that we identify.

New auditing standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this indicative plan.

Audit logistics

Our planning visit takes place in August and our final visit will commence in September. Our key deliverables are the Final Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be an increase from the prior year of £357,500 (PY: £340,000) for City Fund. The rationale for the increase is set out in detail on page 17 and is subject to the Authority delivering a good set of financial statements and working papers.

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

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Indicative significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transaction (rebutted)	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and nature of the revenue streams at City Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including City Fund, mean that all forms of fraud are seen as unacceptable. We do not consider this to be a significant risk for City Fund.	We will rebut the presumed risk of fraud in revenue, and as such there is no specific work planned for this risk. To gain assurance over revenue, we will: • Document our understanding of the revenue business process. • Test a sample of revenue to gain assurance over the accuracy and occurrence of revenue recorded during the financial year. • Perform testing over post year-end receipts to assess completeness of revenue and receivables recognition.
Management override of controls	Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. City Fund faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for City Fund, which was one of the most significant assessed risks of material misstatement.	To address this risk we will: • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

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Indicative significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk

Valuation of land and buildings, council dwellings and investment properties	City Fund re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions:
	Other Land & Buildings (£630.5m): City Fund re-values its land and buildings on a rolling five-yearly basis. City Fund has appointed three external valuers, as well as the City Corporation's City Surveyor's Department to carry out the valuations for 2022-23.
	Council dwellings (£249m): City Fund measures its dwellings at fair value, determined using the basis of existing use value for social housing and is re-valued on a cyclical approach using the Beacon methodology.
	Investment Properties (£1,337.8m): City Fund measures its investment properties at its highest and best use and is re-valued each year-end.
	
	Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2023 in City Fund's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.
	We identified the valuation of land and buildings, council dwellings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.
		To address this risk we will:
		• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.
		• Evaluate the competence, capabilities and objectivity of the valuation experts.
		• Discuss with or write to the relevant valuers to confirm the basis on which the valuation was carried out.
		• Engage our own valuer expert to provide commentary on:
		  • the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and
		  • the valuation methodology and approach, resulting assumptions adopted and any other relevant points.
		• Challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding.
		• Test revaluations made during the year to see if they have been input correctly to City Fund's asset register.
		• Assess the value of a sample of assets in relation to market rates for comparable properties.
		• Test a sample of beacon properties in respect of HRA dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group.
		• Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

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Indicative significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	The pension fund net liability, as reflected in City Fund's balance sheet as pensions liability, represents a significant estimate in the financial statements. Further, regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of defined benefit pension scheme every three years. The triennial valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023. Estimation of the net liability depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. The net liability has been valued by the City of London's independent consulting actuaries (Barnett Waddingham LLP). The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£913.2m as at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions. City Fund's pension liability consists of City Fund's share of the City of London Corporation's net pension liability and the unfunded City Police pension scheme. We therefore identified valuation of City Fund's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	To address this risk we will: • Update our understanding of the processes and controls put in place by management to ensure that City Fund's pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out City Fund's pension fund valuation. • Assess the accuracy and completeness of the information provided by City Fund to the actuary to estimate the liability. • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Document the scope of the actuary's work for the triennial valuation. • Identify, document and evaluate the procedures and controls used by City of London Pension Fund to establish the accuracy and completeness of the source data, and over the provision of this source data, to the actuary for the purposes of preparing the triennial valuation. • Perform audit procedures in respect of the triennial valuation data submitted to the actuary. • Consider testing the individual member data used by the actuary in their triennial valuation calculations against independent records.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto. Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

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Indicative other risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in expenditure recognition	Practice Note 10 suggest that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity that is required to meet financial targets. Having considered the risk factors relevant to City Fund and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 8 relating to revenue recognition apply. We consider the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests and our testing in relation to the significant risk of Management override of controls set out on page 8.	To address this risk we will: • Perform testing over post year-end transactions to assess completeness of expenditure recognition. • Test a sample of operating expenses to gain assurance over the accuracy and occurrence of expenditure recorded during the financial year.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)

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Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of City Fund.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2022-23 financial statements, consider and decide upon any objections received in relation to the 2022-23 financial statements;
  - issuing a report in the public interest or written recommendations to City Fund under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

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

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Our indicative approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	**Determination** We anticipate that we will determine financial statement materiality based on a proportion of the gross expenditure of City Fund for the financial year. At this indicative stage we expect materiality for City Fund to be approximately £8.1m, which equates to 1.5% of your draft gross expenditure for the period.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes; and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. We will confirm in our final audit plan whether we have identified any balances where we will apply a lower materiality level.
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	**Other communications relating to materiality we will report to the Audit & Risk Management Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit & Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of City Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.4m (PY £0.38m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Risk Management Committee to assist it in fulfilling its governance responsibilities.

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IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 17.

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

IT system	Audit area	Planned level IT audit assessment
Oracle E-Business Suite	Financial reporting	Our IT Audit Team has carried out a review of the design and implementation of the City of London Corporation's financial reporting system (Main ERP system hosted by City of London). The work was carried out in December 2022 and identified two deficiencies. The first is in relation to the timeliness of revocation of user access in Oracle EBS, and the second is relates to the management of generic database administrator accounts. Recommendations for these two deficiencies have been raised with management and will be reported in the 2021-22 Audit Findings Report.
Orchard and Civica (Civica replaced the Orchard system in June 2022)	Benefits	Orchard to June 2022 - the audit team will carry out a detailed ITGC assessment (design implementation only). New system implementation – Civica was implemented in June 2022. Relevant risks for the new system include post-migration data completeness, and system functionality operating to design. Planned procedures to address the relevant risks will include: - Obtaining an understanding of the controls and processes in place for the system implementation; and - Audit of data migration activity, review of reconciliations and assessment of implementation results.
iTrent	Payroll	The audit team will carry out a detailed ITGC assessment (design implementation only).
Capita	Collection Fund	The audit team will carry out a detailed ITGC assessment (design implementation only).

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Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023.

The National Audit Office issued its latest Value for Money guidance -to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

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

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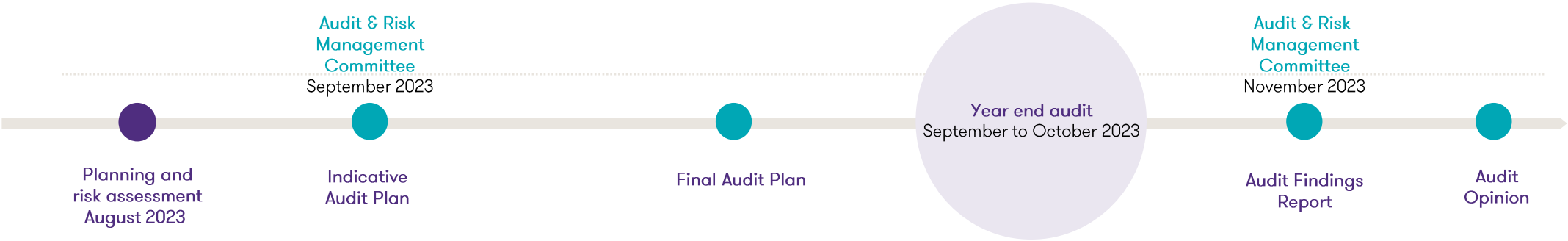
Audit logistics and team



Sophia Brown, Director

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

Nick Halliwell, Audit Manager

Nick is responsible for the overall management of City Fund's audit and the quality assurance of audit work and output. Nick will attend Audit & Risk Management Committee, undertake reviews of the team's work and draft reports.

Antoinette Mtembu and Bheki Dlamini, Assistant Managers

Will work with the senior members of the finance team ensuring delivery of testing and agreement of accounting issues on a timely basis. Are the key audit contacts responsible for the day-to-day management and delivery of the audit work.

Audited entity responsibilities

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

Our requirements

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

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

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Audit fees and updated Auditing Standards including ISA 315 Revised

In 2022, we were awarded a contract of audit for City of London Corporation – City Fund to begin with effect from 2021-22. The fee agreed in the contract was £340,000. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISAs which are relevant for the 2022-23 audit.

The major change impacting on our audit for 2022-23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding City Fund's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.

  Additional documentation of our understanding of City Fund's business model, which may result in us needing to perform additional inquiries to understand City Fund's end-to-end processes over more classes of transactions, balances and disclosures.

  We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £4,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022-23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022-23, as set detailed overleaf is to be agreed with the Chamberlain.

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Accounting estimates and related disclosures

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

Introduction

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

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

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

Specifically do Audit & Risk Management Committee members:

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

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2023. Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

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

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Accounting estimates and related disclosures

The Authority's Information systems

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

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

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

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

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

Estimation uncertainty

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

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

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

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

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

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

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

Planning enquiries

As part of our planning risk assessment procedures we have sent enquiries to management and to Audit & Risk Management Committee. We would appreciate a prompt response to these enquires.

Further information

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

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

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Audit fees

	Estimated fee 2021-22	Proposed fee 2022-23
City of London City Fund Audit	£340,000	£357,500
Total audit fees (excluding VAT)	£TBC	£357,500

The 2022-23 fee is expected to increase due to the following factors:

- The need to meet the requirements of ISA 315 (Revised) - £6,000
- The need to meet the requirements of ISA 240 (Revised) - £4,000
- Pension fund triennial valuation additional procedures - £6,000
- New system implementation additional procedures - £1,500

Assumptions

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

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

Relevant professional standards

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

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Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Authority's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the City of London Corporation.

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Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

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

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit Claim (2020-21)	£25,000	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £25,000 in comparison to the total fee for the audit of £357,500 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Claim (2021-22)	£25,000	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £25,000 in comparison to the total fee for the audit of £357,500 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
Research services analysing US financial services sector	£10,000	Self-Interest	The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £357,500 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically Authority tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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City of London Pension Fund audit plan

Year ending 31 March 2023

July 2023

Contents

Your key Grant Thornton team members are:

Paul Dossett
Key Audit Partner
T 020 7728 3180
E Paul.Dossett@uk.gt.com

Nick Halliwell
Senior Manager
T 020 7728 2469
E Nick.J.Halliwell@uk.gt.com

Antoinette Mtembu
Assistant Manager
T 020 7865 2402
E Antoinette.M.Mtembu@uk.gt.com

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

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Key matters

Pension Fund developments and National context

In accordance with statutory regulations a Triennial valuation of the Pension Fund was completed by the City's independent consulting actuaries, Barnett Waddingham LLP, as at 31 March 2019 using the projected unit method and the resulting employers' contribution were implemented for the three financial years commencing 1 April 2020. A more recent valuation was undertaken as at 31 March 2022, and found that the Pension Fund's funding position had improved to 98% (from 90% as at 31 March 2019). Employers' contributions are set based on Triennial actuarial funding valuations. Since the last such valuation was at 31 March 2022, employer contribution rates resulting from this exercise will apply from 1 April 2023. For 2022/23, employer contribution rates range from 15.0% to 21.0% of pensionable pay.

The net investments have slightly decreased by £2.9m for the year ending 31 March 2023 with a valuation of £1,366.2m. This was £1,369.1m as at 31 March 2022. The net assets available to fund benefits as at 31 March 2023 have also decreased by £12.7m, to £1,375.4m (£1,388.1m as at 31 March 2022).

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment.

The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping into their savings to supplement short-term needs and several members are also requesting early access to their pension after age 55 as a means to financially manage their commitments. The cost of living crisis makes it even more important that lowly paid workers have access to a good quality pension.

In planning our audit, we will take account of this context in designing a local audit procedures which are tailored to your risks, circumstances and also directed by the Triennial valuation report which may lead us to perform more detailed assessment of the data input in the valuation.

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Key matters

Our Response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Financial Services Director.
- We will continue to provide you and your Audit & Risk Management Committee with sector updates providing our insight on issues from a range of sources and other sector commentators.
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

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Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

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

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

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

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Introduction and headlines

Significant risks

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

- Management Override of Controls
- Valuation of Level 3 Investments

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

Materiality

We have determined planning materiality as a whole to be £15.8m (PY £13.9m) for the Pension Fund, which equates to 1.2% of your reported draft gross investment assets as at 31 March 2023.

We have also determined fund account - specific planning materiality to be £4.3m, which equates to 7.5% of your reported draft fund gross expenditure as at 31 March 2023.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.81m (PY £0.69m).

Audit logistics

Our interim visit will take place in July 2023 and our final visit will take place between August and September 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £53k (PY 42k) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

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

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

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Significant risks identified

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

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Presumed risk of fraud in revenue recognition ISA (UK) 240	Pension Fund	Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: - there is little incentive to manipulate revenue recognition - opportunities to manipulate revenue recognition are very limited - the culture and ethical frameworks of local authorities, including City of London and Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for City of London Pension Fund.	Significant risk rebutted
Management over-ride of controls	Pension Fund	Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.	We will: • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 investments	Pension Fund	You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £203m) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023. We therefore have identified Valuation of Level 3 Investments as a significant risk.	We will: • evaluate management's processes for valuing Level 3 investments and gain an understanding over the role of the custodian in the valuation process; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently request year-end confirmations from investment managers and the custodian; • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • review investment manager service auditor report on design and operating effectiveness of internal controls.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315).

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto. Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

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Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Local Government Pension Scheme triennial valuation	Pension Fund	Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023. The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cashflows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.	We will: • review the methods used to calculate the estimate, including the models used.; • review the actuarial reports and assess the reasonableness of the assumptions made in the reports; • perform tests on the accuracy and completeness of the data used in the valuation process. This includes examining source documents and reconciling data to supporting records. • evaluate the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.

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

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315) .

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Other matters

Other work

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

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

- We read any other information published alongside the Authority's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
    - Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
    - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
    - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
    - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

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

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality based on the following: • Materiality as a whole – planning materiality has been determined as £15.8m (PY £13.9m) for the Pension Fund, which equates to 1.2% of your reported draft gross investment assets as at 31 March 2023. • Fund account - specific materiality has been set for transactions within the fund account other than those related to investment activities. Planning materiality has been determined as £4.3m, which equates to 7.5% of your reported draft fund gross expenditure as at 31 March 2023. We have reassessed the materiality levels set for Pension Funds for our public sector audits nationally. This has led to this revised approach of setting two materiality's for the Fund account and another for the remaining balances. This reflects the disparity in value between the Fund Accounts and the Pension Funds asset base. Our view is this will provide a more proportionate level of focus on both aspects of our audit work.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and; – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. We have identified transactions in the Fund account (contributions, benefit payments, management expenses) as transactions where we will apply a lower materiality level due to the following: – paying pensions and collecting contributions are core aspects of what a LGPS fund does; – current pensioners and prospective pensioners will want assurance that pension payments are accurate; – employers and prospective pensioners will want assurance that contributions are accurate. We have set a materiality of £4.3m for the fund account transactions.

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Our approach to materiality

Matter	Description	Planned audit procedures
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
	Other communications relating to materiality we will report to the Audit and Risk Management Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.81m (PY £0.69m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Management Committee to assist it in fulfilling its governance responsibilities.

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IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 17.

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

IT system	Audit area	Planned level IT audit assessment
Oracle E-Business Suite (General ledger)	Financial reporting	The IT Audit Team have carried out a review of the design and implementation of the City of London Corporation's (administering authority) general ledger, Oracle EBS - CBIS (Main ERP system hosted by City of London Corporation, used by the City of London Corporation Pension Fund).
Altair	Pension Administration	We will review the general IT controls in place for Altair.

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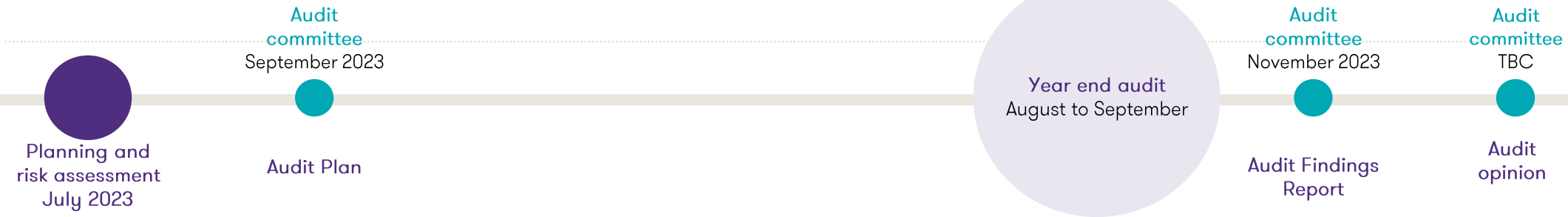
Audit logistics and team



Paul Dossett, Key Audit Partner

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

Nick Halliwell, Audit Manager

Nick is responsible for the overall management of the Pension Fund's audit and the quality assurance of audit work and output. Nick will attend Audit and Risk Management Committee, undertake reviews of the team's work and draft reports.

Antoinette Mtembu, Assistant Manager

Antoinette is the key audit contact responsible for the day-to-day management and delivery of the audit work.

Audited Entity responsibilities

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

Our requirements

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

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

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Audit fees and updated Auditing Standards including ISA 315 Revised

In 2022, we were awarded a contract of audit for City of London Pension Fund to begin with effect from 2021/22. The fee agreed in the contract was £35k. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plan.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Pension Fund's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Pension Fund's business model, which may result in us needing to perform additional inquiries to understand the Pension Fund's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for a Pension Fund of your size, we estimate an initial increase of £4,500. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf (and has been agreed with the Financial Services Director.

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Audit fees

	Proposed fee 2022/23
City of London Pension Fund tendered Audit fee	£35,000
Pension Fund Letters requested by other auditors- same as in prior year	£6,000
IAS 19 letters requested by BDO- same as prior year	£1,000
ISA 315	£4,500
Additional IAS 19 letters requested by Crowe	£1,000
Additional file sharing and work requested by Crowe	£1,500
Total audit fees (excluding VAT)	£49,000

- As Auditor of the pension fund, we are required to provide assurance to the auditors of admitted bodies in the of IAS 19 Assurance letters. This is an additional requirement to provide assurance for the pension fund financial statements. As this additional work is to support the IAS 19 for admitted bodies, the Pension Fund will need to determine whether to recharge the cost to these bodies.
- Note that fees for IAS 19 letters for admitted bodies were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 audits onwards.
- Therefore, worth noting that the fee reported last year was £35k and a further £7k of non-audit fees. For comparability reasons have therefore shown this fee with both elements included in the above table.

Assumptions

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

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

Relevant professional standards

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

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Independence

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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Committee(s)	Dated:
Audit and Risk Management Committee	11/09/2023
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, Head of Internal Audit	

Summary

This report provides an update on Internal Audit activity since July 2023. 2 Internal Audit reviews have been completed to Final Report stage and work is in progress at various stages for a number of Audit reviews.

The recent recruitment campaign was successful, with appointments made to 2 senior Auditor positions in the team. It is anticipated that the Internal Audit team will be at full capacity within the current structure from 1 October 2023.

Recommendation(s)

Members are asked to:

- Note the outcomes of completed Internal Audit work.

Main Report

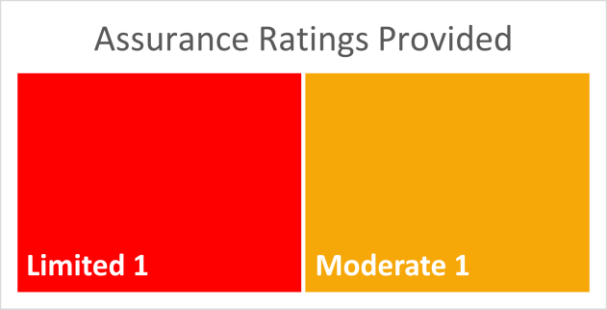
Background

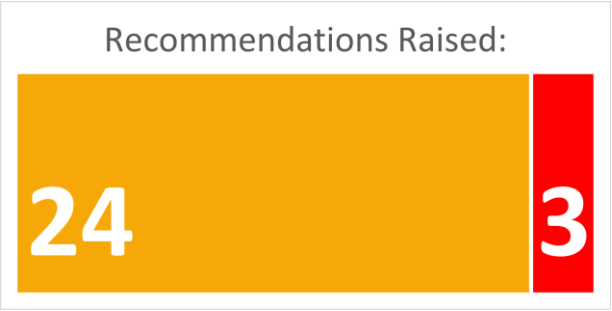
1. This report provides an update on the work of Internal Audit since July 2023 and the update report provided to the July meeting of this Committee, specifically, an overview of the outcomes from completed Internal Audit reviews and Internal Audit recruitment. Given that the July and September meetings are in close succession, this report covers the activity of only a 6 week period.

Current Position

2. Final Audit Reports have been issued in respect of 2 Audit Reviews since the last update, 1 Substantial and 1 Moderate Assurance opinion were provided. The overall outcomes from the recently completed Audit reviews are summarised in the following table with further information provided in relation to the Limited Assurance opinion:

Audit Assignment	Assurance Rating	Recommendations Made		
		Red	Amber	Green
City of London School - Key Financial Controls	Limited	3	21	0
City of London Police – Purchase Card Compliance	Moderate	0	3	0





City of London School - Key Financial Controls

3. The objective of this audit was to obtain assurance in respect of the adequacy of key financial controls, specifically: income, expenditure, budget monitoring and assets / inventory. Internal Audit was made aware of staff turnover within the School's finance function since 2021 (Bursar, Finance Manager and Head of Finance), as well as staff movement within the Chamberlain's Department, impacting the level of support provided to the School. It is understood that a shared services structure will be in place from September 2023, with a clear focus on improving financial management and promoting good (and where appropriate, consistent) practice. The findings of this audit should help inform decision-making related to new the financial control framework.

4. Overall, limited assurance is provided in respect of the effectiveness of the School's key financial controls. Audit testing confirmed issues in several areas examined with instances noted of control processes that are either limited in terms of design, lapsed or applied inconsistently. In other areas, information / evidence was not available to demonstrate the arrangements in practice. Internal Audit has made recommendations in relation to:

   - Setting, invoicing and reconciling fees, recording fee payments and debt management, to ensure maximisation of income.
   - Budget monitoring processes to ensure that the School manages its financial resources in line with its approved Revenue budget.
   - Procurement and expenditure, including the use of purchasing cards, and management of expenses, to ensure compliance with relevant policies and demonstrate the pursuit of Value for Money.
   - Maintenance of the School's inventory / registers of high value, portable assets to ensure that these items can be accounted for.

5. Audit findings have been discussed with the Head of Finance, Shared Services, who has reiterated their commitment to implementing robust financial management practices as part of the new finance model.

6. In addition to the above fully completed work, Draft audit reports are in circulation for 4 Audit reviews.

Internal Audit Recruitment

7. The recruitment campaign completed in July was successful and appointments were made to 2 Senior Auditor positions, it is anticipated that start dates will be no later than 1 October 2023. A number of Internal Audit reviews are currently being planned and scheduled to ensure a productive start for the new team members.

Corporate & Strategic Implications

8. 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

9. Given the current capacity of the Internal Audit team, delivery of planned Audit work is good. The team will soon be fully staffed which, combined with good progress in the development of our Trainee Auditors, will significantly increase the delivery capability of the team. 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
Head of Internal Audit, Chamberlain's Department

E: matt.lock@cityoflondon.gov.uk
T: 020 7332 1276

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Committee(s): Audit and Risk Management Committee	**Dated:** 11/09/2023
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 July 2023. Further details can be found in the appendices listed at the end of this report.

Recommendation

Members are asked to note:

- This 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 all risk scores also remaining the same, bar CR09, which has increased from Amber 8 to Amber 12 and renamed *Health, Safety and Fire Risk Management System* (from *Health, Safety and Wellbeing Risk (management system)*).

- That one risk has been de-escalated to Amber and one risk has been added to the red departmental risk register. The overall number of risks (26) remains the same as the last 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 last reviewed by the Executive Leadership Board (ELB) on 13 July, and by the Chief Officers Risk

Management Group on 14 August as the Senior Officers accountable for CoLC risk management actions, decisions and outcomes (including consideration of developing risk areas and cross-corporation risk management themes).

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 24 August 2023 compared with 26 June 2023 (the figures last seen by the Committee).

Risk rating (RAG)	August 2023	June 2023	Difference
Red	**71**	74	-3
Amber	**266**	274	-8
Green	**117**	122	-5
Total	**454**	470	-16

Table 1: August 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 24 August compared to 26 June 2023.

Risk rating	Red		Amber		Green	
Risk level	**Aug 2023**	**June 2023**	**Aug 2023**	**June 2023**	**Aug 2023**	**June 2023**
Corporate	4	4	11	11	0	0
Departmental	26	26	104	102	23	25
Service	41	44	151	161	94	96
Team	0	0	0	0	0	0
PPM	0	0	0	0	0	1
Total	**71**	74	**266**	274	117	122
Difference	-3		-8		-5	

Table 2: August 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). Attached to this paper at Appendix 1 is the corporate risk register showing the eight risks above appetite.

6. The number of risks and the overall ratings remains the same as when the Committee last received an update. The risk scores also remain as they were except for CR09 (see below).

7. CR09 has been renamed *Health, Safety and Fire Risk Management System* (it was previously *Health, Safety and Wellbeing Risk (management system)*). Following review and discussion at the Chief Officer Risk Management Group, the risk score has increased from 8 (4x2 impact major, likelihood unlikely) to 12 (4x2 impact major, likelihood possible).

8. CR37 Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets) was reviewed and discussed at the Chief Officer Risk Management Group on 14 August. It was agreed that the scoring of the risk was appropriate given current activity and mitigations. The City Surveyor in his role as Head of Profession for Estates and Facilities Management will continue to engage with the CEO of the Barbican and the Principal of the Guildhall School of Music and Drama on the handling of the issues raised in their areas.

9. 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

10. Table 3 below shows a summary of all CoLC corporate risks as of 22 August 2023.

Risk Code	Risk Title	Current Risk Score	Current risk score icon	Trend Icon	Risk 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 Physical 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)
CR09	Health Safety and Fire Risk Management System	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
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: August 2023: List of Current Corporate Risks by Current Risk Score.

11. The RAG matrices below show the distribution of corporate risks as of 24 August (Table 4) and 26 June (Table 5):

	Minor	Serious	Major	Extreme
Likely			3	
Possible		1	8	1
Unlikely			1	
Rare				1

Table 4: Aug 2023 Corporate Risk Heatmap

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

Table 5: Jun 2023 Corporate Risk Heatmap

Red Departmental Risks

12. There are currently 26 departmental red risks, with one risk added and one risk removed from the register since the last report to the Committee. A summary of the top red departmental risks can be found at Appendix 2.

13. Details of the changes to the register can be found below:
    - Risk Added - *COO DITS 045 PSTN Switch Off 2025* - Red 16, 4x4 Impact Major, Likelihood Likely: This covers BT's decision to retire their Public Switched Telephone Network (PSTN), now confirmed as taking place at the end of 2025, making current connections redundant and forcing an upgrade to digital fibre/mobile services. City of London Corporation has around 8,500 connections (linked to lift/Building Management System/fire alarms and door entry systems). The remedial work requires significant financial input, including a full survey of connection routing and systems in scope. The estimates for the cost of the survey and then the work is being progressed but will require financial approval as a project to commence.
    - Risk Removed - *BBC CL 002 Safeguarding*: As a result of ongoing activities (including a new safeguarding policy in place and safeguarding champions identified), this risk has been reassessed at Amber 12 - 4x3 impact major, likelihood possible (down from Red 16 - 4x4 impact major, likelihood likely).

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

    - GSMD CROSCH 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: All Red Departmental Risks - short summary report

Tabitha Swann
Head of Corporate Strategy and Standards
Tabitha.Swann@cityoflondon.gov.uk

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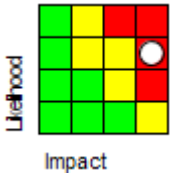
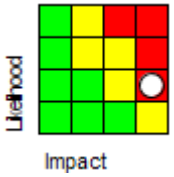
Corporate Risk Detailed Register EXCLUDING completed actions by risk appetite

Report Author: Tabitha Swann
Generated on: 25 August 2023

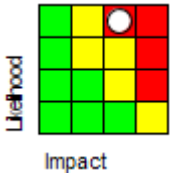
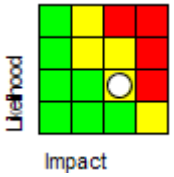
Rows are sorted by Risk Score

Code & Title: CR Corporate Risk Register 8

Risk Appetite Level Description Risk above appetite

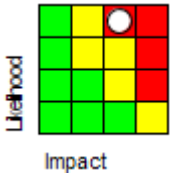
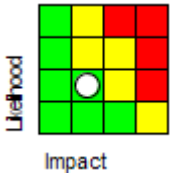
Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR16 Information Security (formerly CHB IT 030) 10-May-2019 Emma Moore	**Cause**: Breach of City of London Corporation IT Systems resulting in unauthorised access to data by internal or external sources. **Event**: The City Corporation does not adequately prepare, maintain robust (and where appropriate improve) effective IT security systems and procedures. **Effect**: a) Failure of all or part of the IT Infrastructure with associated business systems failures. b) Harm to individuals. c) A breach of legislation such as the Data Protection Act 2018 and UK-GDPR. d) Incurrence of a monetary penalty. e) Corruption of data. f) Reputational damage to City of London Corporation as an effective body.		**24**	The project to implement a raft of new security improvements is complete. A decision was made to define a minimum-security baseline for all parts of the corporation. The Director of DITS will work with IMS to put this together. **18 Aug 2023**		**16**	31-Mar-2024 Reduce	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due 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	18-Aug-2023	30-Sep-2023
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	18-Aug-2023	31-Dec-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-Aug-2023	30-Sep-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-Aug-2023	31-Aug-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	18-Aug-2023	30-Sep-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 licensed 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 being shared with communications colleagues Event being arranged – Cyber Escape Room – 40 members of staff – 22nd September – a cultural shift in cyber awareness	Gary Brailsford-Hart	08-Aug-2023	31-Aug-2023
CR16v Security Baseline assessment – COL/COLP/Institutions	Security Baseline assessment – COL/COLP/Institutions	Initial assessment complete, work is ongoing to identify trends and a developments plans and updates to the CAF will continue – reviewed quarterly	Gary Brailsford-Hart	08-Aug-2023	31-Oct-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
CR38 Unsustainable Medium Term Finances - City's Cash 31-Oct-2022 Caroline Al-Beyerty	**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. **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. **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.		**16**	The five year financial plan provides recommendations for one-off cost pressures and on-going pressures, now approved via the carry forward process on 30 June, this also included approval of £3.5m central contingency to support unforeseen inflationary pressures An officer Star Chamber took place during May/June to review savings yet to be delivered during 2023/24 and was presented to RASC sub away day. **11 Jul 2023**		**8**	31-Mar-2023 Reduce	Constant

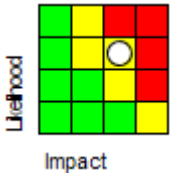
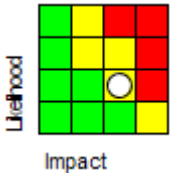
Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a Impact of inflation	Impact of inflation • Rising inflationary pressures on energy costs	The five year financial plan was approved by Court of Common Council on 9 March: 2023/24 base budgets include 2% uplift plus increase in base to support July 2022 pay award.	Sonia Virdee	11-Jul-2023	31-Mar-2024

	• Rising inflationary pressures on construction and labour costs	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 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. An update on the five year financial plan was presented to RASC away day, with recommendations on 2024/25 budget setting.			
CR38b Impact of construction inflation on capital programme	Impact of construction inflation on capital programme: • Major projects • Business as usual capital programme Remain within the financial envelopes approved for major projects	Refer to CR35c.	Sonia Virdee	11-Jul-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 *Triggers:Increase in loss of property investment portfolio income over £5m p.a.*	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	11-Jul-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

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	**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.		**16**	Risk reviewed and updated on 26 June 2023 **26 Jun 2023**		**4**	31-Dec-2024 Reduce	Constant

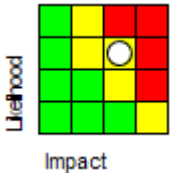
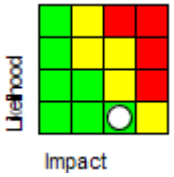
Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR39a Develop and consider alternative models of service delivery which are cost effective and ensure corporate and statutory objectives are met	Develop options for new models of service delivery in services facing 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 refresh	Full review of pay, terms and conditions to update working patterns and reward to improve recruitment and retention.	Consultancy Partner appointed to start in January 2023. Additional funding granted to establish reward project team.	Alison Littlewood	21-Feb-2023	31-Jul-2024

	Phase 1 completed by April 2023 with options for change. Phase 2 implementation of agreed options for change by Autumn 2024				
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	**Cause** - Lack of appropriate planning, leadership and coordination **Event** - Emergency situation related to terrorism or other serious event/major incident is not managed effectively **Effect** - Major disruption to City business, failure to support the community, assist in business recovery. Reputational damage to the City as a place to do business.		**12**	Castellan (formerly Clearview) BC management tool continues to be implemented rollout has begun across Col depts **22 Aug 2023**		**8**	28-Dec-2023 Accept	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR01L Business Continuity Management	Assurance process with Cabinet Office College Provide refresher and initial training for Col staff, this training intended to increase knowledge to ensure BC plans are able to support the Col maintain its business during a major incident, provide an in depth independent oversight of the Col business impact analysis, identifying its most critical business areas	The Clearview software Business Continuity product contract has now been signed 1/7/21 as a joint procurement with COLP/Clearview , the implementation of the system and integration of new elements and information into the Col IT system and education process is currently underway , full rollout across Col expected December 2022 The BC software product now 'Castellan' formerly Clearview has been built with rollout beginning across the Colc 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 establishe	Gary Locker	22-Aug-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	Training for this session complete process and call out still to be finalised Continues Intranet note to staff to identify new potential LALO March 2022. LALO were involved in a City based partnership exercise February 2020, Intranet note seeking further staff support posted March 2022 to boost capabilities 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	Gary Locker	22-Aug-2023	31-Dec-2023

		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 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			
CR01N Standardisation procedures	to increase City capability and resilience in also supporting wider London boroughs during major incident response, Local Emergency Control Centres, Emergency centres as part of a wider humanitarian	Gold major incident awareness training day completed for new Col Chief Officers 21/10/21 module 1 included Media 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. 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	Gary Locker	22-Aug-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	22-Aug-2023	01-Dec-2023

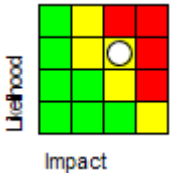
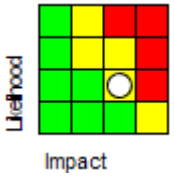
Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR30 Climate Action 07-Oct-2019 Damian Nussbaum	**Cause**: Insufficient resources and prioritisation 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: • 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	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR30k Impact on City financial and ability to	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	Damian Nussbaum	03-Feb-2023	31-Mar-2027

champion sustainable growth of not hitting net zero targets / maintaining resilience		opportunities.			
CR30l Risk of not hitting net zero and resilience targets for City Corporation operational and investment assets, whilst maximising returns	Deliver programme of works across operational and investment portfolios	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. 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. 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. 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. 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. 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. Therefore, a dedicated engagement plan for this residential community to be in place for March '23.	Paul Wilkinson	26-Jun-2023	31-Mar-2027
CR30m Risk of not hitting net zero targets	Monitor and drive performance against net zero and financial targets for financial investments and	Funded project plans with resources and capability requirements have been updated for FY22/23 and approved at May Policy and Resources Committee.	Caroline Al-Beyerty	26-Jun-2023	31-Mar-2027

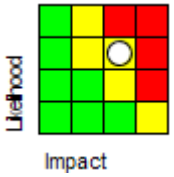
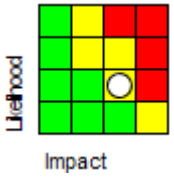
for financial investments and supply chain	supply chain, continually refreshing learning	Purchased Goods and Services actions for the coming year: * Implementation of the Carbon Net Zero Procurement Plan; FY 2022 – 2024 * Working with our supply chain to embed Climate Action KPIs into the supply chain 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. Additionally, all work undertaken is with the 55% reduction in supply chain emissions target, from the 2018 baseline, in mind. Financial Investment actions for the coming year * 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. 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			
CR30n Resilience risks of Square Mile infrastructure and public realm and risk of not hitting net zero targets for developments and transport	Monitor and drive performance against net zero and resilience targets, continually refreshing learning	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. 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.	Bob Roberts	03-Feb-2023	31-Mar-2027
CR30o Reaching carbon removal targets through	Set out carbon removal action plan and mobilise	Current risks are: *Challenge by tenant to termination of farming tenancy which would make one of the key	Bob Roberts	03-Feb-2023	31-Mar-2027

open spaces		project sites unavailable. To mitigate this, additional consultancy has been retained to support fair and efficient process to negotiations. *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 *Possible issues with gaining access to additional land required for carbon sequestration target. *Underestimation of project costs and costed risks. This is mitigated through detailed quarterly budget reviews. 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.			
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, targets and/or commitments of the climate action strategy are not delivered upon through the climate action programme of work	Agree to and implement appropriate governance to embed Climate Action in departmental scrutiny. Ensure appropriate capacity and capabilities are in place including for regular KPI progress reporting via the CPF. Ensure mechanisms in place for releasing staged financing. Set up regular tracking of impact of our actions on targets.	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 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. 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. Project performances are monitored quarterly against their projected achievement trajectories. These movements are being closely monitored between Member and officer governance.	Damian Nussbaum	26-Jun-2023	31-Mar-2027

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	**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. **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. **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.		**12**	Retail Price Index rose by 13.7% and Consumer Price Index rose by 8.7% in 12 months to May 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. Construction inflation is forecast at 5% for 2023/24 The Bank of England base rate rose to 5.0% on 22 June 2023 and is expected to rise further to 6%. 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. **11 Jul 2023**		**8**	31-Mar-2024 Reduce	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35a Impact of inflation	Impact of inflation • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs	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: 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. Identified inflationary pressures are well within the contingencies held, in addition, interest rates are giving a welcome boost to City Fund finances. The £30m ringfenced reserves released to support the backlog of urgent Cyclical Works Programme. £3m contingency ringfenced for urgent health and safety works under capital programme. An update on the medium term financial plan was presented to RASC away day, with recommendations on 2024/25 budget setting.	Sonia Virdee	11-Jul-2023	31-Mar-2024
CR35b Impact on the HRA	• 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.	Close monitoring of capital schemes is required during 2023/24. Regular reporting of capital forecasts is now planned into the forward plan. Review of HRA commissioned from Savills reported 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. A separate review has been commissioned by the Town Clerk 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. 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)	Mark Jarvis; Paul Murtagh	11-Jul-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 monthly and draw down requirements to the Investment Committee.	Sonia Virdee	11-Jul-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 Police deficits. The medium term plan provides recommendations for one-off cost pressures and on-going pressures, now approved via the carry forward process on 30 June, this also included approval of £10.2m central contingency to support unforeseen inflationary pressures. An officer star chamber was held during May/June to review savings yet to be delivered during 2023/24 and was presented to RASC sub away day.	Alistair Cook; Sonia Virdee	11-Jul-2023	30-Sep-2023

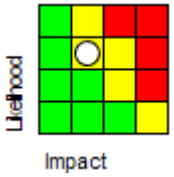
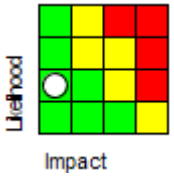
Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR36 Protective Security	**Cause:** Lack of appropriate governance, inadequate security 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. **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. **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.		**12**	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 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 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		**8**	01-Jan-2024	

10-Jan-2022 Ian Thomas				protective measures applied, one final element will be addressed in Sept 2023. **22 Aug 2023**			Reduce	Constant

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 security boards reporting into Senior Board: Protect Security Advisory Board, Protect Public Realm Board, Protect People Board Protect, Digital Security Board, Secure City Board. All governance boards in place, ToR reviewed and TOM changes captured. Changes to CoLP also captured with embedded new membership. There is now a new Protect Bridges Board, covering all security risks across the City Bridges, chaired by COO BHE Simon Latham Continual monitoring continues. 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. People Security Board is now back in place looking at insider threat and CT training	Ian Thomas	22-Aug-2023	01-Jan-2024
CR36b Police Contest	Police Contest Board	COLP Police host a biweekly Contest Board, covering HM Government Protect, Prepare, Prevent and Purse 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. Attendance continues to Contest Board from either IH, SC or RW. 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	Richard Woolford	22-Aug-2023	01-Jan-2024

		reviewed and mitigated. COLP Contest Board TOR have also just been reviewed. Continual monitoring continues.			
CR36c Command and Control	Incident/Event/Protest Command	Training and accreditation of staff to carry out command roles, at Strategic, Silver and Operational roles. Event Risk assessment covering High, Medium, Low risk events. All High-Risk events to be raised at SSB, confirmation of appropriate command team. 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. This has included November 2021 Lord Mayors Show. Pre-Christmas all venues High Risk Table Tops exercises including direct action and terrorism. LMS 2021 debriefed with action plans being addressed with all partners. Ongoing planning for Platinum Jubilee, Operation London Bridge. 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. 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. 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. 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	Richard Woolford	22-Aug-2023	01-Jan-2024

CR36d Prevent	Prevent	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 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. Continual monitoring continues.	Valeria Cadena	22-Aug-2023	01-Jan-2024
CR36f City of London Corporation Buildings	Protect	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 Diverse attendance and support continues 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. Continual monitoring continues. 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.	Simon Causer	22-Aug-2023	01-Jan-2024

Risk no, Title, Creation date, Owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR21 Air Quality 07-Oct-2015 Ben Roberts	**Cause:** Levels of air pollution in the City, specifically nitrogen dioxide and fine particles, impact on the health of residents, workers and visitors. The City Corporation has a statutory duty to take action to improve local air quality. **Event:** The City of London Corporation is insufficiently proactive and resourced, and does not have the right level of competent staff, to be able to fulfil statutory obligations, as a minimum, in order to lower levels of air pollution and reduce the impact of existing air pollution on the health of residents, workers and visitors. **Effect:** The City Corporation does not fulfil statutory obligations and air pollution remains a problem, impacting on health. Potential for legal action against the Corporation for failure to deliver obligations and protect health. Adverse effect on ability to deliver outcomes 2 and 11 of the Corporate Plan		**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 Reduce	Constant

Action no, Title,	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR21 001h Publish annual report of air quality data	Develop baseline model for compliance assessment and publish annual report of air quality data	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 Compliant vehicles	100% of vehicles owned or leased by the CoL are electric or hybrid by 2025	The City Corporation continues to add zero emission vehicles to its fleet with 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
CR21l Compliance with NO2 target	Assess percentage compliance rate with NO2 target	The % area compliance for 2021 was 94%.	Ruth Calderwood	09-Jun-2023	31-Dec-2024

Top red risks only - short summary by department (as at 24 August)

Report Type: Risks Report
Report Author: Tabitha Swann

Rows are sorted by Risk Score

Department Description Barbican Centre

Department Description: Barbican Centre 10

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 027	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-Dec-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	
BBC Buildgs 025	Inadequate and Inappropriate Levels of Engineering Resource	4	4	16		4	1	4		30-Apr-2024	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 028	Insufficient Staffing Levels to Cover Safety	4	4	16		4	2	8		31-Mar-2024	Reduce	
BBC Finance 008	Inadequate Levels of Staff in Key Areas of the Business	4	4	16		4	2	8		31-Oct-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-2024	Reduce	

Department Description Chief Operating Officer

Department Description: Chief Operating Officer 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
COO DITS 045	PSTN Switch Off 2025	4	4	16		4	2	8		31-Dec-2025		

Department Description City of London Freemen's School

Department Description: City of London Freemen'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
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

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
SUR SMT 005	Construction Price Inflation	4	4	16		2	3	6		31-Mar-2024	Reduce	
SUR SMT 006	Construction Consultancy Management	4	4	16		4	1	4		31-Mar-2024	Reduce	
SUR 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
CCS 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 CROSCH 012	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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