

Audit Committee (Informal)

17 June 2021: 10:30am

Location: Microsoft Teams – Virtual Meeting

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Agenda items

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* Declarations of Interests

If you are present at a meeting of London Councils' or any of its associated joint committees or their sub-committees and you have a disclosable pecuniary interest* relating to any business that is or will be considered at the meeting you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your disclosable pecuniary interest during the meeting, participate further in any discussion of the business, or
- participate in any vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

It is a matter for each member to decide whether they should leave the room while an item that they have an interest in is being discussed. In arriving at a decision as to whether to leave the room they may wish to have regard to their home authority's code of conduct and/or the Seven (Nolan) Principles of Public Life.

*as defined by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012

If you have any queries regarding this agenda or are unable to attend this meeting, please contact:

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Minutes of the Meeting of the Audit Committee (Virtual) 18 March 2021

Cllr Roger Ramsey was in the Chair

Members Present:

Cllr Roger Ramsey (LB Havering)
Cllr Yvonne Johnson (LB Ealing)
Cllr Robin Brown (LB Richmond)
Cllr David Gardner (RB Greenwich)

In Attendance:

Matt Lock, Head of Audit & Risk Management, City of London Corporation
Martha Franco-Murillo, Senior Auditor, City of London Corporation
Ciaran T McLaughlin, Director, Grant Thornton UK LLP
Ibukun Oluwasegun, Grant Thornton UK LLP

London Councils' officers were in attendance.

1. Apologies for Absence

An apology for absence was received from Councillor Stephen Alambritis (LB Merton).

Christiane Jenkins, Director of Corporate Governance, London Councils, informed members that Councillor Victoria Mills (LB Southwark) was no longer on the Audit Committee. Councillor David Gardner (RB Greenwich) was the new Audit Committee member and Councillor Rebecca Lury (LB Southwark) was now the Labour substitute for the Audit Committee.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Audit Committee meeting held on 17 September 2020

The minutes of the Audit Committee meeting held on 17 September 2020 were agreed as being an accurate record.

4. Annual Audit Report 2019/20

The Audit Committee received a report that presented the annual audit report to those charged with governance (ISA 260) prepared by Grant Thornton, London Councils' external auditor, in respect of the 2019/20 financial year.

David Sanni, Chief Accountant, London Councils, introduced the report that provided an update of the annual audit report of the 2019/20 accounts. He said that he would like to draw attention to the proposed increase in the audit fee of £6,300, which represented a 15% increase in the fee (from £41,700 to £48,000). A more detailed explanation of the fees increase could be found on page 16 of Appendix B. Appendix C contained a copy of the Management Representation letter that Frank Smith had signed prior to the accounts being issued.

Ciaran McLaughlin, Director, Grant Thornton, introduced the annual audit report. He said that audit work had now been completed. Ciaran McLaughlin said that pages 9 to 10 of the Grant Thornton report highlighted observations in respect of other key audit areas and significant findings around

judgements and estimates. The final fee for the audit was £48,000, with the increase primarily due to the work taking longer to complete because of Covid-19.

Councillor Johnson asked whether all the other audit companies had increased their prices. Ciaran McLaughlin said that most accounting firms had increased their prices by approximately 15%. Yvonne Johnson asked whether the audit companies had collectively agreed this 15% increase in prices. Ciaran McLaughlin said that the average increase in fees for Grant Thornton was 15% and this had not been collectively agreed with other audit firms.

Ciaran McLaughlin said that London Councils does not prepare a set of single entity accounts for the core joint committee. Therefore, Grant Thornton had to spend additional time drafting a bespoke audit opinion for the consolidated accounts as the use of a standard opinion would not have been appropriate. The amount of work spent on validating information included in the accounts had also increased due to the pandemic.

Councillor Gardner said that reports from the Public Sector Audit Appointments (PSAA) recommended that fees for 2020/21 should remain the same as the previous year. He said that a freeze was recommended in 2019/20 before Covid-19. Councillor Gardner said that it would be useful to have more details on what the particular increases in costs were. Frank Smith, Director of Corporate Resources, London Councils, informed members that, as a point of clarity, London Councils as a Joint Committee was outside the PSAA regime. He said that a procurement exercise was undertaken that resulted in the appointment of Grant Thornton and the fees are not linked to the scales set by PSAA.

Ciaran McLaughlin said that, for the 2020/21 fees, there had been changes to some of the auditing standards that had caused an increase in work – there were additional requirements on management's accounting estimates and related disclosures, as well as work on fraud. He said that he was unsure whether the PSAA had taken issues like this into account for 2020/21.

Councillor Brown asked whether there was anything about London Councils' processes that had caused particular inefficiencies (e.g. whether there was too much reliance on paper-based accounting systems). Ciaran McLaughlin said that the level of paper records at London Councils was greater than in most local authorities, and there had been difficulties in accessing some of these records during lockdown. He said that these issues should address themselves by the end of the 2020/21 audit. Councillor Johnson said that London Councils had been moving to more electronic systems.

The Chair said that an extra 13 days of work had been assigned in the fees letter. He asked what the normal number of work days would be. Ciaran McLaughlin said that Grant Thornton would normally spend from 6 to 8 weeks on the work. The Chair said that this averaged about 40 days normally and 13 extra days work amounted to a significant increase.

Frank Smith said that this was not the first time that the use of paper records had been discussed at this Committee. He said that London Councils used the City of London Corporation's accounting systems as part of the SLA with them (payroll, VAT etc) and London Councils received a very good service from the City. Frank Smith informed members that London Councils had looked into moving to an electronic system for purchase orders, but the cost of increasing the number of licences made it uneconomical to pursue at the time. He said that it was not possible to simply set up an electronic purchase order system that could be integrated with the City's accounting system. Frank Smith said that London Councils' current financial arrangements were adequate and proportionate for the size of the organisation. There had been no hard copy financial records produced in 2020/21 period owing to the lockdowns. Frank Smith said that discussions could take place with Grant Thornton to look at any specific areas (electronically) which might reduce the number of Grant Thornton days of work.

Matt Lock, Head of Audit and Risk Management, City of London Corporation, said that the issue of the purchasing process had been raised with London Councils, and recommendations had been

made on where to adopt electronic processes. However, London Councils' scale was so much smaller, proportionally, than the boroughs. Matt Lock said that he recognised and supported what Frank Smith was saying with regards to this issue.

Councillor Gardner said that work on benchmarking audit fees had been carried out in the Royal Borough of Greenwich, and the audit fees for London Councils was not disproportionate. He said that there was concern over the gradual increase of audit fees over the year. However, he said that this had been an exceptional year and he was happy with the explanations that had been given for the increase in fees. The Chair said that the original fees were based on Grant Thornton's tender for the audit service. However, the audit fees had now increased owing to the extra work that was required to complete work on the 2019/20 accounts.

The Audit Committee:

- Noted the contents of the updated annual audit report included at Appendix A; and
- Approved the audit fee increase proposed by Grant Thornton for work on the 2019/20 accounts detailed in paragraph 4.

5. Financial Accounts 2019/20

The Audit Committee received a report that presented the audited statement of accounts for 2019/20 and compared the results to the pre-audited position reported to the Audit Committee at its virtual meeting held on 17 September 2020.

David Sanni introduced the report and said that the pre-audited accounts were approved in September 2020, subject to the satisfactory conclusion of the audit. Grant Thornton completed its audit in December 2020 and issued unqualified audit opinions for all three sets of committee accounts. He asked members to note the net reduction to the surplus of £36,000. Table 4 gave details of the reserves, and the £700,000 reduction in usable reserves.

The Audit Committee noted the changes between the pre-audited and audited accounts for 2019/20 for each of London Councils' three committees.

6. External Audit Plan 2020/21

The Audit Committee received a report that presented the draft external audit plan for 2020/21 prepared by London Councils' external auditor, Grant Thornton. The draft audit plan informed the Audit Committee of the scope of the external audit for London Councils for 2020/21.

Ciaran McLaughlin thanked Ibukun Oluwasegun for putting the plan together, and made the following comments:

- Page 4 of the external audit plan identified significant risks around the revenue cycle, which included fraudulent transactions. It was a requirement to consider this area on every audit. This risk had since been rebutted. Management override control risks, in particular journals, and management estimates and transaction were also considered to be significant risks. The audit response to the risk could be found on the right-hand side.
- Pension scheme valuation risks (London Pension Fund Authority – LPFA) could be found on page 5 in the external audit plan. The level of pension deficit recorded was a significant risk as it is susceptible to material fluctuations.
- Other risks identified were understated creditors and the completion of the AR27 return that has to be submitted to the Certification Officer (page 6 of the plan).
- Accounting estimates and related disclosures (pages 7 and 8) – more work for auditors with regards to the updated ISA 540 issued by the Financial Reporting Council.

- Practice Notice (PN) 10 has been recently updated to take into account revisions to ISA (UK) 570 on going concern. This is different to how public sector bodies have been audited in the past and this will be considered during the course of the audit (page 10 of the plan).
- Materiality, based on size and nature of those entities, up to a maximum of 2% of gross expenditure, could be found on page 11 of the plan.
- Increases in the audit fee could be found at Page 13 of the plan. The increases were due to regulatory requirements and changes to International Standards on Auditing. The Audit Committee to confirm that it was content with the additional cost in the audit fee.
- Page 14 of the plan confirmed Grant Thornton's independence as auditors.
- Appendix 1 of the plan gave a list of the revised auditing standards, showing the level of change and therefore an additional fee for the current financial year.

The Chair said that a report should go to the Audit Committee on 17 June 2021 to outline how the Audit Committee should carry out its role in overseeing management's process for preparing accounting estimates. (page 7 of the plan).

Councillor Brown said that the increase in the audit fee by £7,800 was a significant rise. He asked whether this would be a "one-off" cost or whether this would be repeated on a yearly basis. Ciaran McLaughlin informed Committee that Grant Thornton was prohibited from relying on internal auditors and had to carry out all the work themselves. He confirmed that a lot of the work would be ongoing, although any increases in future years would be less than £7,800.

Councillor Johnson voiced concern that the external auditors could not rely on the work of the internal auditors. Ciaran McLaughlin said that although the external auditors were prohibited from relying on internal audit work, this had no effect on the validity of internal audit work for local authorities. Frank Smith said that there was a "price to pay" in order for London Councils to mimic previous auditing regimes (i.e. how local authorities conducted their audits). He said that London Councils was under no regulatory requirement to do so. Frank Smith said that, back in 2015, the Audit Committee had agreed to appoint an external auditor following the repeal of the Audit Commission Act which had required the Audit Commission to appoint an auditor for London Councils. However, the new regulatory requirements would come at a cost to London Councils. The Chair said that the Audit Committee would carry out its annual review of governance arrangements at the meeting in June 2021 and would consider the internal audit opinion of the control environment. He said that, with regards to going concern, local authority audits were not strictly based on the same rules as commercial entities.

Councillor Gardner said that, on balance, a good case had been presented for the increase in fees and for the additional work that needed to be carried out in order to adjust to the new auditing standards. He said that the value in having external auditors was considerable. Councillor Gardner said that the costs being proposed were not disproportionate, although this needed to be kept under review in 2021/22. The Chair said that Grant Thornton had won the contract as London Councils' external auditors through competitive tender. Councillor Johnson also agreed that costs should be kept under review. She felt that it was healthy that London Councils had external auditors.

The Audit Committee:

- Approved the draft external audit plan for 2020/21 (Appendix A) in principle;
- Agreed to the proposed audit fee, which includes an increase for new regulatory requirements and auditing standards, subject to review on completion of the audit. and
- Agreed that a report would go to the meeting on 17 June 2021 to outline how the Audit Committee should oversee management's process for preparing accounting estimates.

7. Internal Audit Plan 2021/22

The Audit Committee considered a report of the draft internal audit plan for 2021/22, as proposed by the City of London's Internal Audit section under terms of the service level agreement for

financial and payroll services. The report also provided details of the proposed rolling five-year programme covering the period up to 2025/26.

Matt Lock introduced the report, which had been agreed with London Councils' Management Team. He said that additional days were in place for 2021/22 to account for the reviews that had been deferred to the next financial year. He said that there was always some flexibility around the plan and five-year programme as circumstances might change. However, this presented a starting point and the plan that would be delivered. The Chair said that the ICT strategy was a matter of priority, especially in these current times, and needed to continue to be focussed on.

Councillor Johnson asked whether the pension administration costs had been increased. Matt Lock said that the City was not part of the LPFA, but pension administration costs had gone up. Frank Smith said that the City provided information to the LPFA on London Councils' behalf, as part of the SLA for finance support services. He informed Committee that there were no significant increases in recent years, other than RPI fluctuations.

Councillor Gardner asked about changes to the internal audit plan as a result of the pandemic and changes in working arrangements. Matt Lock said there were risks associated with working remotely and the emphasis of a financial controls review had been revised to consider the arrangements in place during the lockdown. He said that there had been areas that the internal audit had been unable to test due to remote working arrangements, such as the declarations of interest, gifts and hospitality.

The Audit Committee approved the internal audit plan for 2021/22 and the rolling five-year programme, as proposed by the City of London and detailed in Appendix A of this report.

8. Internal Audit Reviews

The Audit Committee received a report that provided the Committee with an update in relation to the work of Internal Audit since the last update report made to the September 2020 meeting. The report also provided an overall status update on progress against the 2020/21 Internal Audit Plan and a summary of the findings from the completed reviews of Grants (Green Assurance opinion) and Financial Controls (Green Assurance Opinion).

Matt Lock introduced the report and said that there were no significant issues to report to the Committee. He said that some work had been carried forward to next year's plan. He said that Audit Committee would receive an audit update at the next meeting.

The Audit Committee noted the contents of the report and the appendix.

9. Risk Management: Chief Executive's Directorate Risk register

The Audit Committee received a report that presented members with the current Chief Executive's Directorate Risk Register for consideration by the Audit Committee.

Christiane Jenkins introduced the report that presented the risk registers for Corporate Governance and Corporate Resources. She said that areas of focus should be on risks CR4 and CR16.

David Sanni said that finance officers had reviewed risks on fraud owing to remote working and lockdown (risk CR16). Residual risk had been increased to reflect this. Risk CR4 related to loss of income due to a freeze or reduction in borough subscriptions and other income sources. As a result of the impact of the pandemic on local government finances, the residual risk had been increased from 4 to 6 (this position was being monitored). David Sanni said that risk CR5 (non-

collection of income owed to London Councils) was also being closely monitored. London Councils has continued receive the subscriptions and charges from boroughs.

Councillor Gardner asked about the loss of income in risk CR4. He said that all boroughs were experiencing financial pressures and asked how reliable the income stream was for boroughs paying their subscriptions to London Councils and for balancing the budget. Frank Smith said that the budget was reported to the Executive on a quarterly basis. He said that the effect of Covid-19 had added minimal expenditure to the budget but had caused a reduction of income in certain service areas. Frank Smith informed members that part of the London Councils' Agreement was that boroughs had to give one year's notice should they wish to leave London Councils and pay exit costs. The pay back period of leaving London Councils would be between 6 to 7 years). Frank Smith said that the red ratings for risks CR4 and CR16 were mainly there as a reminder to officers to monitor these risks. These risks were reviewed on a monthly basis.

Councillor Brown said that he would like to know what risks had changed from the previous ones that went to Audit Committee. He asked if there was any way to do this as this would be helpful. The Chair suggested putting what risks had changed in the covering report. Frank Smith informed members that the boroughs were in fact paying their bills more quickly to London Councils, resulting in an improvement rather than a deterioration in payments since the pandemic began. The Chair suggested having arrows to show the direction of travel with regards to risks.

The Audit Committee:

- Noted the current Chief Executive's risk register report, and
- Agreed to put in the cover of the risk register reports, what risks had changed from the previous time they were reported to the Audit Committee.

10. Treasury Management Update

The Committee received a report that provided the Audit Committee with an update on London Councils' treasury management strategy. London Councils' cash balances are held by the City of London under the service level agreement for the provision of financial support services. The investment of London Councils' cash balances was covered by the City of London's treasury management strategy as they were aggregated with the City of London's funds for investment purposes.

David Sanni introduced the report, which was for noting only. He said that London Councils' officers were confident that the City treasury management was being ran in a prudent manner. It was unlikely that the forecast rate of return on investments for 2021/22 would exceed 0.5%. Councillor Brown asked whether there was anything different that the treasury management had carried out in comparison to previous years. David Sanni said that items that had changed were highlighted in yellow in the report. He said that there were not any significant changes to the approach that was adopted. The Chair said that the changes that were highlighted in yellow were very helpful.

Frank Smith said that the treasury management emulated what the Bank of England did, and therefore followed a prudent and sensible approach and guaranteed cash balances. London Councils paid £3,000 a year to ensure that its finances were fully covered should there be another financial crisis. The Chair thanked the City for their services to London Councils.

The Audit Committee:

- Noted the City of London's Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22 which can be found at Appendix A; and
- Noted that the City of London provided London Councils with an indemnity against potential future losses of cash balances.

The meeting finished at 11:58am

Action Points

	Action	Progress
6. External Audit Plan 2020/21	<i>It was agreed that a report would go to the Meeting on 17 June 2021 to outline how the Audit Committee should oversee management's process for preparing accounting estimates.</i>	Actioned: See item 7 – Informing the audit risk assessment
9. Risk Management	<i>Agreed to put in the cover report of the risk registers, what risks had changed from the previous time they were reported to the Audit Committee.</i>	Actioned

Audit Committee

Internal Audit Update

Item no: 04

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

Date: 17 June 2021

Contact Officer: Martha Franco Murillo, Senior Auditor (City of London Corporation)
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Matt Lock, Head of Audit & Risk Management (City of London Corporation)
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Summary The purpose of this report is to provide the Committee with an update in relation to the work of Internal Audit since the last update report made to the March 2021 meeting.

 The report provides an overall status update on progress against the 2021/22 Internal Audit Plan, work against which is underway although, at such an early point in the year there is no substantive progress to report.

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

Background

Internal Audit Plan 2021/22

1. At its meeting on 18 March 2021 the Audit Committee approved the Internal Audit Plan for 2021/22 that was proposed by the City of London's Internal Audit section under the terms of the service level agreement for financial support services. This report provides an update on the overall status of delivery of the Audit Plan. This year's audits are, so far, being undertaken using remote connectivity to examine controls and digitally stored content. The table below summarises the overall status of the plan:

Planned Audits	Days	Status
Recruitment and Payroll Adjustments	7	Fieldwork in progress
Pan London Mobility Schemes	15	Not Started
Parking and Traffic Contracts	15	Not Started
ICT Cyber Security	10	Terms of Reference agreed
ICT Strategy 2020/23	10	Not Started
Follow Up of Audit Recommendations	3	Planned for quarter 4

Conclusion

2. Work on the 2021/22 Internal Audit Plan is in progress, with two audit reviews having been initiated in accordance with the timescales agreed with senior officers. The findings of audit reviews will be presented to this Committee following their completion.

Financial Implications for London Councils

None

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Appendices

None

Background Papers

Audit Committee report on Internal Audit Planned Work 2020/21 dated 18 March 2021

Audit Committee

Review of the Annual Governance Statement

Item no: 05

Report by: David Sanni

Job title: Chief Accountant

Date: 17 June 2021

Contact Officer: David Sanni

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Summary

This report:

- Reviews each element of the current Annual Governance Statement (AGS);
- Highlights any continuing and potentially new areas for development (and those from previous years that have been addressed); and
- Makes recommendations for revisions that will be contained in the AGS to be included in the audited accounts for 2020/21.

Recommendations

The Audit Committee is asked:

- To note the opinion of the Head of Audit and Risk Management at the City of London on the overall control environment, as detailed in Appendix B; and
 - To discuss the recommended changes to the AGS for 2019/20, as detailed in Appendix A, to produce the AGS for 2020/21 for inclusion in London Councils' accounts for 2020/21, as detailed in Appendix C.
-

Introduction

1. At its meeting on 19 March 2015, the Committee agreed that London Councils should continue to prepare its accounts in accordance with the Local Authority Accounting Code of Practice. English local authorities are required to prepare and publish an Annual Governance Statement (AGS) in accordance with the *CIPFA/SOLACE Framework – Delivering Good Governance in Local Government* (the framework) to comply with the Accounts and Audit Regulations. An AGS will be included in London Councils' accounts for 2020/21 in order to be consistent with the approach used by English local authorities. The regulations require authorities to conduct a review at least once a year of the effectiveness of their system of internal control and to approve an AGS, prepared in accordance with proper practices.
2. The framework also requires at least an annual review of the governance framework which should be reported to the Audit Committee. The AGS for 2019/20 was approved at the Audit Committee meeting on 17 June 2020.
3. This report will therefore:
 - Review each element of the current AGS;
 - Highlight any continuing or potentially new areas for development (and those from previous years that have been addressed) and how these will be addressed; and
 - Make recommendations for revisions that will be contained in the AGS to be included in the audited accounts for 2020/21.
4. As well as drawing on evidence from the internal audit work that has been undertaken by the City of London during the course of the year, this review will also consider the feedback provided by London Councils' external auditors, Grant Thornton following the conclusion of their interim audit in March 2021.
5. Appendix A to this report details the AGS that was contained in the audited accounts for 2019/20 with recommended changes shown in red using the tracked changes function on MS word.

Covid-19 (paragraph 1)

1. There are recommended changes to this section to update the description of the income streams affected by the pandemic and the measures taken to ensure staff and contractors remain safe.

Scope of Responsibility (paragraphs 2 to 4)

2. It is recommended that the wording of this section as contained within the existing AGS should remain the same.

The Purpose of the Governance Framework (paragraphs 5 to 7)

3. It is recommended that the wording of this section as contained within the existing AGS should remain the same; with the exception of the date contained in paragraph 7 which should be amended from 31 March 2020 to 31 March 2021.

The Governance Framework (paragraph 8 with 21 bullet points)

4. There are recommended changes to this section to reflect the latest review and approval dates of London Councils' scheme of delegation, standing orders, financial regulations, terms of references and corporate risk register.
5. There are recommended changes to bullet point 3, *Measuring the performance of services*, and bullet point 19, *Establishing clear channels of communication*, to include references to the Annual Review that were removed from the 2019/20 AGS as the publication was not produced last year due to the Covid-19 pandemic.
6. There are recommended changes to bullet point 4, *Defining and documenting roles and responsibilities*, to remove the defunct Capital Ambition Board and insert the Pandemic Steering Committee to the list of sub-committees/forums whose members are appointed by the Leaders' Committee.
7. There are recommended changes to bullet point 13, *Discharge of the head of paid service function*, to reflect the change of London Councils' Chief Executive.

Review of Effectiveness (paragraph 9 with 3 bullet points)

8. There are recommended changes to this section to include the Head of Audit and Risk Management's annual opinion on London Councils' internal control environment and update a reference to the financial year from 2019/20 to 2020/21.

Areas for Development (paragraph 10)

9. There is a recommended change to update the reference to the next financial year from 2020/21 to 2021/22.

Areas for Development – Pan London Mobility Schemes (paragraph 11)

10. There are recommended changes to paragraph 11 to incorporate an update on the status of the outstanding recommendation.

Areas for Development – Procurement of Goods and Services (paragraph 12 and 13)

11. There are recommended changes to paragraph 12 to incorporate an update on the status of the outstanding recommendation.

Areas for Development – Reviews undertaken during 2020/21

12. The City of London's internal audit team completed three reviews during 2020/21 namely:
 - Risk Management;
 - Financial Controls; and
 - Grants.
13. Following a review of the internal audit reports, there are no proposed areas of development to be included in the AGS as none of the recommendations arising from the audit work had a red or amber assurance rating.

14. A summary of the internal audit reviews completed during the year and the opinion of the Head of Audit and Risk Management are detailed at Appendix B.

Areas for Development (paragraph 14)

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

Significant Governance Issues (paragraph 15)

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

17. Grant Thornton will comment on the robustness of the AGS when they undertake the external audit of the 2020/21 accounts during July/August and reference will be made to this in the annual audit report that will be issued to members by 30 September 2021. A situation could arise whereby Grant Thornton consider some of the issues classed as "Areas for Development" to be significant, and could, therefore, make recommendations in the audit report that these be raised to Significant Governance Issues.

Draft Annual Governance Statement for 2020/21

18. The recommended changes to the AGS for 2019/20, as detailed in this report at Appendix A, have been incorporated into the draft AGS for 2020/21, which, if approved by the Committee, will be incorporated into London Councils' accounts for 2020/21. The draft AGS for 2020/21 is detailed at Appendix C.

Financial Implications

None

Legal Implications

None

Equalities Implications

None

Appendices

Appendix A – Recommended Changes to AGS for 2019/20 with tracked changes

Appendix B – 2020/21 Annual Internal Audit Report and Head of Internal Audit Annual Opinion

Appendix C – Draft AGS for 2020/21

Background papers

Final Accounts working files for 2020/21

Internal Audit working files for 2020/21

ANNUAL GOVERNANCE STATEMENT

Introduction

Covid-19

The ~~implications of the Covid-19 crisis on the affairs of London Councils are being closely monitored by its officers. The~~ pandemic has ~~already had~~ continued to have an impact on London Councils' services during the 2020/21 financial year. The pandemic has led to a ~~such as the~~ reduction ~~to in income from~~ enforcement activities, replacement of Freedom Passes, tenant licences and meeting room hire. In addition to the income lost from the reduction of these services, there has been expenditure incurred to ensure that London Councils continues its operations and provides support to member boroughs and their constituents. Contractors ~~have been~~ were asked to put in place contingency measures to maintain services during the period. London Councils has taken measures to make sure that staff remain safe during this period by providing home working arrangements, signposting useful sources of information and holding a webinars for all staff and coaching sessions for managers to promote mental wellbeing. Building risk assessments in accordance with government guidance on Covid-19 secure workplaces were undertaken at both London Councils sites in May 2020. Appropriate safety measures were introduced to allow a limited number of staff to work safely in the buildings, where necessary, in accordance with social distancing requirements. and commissioning health and safety risk assessments of the workplace. London Councils will continue to follow the government guidance on how to work safely during this period.

Scope of responsibility

London Councils (the Committee) is responsible for ensuring that its business is conducted in accordance with the law, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Committee is also responsible for securing continuous improvement in the way its functions are exercised.

In discharging this overall responsibility, the Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

London Councils has approved and adopted a code of corporate governance in the form of a framework, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016. A copy of London Councils Corporate Governance Framework can be obtained from the Director of Corporate Governance at 59½ Southwark Street, London SE1 0AL. This statement explains how London Councils has applied this code.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Committee is directed and controlled and such activities through which it accounts to, and engages with, its stakeholders. It enables the organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to

identify and prioritise the risks to the achievement of the Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at London Councils for the year ended 31 March ~~2020~~ 2021 and up to the date of approval of the statement of accounts.

The governance framework

The key elements of the Committee's governance framework include:

- **Developing and communicating the Committee's vision** – The Committee produces an annual Corporate Business Plan which sets out its proposed purpose, themes, work programmes and services. The plan consists of two levels: a high level plan available for stakeholders and external audiences and detailed internal work plans developed for management purposes. This is informed by on-going liaison with key borough stakeholders including the Chair and all Executive portfolio holders. The Corporate Business Plan is submitted to the Leaders' Committee. In addition, the Leaders' Committee has agreed a series of pledges of which it has agreed to work together through to 2022 to try and improve the lives of Londoners. There are a number of ways in which the Committee communicates with relevant stakeholders which include member briefings, committee and other meetings, briefings for senior managerial and professional colleagues in boroughs.
- **Commitment to openness and acting in the public interest** – The Committee has adopted the Information Commissioner's model publication scheme and follows the provision for joint authorities and boards. Details of the scheme and the information published are available on London Councils' website. The Committee's decisions are made by its elected members and agendas, reports, background papers and minutes of meetings are published under this scheme.
- **Measuring the performance of services** – The Committee collects data on the performance of activities and services during the year which feeds into the production of ~~a the Annual Review that highlights~~ key achievements report at the year end. London Councils Corporate Management Board (CMB), the London Councils Executive and the Grants and Transport and Environment Committees receive regular financial management reports that monitor actual income and expenditure trends against approved budgets. London Councils operates a complaints procedure which provides an opportunity to put things right if an error is made and assists in the search to improve the quality of services to member authorities and to Londoners. There are also a number of internal management mechanisms, such as 1:1 review meetings and a fully embedded performance appraisal framework which monitor on-going progress against objectives.
- **Defining and documenting roles and responsibilities** – The London Councils Agreement sets out the main functions and obligations of London Councils and its member authorities. The Agreement includes the standing orders and financial regulations which provide details of the delegation arrangements in place. There is a scheme of delegations to officers in place which was last reviewed, updated and approved by the Leaders' Committee at its Annual General Meeting on ~~4 June 2019~~ 13 October 2020. There is an established protocol which provides guidance on the working relationships between elected members and officers and a series of working conventions for the operation of the organisation had been approved at the Leaders Committee' Annual General Meeting in June 2019. Additional information on

the roles and responsibilities of London Councils Leaders' Committee, Executive, Grants Committee and Transport and Environment Committee are documented in their individual Terms of Reference. In addition to the Executive, the Leaders' Committee ~~appoints members has to~~ four other sub-committees/~~forums~~ which are the ~~Pandemic Steering Committee~~, Audit Committee, ~~Capital Ambition Board~~, Young People's Education and Skills Board (YPES) and Fire Safety Members Group. All London Councils officers are issued with a job description which confirms their duties within the organisation. Executive portfolio holders and shadow members have agreed priorities that codify expectations of these roles.

- **Developing, communicating and embedding codes of conduct** – All London Councils Staff have been made aware of the staff handbook which is located on the intranet site. The staff handbook sign-posts staff to London Councils policies and procedures which are on the intranet. All staff are encouraged to refer to the intranet when they require guidance on London Councils policies and procedures. Reference to the staff handbook is also included in the induction training of all new staff joining London Councils with their attention specifically drawn to the financial regulations, the code of conduct, data protection and London Councils whistle blowing policy.
- **Reviewing the effectiveness of the Committee's decision-making framework** - The standing orders and financial regulations are included within the London Councils Agreement. The standing orders were last reviewed by Leaders' Committee on ~~4 June 2019~~ **13 October 2020**. The financial regulations were also reviewed and the changes approved by the Leaders Committee on ~~4 June 2019~~ **13 October 2020**. Minutes of Committee meetings are posted on London Councils website and provide an official record of decisions made.
- **Identifying and managing risks** - London Councils Risk Management Strategy and Framework was reviewed and approved by the Audit Committee in March 2019. London Councils Corporate Risk Register is primarily compiled from the Risk Registers for each of London Councils three Directorates. The Corporate Risk Register is reviewed in accordance with London Councils Risk Management Framework which includes an annual review by the Audit Committee and was last reviewed in September ~~2019~~ **2020**. The Directorate Risk Registers are reviewed by the Audit Committee on a rolling basis. London Councils' Corporate Management Board ensures that the risk registers, both Directorate and Corporate, continue to support London Councils' corporate priorities, which provides members with assurance on how the risks identified are being managed.
- **Anti-fraud and anti-corruption arrangements** – London Councils is committed to having an effective Anti-Fraud and Anti-Corruption strategy designed to promote standards of honest and fair conduct, prevent fraud and corruption, detect and investigate fraud and corruption, prosecute offenders, recover losses and maintain strong systems of internal control. There are two separate policies in place London Councils Whistle Blowing Policy and London Councils Policy to Combat Fraud, Bribery and Corruption, which were updated and approved by London Councils Audit Committee in June 2019. Both documents are available on London Councils' intranet and website.
- **Effective management of change and transformation** – London Councils has a framework for managing organisational change which is available to all staff on the intranet. The framework provides guidance on the statutory elements of managing change and issues that should be considered when implementing changes.

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- **Assurance arrangements** – London Councils’ internal audit function is carried out by the City of London’s internal audit team under a service level agreement for financial support services. These arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit in public service organisations and Public Sector Internal Audit Standards.
- **Discharge of the monitoring officer function** – • This is a statutory post under Section 5 of the Local Government and Housing Act 1989 and as such is not applicable to London Councils which is a joint committee¹. However, legal advice is provided to London Councils by the City of London Corporation including governance advice and support which in a local authority would generally be provided by the borough solicitor and monitoring officer.
- **Discharge of the head of paid service function** – London Councils’ Chief Executive is the head of paid service. As with all officers, the Chief Executive is issued with a job description which confirms his or her duties within the organisation. He/The Chief Executive is subject to appraisal arrangements with Group Leaders who assess his or her performance against agreed objectives.
- **Audit Committee** –The Audit Committee is a sub-committee of London Councils Leaders’ Committee. The Terms of Reference are agreed annually and were last agreed on 4 June 2019 13 October 2020. The Audit Committee meets three times a year and is chaired by a leading member from a borough. The members of the Audit Committee will not normally be members of the Executive.
- **Response to audit recommendations** – The Committee responds to information requests and queries received from its external auditor on a timely basis. External and internal audit findings and recommendations are considered by officers and appropriate responses which include implementation timescales are provided to the auditors. Audit reports, which include management responses, are presented to the Audit Committee to consider and are published along with the Committee papers on the website. The implementation of audit recommendations are monitored on a regular basis.
- **Compliance with relevant laws and regulations** - London Councils has comprehensive financial regulations and a comprehensive set of human resources policies and procedures which are reviewed on a regular basis. These arrangements ensure compliance with all applicable statutes, regulations and other relevant statements of best practice in order to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively and in accordance with the statutory and other authorities that govern their use.
- **Whistle-blowing** – London Councils has a whistle-blowing policy which is available to all staff on the intranet. The policy aims to encourage staff and others to feel confident in raising serious concerns by providing clear avenues through which those concerns can be raised and reassuring staff who raise concerns that they will not be victimised if they have a reasonable belief and the disclosure was made in good faith.

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

It is also on the website and staff are encouraged to bring this policy and the policy to combat fraud, bribery and corruption to the attention of contractors and third parties.

- **Identifying the development needs of members and officers** – London Councils has access to a programme of training and development, which is available to all staff and can be found on the intranet. The aim of the programme is to assist in the achievement of the organisation's aims and objectives by providing opportunities for staff to gain the necessary skills and knowledge required to perform their tasks and duties effectively. London Councils also has a performance appraisal scheme which provides all staff with regular assessments of their performance and development needs in relation to their work objectives. Members have access to development opportunities in their own authorities. There is a member only section on London Councils' website which provides them with useful information, regular briefings in specific policy areas and a forum for information exchange.
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- **Enhancing the accountability for service delivery and effectiveness of public service providers** - All working arrangements with public service providers are subject to signed agreements/contracts which set out the terms of the service provided. All agreements/contracts are reviewed to ensure that the roles and responsibilities of the parties involved are clearly defined and the terms are beneficial to London Councils and its member authorities. Key performance indicators are incorporated into agreements where appropriate and monitored regularly. Nominated officers are responsible for managing the outcomes of the service and establishing clear lines of communication with providers.
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Review of effectiveness

London Councils has responsibility for conducting at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of London Councils Corporate Management Board which has responsibility for the development and maintenance of the governance environment, the internal audit annual report and also by comments made by the external auditors in their annual audit letter and other reports. The review of the effectiveness of the governance framework includes:

- The work of Internal Audit, undertaken by the City of London Corporation under a service level agreement, and the annual opinion of the Head of Audit and Risk Management at the City of London. Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit of all auditable areas within a five-year planning cycle, – with key areas being reviewed annually. This is reinforced by consultation with London Councils Corporate Management Board and London Councils' Audit Committee on perceived risk and by a rigorous follow-up audit regime. The review considers the annual opinion of the Head of Audit and Risk Management on the internal control environment in operation at London Councils during the financial year. The Head of Audit and Risk Management is satisfied that the breadth of scope and overall quantity of internal Audit-audit work undertaken is sufficient to be able to draw a reasonable conclusion as to the adequacy and effectiveness of London Councils' control, governance and risk management processes. On the basis of work undertaken, it is the Head of Audit and Risk Management's opinion that London Councils has adequate and effective systems of internal control in place to manage the achievement of its objectives. The Internal Audit Section of the City of London operates, in all aspects, in accordance with the CIPFA Code of Practice and Public Sector Internal Audit Standards.
- The Audit Committee's review of the governance arrangements in place during 2019/2020/2020/21.
- London Councils Corporate Management Board considers an annual report on Corporate Governance, which includes work completed during the current year and highlights work planned for the following year.

Areas for development during 2020/21/2021/22

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2020/21/2021/22:

Pan London Mobility Schemes

An internal audit review on the Pan London Mobility Schemes was completed in 2018/19. The review assessed the effectiveness of controls in operation over the management of the Freedom Pass and Taxicard schemes. The review concluded that there was an adequate control framework in place but identified some areas to improve such as the reporting of key performance indicators, the frequency of performance monitoring meetings, checks on contractors' compliance assessments and the publishing of eligibility criteria. Whilst mostSeven of the eight recommendations arising from the review have already been implemented, The final recommendation to be implemented relates to there are improvements to the Taxicard Customer Management System (CMS) that will be completed in 2020/21 to enable the production of performance management information on application processing times. This improvement was to be implemented as part of a wider piece of development work on the application process that was to be carried out by the contractor responsible for providing the CMS. The wider work was delayed due to changes in the specification to reflect new priorities such as improved accessibility for disabled users.

In London Councils' view the incumbent contractor was making insufficient progress with scoping the work and undertaking the user engagement necessary to design an appropriate solution. As a result, London Councils contracted with a third-party to do this. The analysis work was completed in February 2021 and London Councils passed the findings to the incumbent provider in late March to propose an appropriate solution. A quotation was received in early May 2021 which provided a rough order of magnitude price. London

Councils is currently working with the supplier to firm up some of the assumptions made to get a firmer price, before seeking approval for investment from the Transport and Environment Committee in October 2021. In the meantime, London Councils has improved the manual monitoring of application processing times, which currently stand at 5 working days (significantly within the target of 15).

Procurement of Goods and Services

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

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

The review also considered the extent of the use of manual processing systems in the procurement process. The review established that an adequate control framework is in place and identified some areas to improve such as monitoring compliance with the procurement and financial regulations and exploring the option of using the City of London's electronic purchase order system. Three of the four The recommendations will be were implemented in during 2020/21. The final recommendation which relates to the use of retrospective purchase orders will be fully implemented during 2021/22.4-

London Councils will take adequate steps over the coming year to address the above matters in order to further enhance its governance arrangements. London Councils is satisfied that these steps will address the improvement needs identified in the effectiveness review. London Councils will monitor their implementation and operation as part of our next annual review.

Significant governance issues

There are no significant governance issues.

John O'Brien
Alison Griffin
2024-16 September 2021
Chief Executive

4 January

Cllr Georgia Gould
September 2021
Chair of London Councils

4 January 2024-16

London Councils – AUDIT COMMITTEE

2020/21 Annual Internal Audit Report and Head of Internal Audit Annual Opinion

Introduction

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

This report summarises the overall outcomes from Internal Audit work during 2020/21. The report does not include detail in relation to the findings of individual audit reviews, as previously reported to the Audit Committee during the year as part of the routine Internal Audit Update reports.

Summary of Internal Audit Work Completed During 2020-21

Work on the 2020/21 Internal Audit Plan was completed before 31st March 2021, with final reports issued as follows:

Planned Audits	Days	Assurance Rating	Recommendations Made
Risk Management	10	Green	1 green priority
Financial Controls (including petty cash, inventories, procurement cards, safekeeping)	5	Green	3 green priority
Grants	15	Green	None

In addition to the above, it should be noted that London Councils' main accounting and payroll systems are provided by the City of London Corporation (CBIS and CityPeople). These systems are subject to periodic review by the Internal Audit Section and are considered by both Internal Audit and the City's External Auditors to provide a high level of internal control. These core systems are not, therefore, subject to further examination as part of the London Councils Audit Plan.

We followed up 14 recommendations due by the 31st March 2021 and confirmed that 12 were fully implemented, one partially implemented, one recommendation had not been implemented by the agreed date - revised dates have been provided by management.

The escalation of the COVID-19 pandemic and the nationwide response to the outbreak resulted in the activation of London Council's business continuity arrangements. While the organisation has developed new ways of working, the pandemic did impact delivery against the 2020/21 Internal Audit Plan; at the request of Senior Leadership, audit activity was paused in two areas - Gifts and Hospitality & Declaration of Interests (Terms of Reference agreed - work not able to complete in 2020/21 as this requires access to physical documentation) and ICT Strategy 2020-23 delays in completion of the strategy as a result of COVID-19, this audit has been deferred to 2021/22. The 2020/21 plan was reduced accordingly to reflect this. These

amendments to planned activity were not considered to have had material detrimental impact on the ability to form an annual opinion.

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

The Head of Internal Audit is satisfied that the breadth of scope and overall quantity of Internal Audit work undertaken is sufficient to be able to draw a reasonable conclusion as to the adequacy and effectiveness of London Councils' control, governance and risk management processes. A total of three Internal Audit reviews were completed and 14 recommendations followed up.

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

As referred to above, the COVID-19 pandemic has impacted the ability to undertake some planned Audit work. It is important to note that the Head of Audit Annual Opinion is not based solely on the work completed in each individual year and due consideration must be given to the wider context of the 5 year Strategic Audit Plan; it is through this that we provide coverage across all key systems and risks, the 5 year plan presenting an opportunity to even out peaks and troughs in delivery profile.

Throughout the year the Audit Committee receives reports from the Head of Internal Audit on those individual areas reviewed as to the extent that London Councils can rely on its system of internal control and to provide reasonable assurance that the objectives of London Councils will be achieved efficiently. The outcomes of these reviews are used to produce the annual Head of Internal Audit opinion. They also inform the planned work for the following year, the Five Year Strategic Plan and the scope of audit coverage across all aspects of London Councils' operations.

The Public Sector Internal Audit Standards require an External Quality Assessment to be undertaken at least once every 5 years. The most recent review, completed 2017-18, confirmed that the Internal Audit function at the City Corporation *Generally Conforms* to the Public Sector Internal Audit Standards. The Standards require periodic self-assessment in the intervening years, this has been completed in April 2021 by the Head of Internal Audit, using the CIPFA "Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note". The self-assessment found, similarly, that the Internal Audit function *Generally Conforms* to the standards. The assessment process incorporates, and applies across, the Internal Audit services provided to London Councils.

Matt Lock
Head of Internal Audit, CPFA, CMIIA
City of London Corporation
01 June 2021

ANNUAL GOVERNANCE STATEMENT

Introduction

Covid-19

The Covid-19 pandemic has continued to have an impact on London Councils' services during the 2020/21 financial year. The pandemic has led to a reduction in income from enforcement activities, replacement of Freedom Passes, tenant licences and meeting room hire. In addition to the income lost from the reduction of these services, there has been expenditure incurred to ensure that London Councils continues its operations and provides support to member boroughs and their constituents. Contractors were asked to put in place contingency measures to maintain services during the period. London Councils has taken measures to make sure that staff remain safe during this period by providing home working arrangements, signposting useful sources of information and holding webinars for all staff and coaching sessions for managers to promote mental wellbeing. Building risk assessments in accordance with government guidance on Covid-19 secure workplaces were undertaken at both London Councils sites in May 2020. Appropriate safety measures were introduced to allow a limited number of staff to work safely in the buildings, where necessary, in accordance with social distancing requirements.

Scope of responsibility

London Councils (the Committee) is responsible for ensuring that its business is conducted in accordance with the law, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Committee is also responsible for securing continuous improvement in the way its functions are exercised.

In discharging this overall responsibility, the Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

London Councils has approved and adopted a code of corporate governance in the form of a framework, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016. A copy of London Councils Corporate Governance Framework can be obtained from the Director of Corporate Governance at 59½ Southwark Street, London SE1 0AL. This statement explains how London Councils has applied this code.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Committee is directed and controlled and such activities through which it accounts to, and engages with, its stakeholders. It enables the organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at London Councils for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

The governance framework

The key elements of the Committee's governance framework include:

- **Developing and communicating the Committee's vision** – The Committee produces an annual Corporate Business Plan which sets out its proposed purpose, themes, work programmes and services. The plan consists of two levels: a high level plan available for stakeholders and external audiences and detailed internal work plans developed for management purposes. This is informed by on-going liaison with key borough stakeholders including the Chair and all Executive portfolio holders. The Corporate Business Plan is submitted to the Leaders' Committee. In addition, the Leaders' Committee has agreed a series of pledges of which it has agreed to work together through to 2022 to try and improve the lives of Londoners. There are a number of ways in which the Committee communicates with relevant stakeholders which include member briefings, committee and other meetings, briefings for senior managerial and professional colleagues in boroughs.
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Steering Committee, Audit Committee, Young People's Education and Skills Board (YPES) and Fire Safety Members Group. All London Councils officers are issued with a job description which confirms their duties within the organisation. Executive portfolio holders and shadow members have agreed priorities that codify expectations of these roles.

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- **Establishing clear channels of communication** – London Councils actively engages with relevant stakeholders when developing its work. All Committee meetings are open to the public and consultations are undertaken where relevant. London Councils issues member briefings and arranges a number of events, conferences and seminars that also provide opportunities for stakeholder engagement, as do regular meetings of officer networks. London Councils produces an Annual Review which provides a summary of the key achievements over the last year and annual statutory financial statements. Information on consultations, minutes of committee meetings and publications are posted on London Councils website www.londoncouncils.gov.uk. London Councils consults with Chief Officer groupings across boroughs in the development of its work.
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- **Partnership arrangements** – London Councils has a set protocol for staff to follow when working in partnership with outside bodies. A checklist is to be completed for each new partnership or project. Partnership arrangements are also subject to signed agreements which include objectives, roles and responsibilities. The performance of partnerships are monitored in the same manner as other service providers. London Councils does not currently have any material partnership arrangements.

Review of effectiveness

London Councils has responsibility for conducting at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of London Councils Corporate Management Board which has responsibility for the development and maintenance of the governance environment, the internal audit annual report and also by comments made by the external auditors in their annual audit letter and other reports. The review of the effectiveness of the governance framework includes:

- The work of Internal Audit, undertaken by the City of London Corporation under a service level agreement, and the annual opinion of the Head of Audit and Risk Management at the City of London. Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit of all auditable areas within a five-year planning cycle, – with key areas being reviewed

annually. This is reinforced by consultation with London Councils Corporate Management Board and London Councils' Audit Committee on perceived risk and by a rigorous follow-up audit regime. The review considers the annual opinion of the Head of Audit and Risk Management on the internal control environment in operation at London Councils during the financial year. The Head of Audit and Risk Management is satisfied that the breadth of scope and overall quantity of internal audit work undertaken is sufficient to be able to draw a reasonable conclusion as to the adequacy and effectiveness of London Councils' control, governance and risk management processes. On the basis of work undertaken, it is the Head of Audit and Risk Management's opinion that London Councils has adequate and effective systems of internal control in place to manage the achievement of its objectives. The Internal Audit Section of the City of London operates, in all aspects, in accordance with the CIPFA Code of Practice and Public Sector Internal Audit Standards.

- The Audit Committee's review of the governance arrangements in place during 2020/21.
- London Councils Corporate Management Board considers an annual report on Corporate Governance, which includes work completed during the current year and highlights work planned for the following year.

Areas for development during 2021/22

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2021/22:

Pan London Mobility Schemes

An internal audit review on the Pan London Mobility Schemes was completed in 2018/19. The review assessed the effectiveness of controls in operation over the management of the Freedom Pass and Taxicard schemes. The review concluded that there was an adequate control framework in place but identified some areas to improve such as the reporting of key performance indicators, the frequency of performance monitoring meetings, checks on contractors' compliance assessments and the publishing of eligibility criteria. Seven of the eight recommendations arising from the review have already been implemented. The final recommendation to be implemented relates to improvements to the Taxicard Customer Management System (CMS) to enable the production of performance management information on application processing times. This improvement was to be implemented as part of a wider piece of development work on the application process that was to be carried out by the contractor responsible for providing the CMS. The wider work was delayed due to changes in the specification to reflect new priorities such as improved accessibility for disabled users.

In London Councils' view the incumbent contractor was making insufficient progress with scoping the work and undertaking the user engagement necessary to design an appropriate solution. As a result, London Councils contracted with a third-party to do this. The analysis work was completed in February 2021 and London Councils passed the findings to the incumbent provider in late March to propose an appropriate solution. A quotation was received in early May 2021 which provided a rough order of magnitude price. London Councils is currently working with the supplier to firm up some of the assumptions made to get a firmer price, before seeking approval for investment from the Transport and Environment Committee in October 2021. In the meantime, London Councils has improved the manual monitoring of application processing times, which currently stand at 5 working days (significantly within the target of 15).

Procurement of Goods and Services

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

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

The review also considered the extent of the use of manual processing systems in the procurement process. The review established that an adequate control framework is in place and identified some areas to improve such as monitoring compliance with the procurement and financial regulations and exploring the option of using the City of London's electronic purchase order system. Three of the four recommendations were implemented during 2020/21. The final recommendation which relates to the use of retrospective purchase orders will be fully implemented during 2021/22.

London Councils will take adequate steps over the coming year to address the above matters in order to further enhance its governance arrangements. London Councils is satisfied that these steps will address the improvement needs identified in the effectiveness review. London Councils will monitor their implementation and operation as part of our next annual review.

Significant governance issues

There are no significant governance issues.

Alison Griffin
Chief Executive

16 September 2021

Cllr Georgia Gould
Chair of London Councils

16 September 2021

Audit Committee

Risk Management – Services Risk Register

Item no: 6

Report by: Christiane Jenkins

Job title: Director, Corporate Governance

Date: 17 June 2021

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Summary:

This report presents the current Services Directorate Risk Register for consideration by the Audit Committee.

Recommendations:

The Audit Committee is asked to:

- Note the current Services Directorate Risk Register, the revised format and the points raised in the cover report.

Risk Management Framework and Registers

1. Background

- 1.1 London Councils' current Risk Management Strategy and Framework was agreed by London Councils' Audit Committee in March 2012, and most recently reviewed in March 2019.
- 1.2 The approach is proportionate to the Organisation and establishes the Organisation's approach to risk management and a framework for identifying and monitoring risks.
- 1.3 The Directorate and Corporate Risk Registers are reviewed, at minimum, quarterly by the Corporate Governance Officer Group and half-yearly by London Councils' Corporate Management Board (CMB).
- 1.4 In September 2011 the Audit Committee requested that the Directorate Risk Registers were presented to the committee in rotation, one at each meeting. The Services Risk Register was last considered by this Committee on 17 June 2020.
- 1.5 The types and definitions of risks used in London Councils risk assessments are attached at Appendix 1.
- 1.6 At its last meeting in March 2021, Members asked that, going forward, as well as presenting the risk registers with a new column summarising the 'direction of travel' for those risks which had changed since the register was last presented to Audit Committee, a narrative summary of those changes should also be provided.

2. Current position on the Services Directorate Risk Register

- 2.1 A summary of changes to the Services Risk Register since it was last presented to Audit Committee is set out below.

Risk ref	Risk	Action taken
T5	Taxicard - TfL fails to negotiate sufficient funding to cover Taxicard commitments this or next year.	The likelihood of this risk has been reduced from a 3 to a 2 as section 159 agreements from TfL confirming its financial commitment for 2021/22 have

		been received and signed by London Councils.
LLCS 9	Lorry Control - COVID-19: Future further suspension of enforcement activity - negative impact on Londoners	The likelihood of this risk occurring has been reduced from a 3 to a 2, as the most recent restrictions have not led to the pressures on the freight industry seen during the first lockdown.
LLCS10	Lorry Control - COVID-19: Future further suspension of enforcement activity - negative impact on LLCS revenue for London Councils TEC	The likelihood of this risk occurring has been reduced from a 3 to a 2, as the most recent restrictions have not led to the pressures on the freight industry seen during the first lockdown.
LLCS11	Lorry Control - COVID-19: Future further suspension of enforcement activity: Lack of work and negative Impact on LLCS Team	The likelihood of this risk occurring has been reduced from a 3 to a 2, as the most recent restrictions have not led to the pressures on the freight industry seen during the first lockdown.
D1	Grants - Non-delivery of outcomes of current Grants programme (2017). (ESF element completed June 2019).	Additional control added related to COVID.
D2	Grants - Not making payments when due.	Text referring to ESF payments removed to reflect that the programme has now been completed and has moved from monthly returns to ad hoc returns
F3	YPES - London is not adequately meeting the statutory requirements for young people with Special Education Needs and Disabilities.	Risk removed because the Services Directorate no longer has responsibility for work on high needs funding.

3. Implications

Equalities Implications for London Councils

There are no specific equalities implications arising from the recommendations, although when compiling the Divisional, Directorate and Corporate Risk Registers, equalities issues may be identified and will be recorded, reported and managed as necessary.

Financial Implications for London Councils

There are no financial implications arising from this report.

Legal Implications for London Councils

There are no legal implications arising from this report.

4. Recommendations

The Audit Committee is asked to:

- Note the current Services Directorate Risk Register, the revised format and the points raised in the cover report

Appendices;

- Appendix 1 - Criteria for risks within London Councils
- Appendix 2 - Services Directorate Risk Register – last updated May 2021

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

The main types of risk that London Councils is likely to encounter are:

Risk	Definition
Compliance	Risk of failing to comply with statutory requirements.
External	Risks from changing public or government attitudes.
Financial	Risks arising from insufficient funding, losing monetary resources, spending, fraud or impropriety, or incurring unacceptable liabilities
Operational	Risks associated with the delivery of services to the public and boroughs arising, for example, from recruitment difficulties, diversion of staff to other duties, or IT failures, loss or inaccuracy of data systems or reported information
Project	Risks of specific projects missing deadlines or failing to meet stakeholder expectations.
Reputation	Risks from damage to the organisation's credibility and reputation.
London	Risks to our stakeholders that need to be taken into account in our planning and service provision
Strategic	Risks arising from policy decisions or major decisions affecting organisational priorities; risks arising from senior-level decisions on priorities.
Contractual Risks	Risks related to the management of service contracts
Internal	Risks that relate to HR/People risks associated with employees, management and organisational development

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

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

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

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

Assessing and scoring risks

To assess risks adequately London Councils will identify the *consequences* of a risk occurring and give each risk a score or *risk rating*.

A means of comparing risks is needed so that efforts can be concentrated on addressing those that are most important. Each risk will be given a score, depending on its likelihood and its impact, as shown below. A risk may meet some, or all, of a description of likelihood or impact. These descriptions provide guidance rather than a prescriptive formula for determining risk ratings. Scoring a risk is a judgement call based on knowledge, understanding and prediction based on past experience.

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

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

Risk assessment			
Rating	Likelihood	Impact	Rating
<i>Very High</i> 4	70% chance of occurrence Almost certain (the risk is likely to occur within 6 months or at a frequent intervals). The event is expected to occur as there is a history of regular occurrence.	Huge financial loss; key deadlines missed or priorities unmet; very serious legal concerns (e.g. high risk of successful legal challenge, with substantial implications for London Councils); major impact on Boroughs or Londoners; loss of stakeholder public confidence.	<i>Very High</i> 4
<i>High</i> 3	40% - 70% chance of occurrence Probable, the risk is likely to occur more than once in the next 12 months. A reasonable possibility the event will occur as there is a history of frequent occurrence.	Major financial loss; need to renegotiate business plan priorities; changes to some organisational practices due to legislative amendments; potentially serious legal implications (e.g. risk of successful legal challenge); significant impact on the Boroughs or Londoners; longer-term damage to reputation.	<i>High</i> 3
<i>Medium</i> 2	20% - 39% chance of occurrence Possible, the risk may occur in the next 18 months. Not expected but there's a possibility it may occur as there is a history of casual occurrence.	Medium financial losses; reprioritising of services required; minor legal concerns raised; minor impact on the Boroughs or Londoners; short-term reputation damage.	<i>Medium</i> 2
<i>Low</i> 1	<20% chance of occurrence Rare, the risk may occur in exceptional circumstances.	Minimal financial losses; service delivery unaffected; no legal implications; unlikely to affect the Boroughs or Londoners; unlikely to damage reputation.	<i>Low</i> 1

Risk scores

Risk Assessment				
Very High (4)	4	8	12	16
High (3)	3	6	9	12
Medium (2)	2	4	6	8
Low (1)	1	2	3	4
	Low (1)	Medium (2)	High (3)	Very High (4)
Impact				

It is recognised that the scores at different levels of the register (project/team, directorate/divisional, corporate) will reflect the importance of the risk in the context of the level of the register. For example, an individual officer's project register may reflect a high impact score on the project if an element is delivered late, but this will not necessarily correspond to a high impact on the organisation as a whole. This incremental approach to impact allows risks to be appropriately scored at each level to enable effective prioritisation of management and mitigation actions.

Controls in Place

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

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

Additional Controls

As well as existing controls, the practical management of risk may involve additional mitigation if the existing controls do not adequately mitigate against the risk. In addressing risks, a proportionate response will be adopted – reducing risks to 'As Low a Level as is Reasonably Practicable' in the particular circumstances (known as the ALARP approach).

In identifying actions to address a risk, at least one of the 4 T's; treat, transfer, tolerate or terminate should apply. In some areas of work eg services to external customers risks will need to be actively minimised, whereas other activities such as new business ventures, partnership arrangements may have an 'acceptable' element of risk commensurate with the work area.

Treat – treating the risk is the most common response, taking action to lessen the likelihood of the risk occurring. Treatment can also mean planning what you will do if the risk occurs, therefore minimising the impact. The purpose of 'treatment' is not necessarily to terminate

the risk but, more likely, to establish a planned series of mitigating actions to contain the risk to an acceptable level.

Transfer – transferring the risk might include paying a third party to take it on or having an insurance policy in place. Contracting out a service might mitigate the risk but create new risks to be managed.

Tolerate – the ability to take effective action against some risks may be limited, or the cost of taking action may be disproportionate to the potential benefit gained. In this instance, the only management action required is to ‘watch’ the risk to ensure that its likelihood or impact does not change. This is an acceptable response as long as the risk has been properly identified and toleration is agreed to be the best option. If new management options arise, it may become appropriate to treat this risk in the future. London Councils may choose to tolerate a high residual risk if the activity involves presents a significant, yet risky, opportunity for the organisation. This should be explained in the description of the countermeasures.

Terminate – by doing things differently, you remove the risk.

Information Risks

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

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

Services Risk Register - 2021/22

Division		Services					Date Last Reviewed	27 May 2021				
Director		Spencer Palmer and Yolande Burgess					Reviewed By	SP / YB / SB				
				Risk Rating (without controls)					Risk Rating (with controls)			
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Direction

GENERAL

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

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

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

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

FREEDOM PASS

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

TAXICARD

T1 (previously B2)	Taxicard applications for in-house processing not assessed on time.	Operational, Reputation	Applicants will not receive their cards, leading to unsatisfied members of the public and complaints.	4	2	8	Systems in place to manage process and monitor performance regularly.	Spencer Palmer, Director (T+M)	1	1	1	
T2 (previously B3)	Taxicard fraud	Operational, Reputation, Financial	Fraudulent applications or misuse of cards leads to higher costs of scheme.	3	1	3	Detailed audit checks in place	Spencer Palmer, Director (T+M)	1	2	2	
T3 (previously B4)	Poor financial planning and management of Taxicard budget.	Reputation, operational and financial	Not to negotiate sufficient funding with TfL for the scheme. To run out of money for Taxicard part way through the year or underspend. TfL's current financial situation leads to uncertainty whether they will meet their financial commitments.	3	3	9	On-going engagement with TfL and shared information throughout the year. Contract management and journey data monitoring arrangements highlight boroughs approaching an overspend and agreement to meet additional costs is sought before budget is exceeded.	Spencer Palmer, Director (T+M)	3	2	6	
T4 (previously B4A)	New Taxicard rates lead to decreases in Taxi supply	Reputational and operational	A new per mile pricing regime has been introduced on Taxicard. This means black taxi drivers will no longer be paid meter rates for most Taxicard journeys. Some may choose not to undertake Taxicard work and supply issues result. This could mean that some Taxicard journeys experience a worse or diminished level of service.	3	3	9	The supplier is in the process of integrating more private hire suppliers to bolster supply. It has also purchased a rival taxi circuit (to be integrated). These measures should mitigate the problem. London Councils has increased the frequency of monitoring from monthly to weekly and will use improvement planning provisions in the contract as necessary. Should problems warrant, London Councils could consider seeking alternative provision.	Stephen Boon, Chief Contracts Officer	2	2	4	
T5	TfL fails to negotiate sufficient funding to cover Taxicard commitments this or next year.	Reputational, operational and financial	TfL's extraordinary financial situation and subsequent funding deal with government means that Taxicard funding is withdrawn, or reduced.	4	3	12	On-going engagement with TfL and shared information throughout the year including regular updates on likely outcome. Raise at political level. Spencer Palmer to ensure that Taxicard funding is discussed with Alex Williams and Andy Byford. Dec: TfL has assured LC that £8.85m budget is included in operational plan.	Spencer Palmer, Director (T+M)	2	2	4	↓

				Risk Rating (without controls)					Risk Rating (with controls)			
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Direction
LONDON LORRY CONTROL SCHEME												
LLCS 1 (previously B9)	Lorry Control permits not processed on time.	Operational, Reputation	Hauliers without permits forced to change their plans or travel without permit risking abortive enforcement activity.	2	3	6	Permit issue system in place and performance monitored.	Spencer Palmer, Director (T+M)	1	2	2	
LLCS 2 (previously B10)	Lorry Control routing advice not provided	Operational	Hauliers not given opportunity to confirm legality of route	2	3	6	Routing advice available on-line and through liaison with the team.	Spencer Palmer, Director (T+M)	1	2	2	
LLCS 3 (previously B11)	Significant Lorry Control enforcement does not take place	Operational, Financial	Hauliers allowed to make illegal journeys. Generates complaints from boroughs and public about disruption overnight and weekends. PCN income not generated to cover enforcement activity.	3	3	9	Contract management of the NSL contract.	Spencer Palmer, Director (T+M)	1	2	2	
LLCS 4 (previously B12)	Lorry Control PCNs not processed	Financial, Operational	Enforcement not effective as no penalties issued or fully processed and PCN income not generated to cover enforcement activity.	4	3	12	PCN processing system in place and regularly monitored.	Spencer Palmer, Director (T+M)	1	2	2	
LLCS 5 (previously B12A)	Lorry Control System Failure	Financial, Operational, Reputational	Updated LLCS system case management and permission application system fails or in part does not have the expected functionality.	3	3	9	Full testing of the system prior to go live including external testing with hauliers. Continued discussions re web based communications platform between Sagoss and London Councils again completed and fully tested before go live.	Spencer Palmer, Director (T+M)	2	2	4	
LLCS 6 (previously B12B)	Key Person Risk for contractor eg Sagoss	Financial, Operational, Reputational	Possible over reliance of key contractor personnel eg providing and managing the data of the LLCS case system. Impact could be system failure, resolution issues and ultimate lack of product.	2	3	6	Key escrow arrangement in which the keys needed to decrypt encrypted data are held in escrow so that, under certain circumstances, we may gain access to the keys. Regular data deposits required. Support and organisation detail required with Stuart as well as a revised business continuity plan if key staff contact is absent.	Spencer Palmer, Director (T+M)	2	2	4	
LLCS 7	Contractor risk (Sagoss) relating to communication issues and development work issues.	Financial, Operational, Reputational	Difficulty in communicating with key Sagoss personnel regarding systems issues, agreed service enhancements and planned upgrades. Impact could result in system failure, reputational damage re audit recommendations, resolution issues and ultimate lack of performance of product.	3	3	9	Agreed new channel of liaison with newly installed client manager. Sagoss commitment to deal with outstanding issues as a priority and improve communications channels. To date very little improvement has been seen in terms of development resolution although communications are marginally better. Even with controls this is still a risk and will be monitored regularly before there is a significant change in rating.	Spencer Palmer, Director (T+M)	2	3	6	
LLCS 8	Procurement and supply of new enforcement contract.	Financial, Operational, Reputational	Poor planning, execution and delivery of LLCS enforcement procurement leads to a worse service, or non-enforcement of the scheme.	3	3	9	Careful planning and execution of the procurement exercise to ensure that requirements are clear and time between contract award and implementation are sufficient to ensure enforcement in place.	Spencer Palmer, Director (T+M)	1	2	2	

				Risk Rating (without controls)					Risk Rating (with controls)			
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1 - 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1 - 4)	Impact (1 - 4)	Overall	Direction
LLCS 9	COVID-19: Future further Suspension of Enforcement Activity - Negative impact on Londoners	Operational, Reputational	Lack of enforcement on street could lead to increased non compliance with the scheme, increased disruption to residents and more complaints	2	3	6	Working with the freight industry to manage messages on expectations on freight movements during any further suspension to minimise disruption. Agreed communications with public regarding the reasons why the scheme is suspended and noise issue may increase.	Spencer Palmer, Director (T+M)	1	2	2	↓
LLCS 10	COVID-19: Future further suspension of Enforcement Activity - Negative impact on LLCS revenue for London Councils TEC	Financial, Operational, Reputational	Lack of enforcement resulting in a significant decline in income and a failure to cover all staff and contractual costs	2	3	6	Any new suspension would have an impact on revenues which are lower than forecast due to the two 2.5 month suspension from April - June. Current forecasts should see LLCS cover costs for 2020-21 with a small surplus. This will continue to be monitored.	Spencer Palmer, Director (T+M)	1	2	2	↓
LLCS 11	COVID-19: Future further suspension of Enforcement Activity: Lack of work and negative Impact on LLCS Team	Financial, Operational	Reduction in workflows for the LLCS team resulting in a decline in business as usual work, a reduction in activity and enforcement income.	2	2	4	Staff will continue to work on cases on the system unless they are put on hold. The team are able to undertake additional activities that are not a usual priority but will have benefits for LLCS in the future, such as the LLCS review.	Spencer Palmer, Director (T+M)	1	2	2	↓
LLCS 12	COVID -19: Commencing Enforcement too early if scheme suspended again	Financial, Operational, Reputational	Risk to staff, both on and off street and negative reputational impact with freight industry of restarting enforcement too soon	2	3	6	If the scheme were suspended, any plans to recommence would be discussed with all stakeholders within and outside of London Councils to agree a suitable commencement date. Other enforcement schemes would be monitored.	Spencer Palmer, Director (T+M)	1	2	2	

				Risk Rating (without controls)					Risk Rating (with controls)			
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LONDON EUROPEAN PARTNERSHIPS FOR TRANSPORT

LEPT 1 (previously B13)	Change to existing process of TfL funding LEPT (via LIP)	External	TfL-led partnership review results in Borough consensus to cease funding LEPT via the LIP top slice agreement.	2	3	6	A renewed rolling S159 agreement is to be issued in December 2019, with updated conditions for funding and delivery, to be reviewed annually. TfL and London Councils can decide to dissolve LEPT with a three-months notice.	Spencer Palmer, Director (T+M)	1	3	3	
LEPT 2 (previously B15)	LEPT: Brexit	External	Despite an agreement, Brexit may have an impact on funding opportunities available to LEPT and boroughs.	2	3	6	As part of the deal, the UK have access to funding calls on the same terms as EU member states. Therefore leaving the EU should not be a barrier for future project and funding opportunities.and NCP on each funding stream have confirmed this	Spencer Palmer, Director (T+M)	1	2	2	
LEPT 3 (previously B16)	LEPT: S159 TfL funding	External	Brexit may have an impact on securing a future S159 agreement from TfL moving forward.	2	3	6	In light of an agreemnet Brexit will not be a barrier for borough participation in EU funded calls and should not be a barrier in future LEPT funding.	Spencer Palmer, Director (T+M)	1	2	2	
LEPT 4 (previously B17)	LEPT staffing	Operational	Staffing shortage makes the submissions of bids more difficult with the continued core workload of LEPT.	3	3	9	LEPT will identify short-term contingency measures during the bidding period and prioritise workloads to ensure bids take precedent over other core tasks that can be postponed.	Spencer Palmer, Director (T+M)	2	3	6	
LEPT 5	LEPT: S159 TfL funding agreement	Operational and Financial	Despite the S.159 agreement TfL financial pressures mean that LEPT are not able to secure sufficient funding for the remaining six months of the financial year.	3	4	12	On-going engagement with TfL to reiterate the value that LEPT provides for boroughs and that funding should continue until 31 March 2021 as per the existing agreement. We will continue to engage with TfL.	Spencer Palmer, Director (T+M)	3	3	9	

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

TRAFFIC AND PARKING

TP1 (previously B6)	Parking / Traffic enforcement advice, guidance not provided	Compliance, Operational, Reputation	Boroughs left to own devices and no standardisation	1	2	2	Regular meetings scheduled and advice provided and updated	Spencer Palmer, Director (T+M)	1	1	1	
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HEALTH EMERGENCY BADGE

HEB 1 (previously B8)	HEB permits not issued; HEB permit applications not checked	Financial, Operational, Reputation	Medical practitioners issued with PCNs while on emergency calls; Permits issued to non-emergency attendees	1	3	3	Issuing processing system in place, limited scale of scheme means easy to relocate; Checks in place	Spencer Palmer, Director (T+M)	1	1	1	
HEB 2	COVID -19. No new applications or renewals processed	Financial, Operational, Reputation	No badges issued during the emergency leading to an increased risk of receiving a PCN and delays in existing applications	4	3	12	Extension of expiry dates should help. New badges still not processed but Boroughs have issued emergency permits to medical staff and an 80% reduction in enforcement should reduce the risk significantly	Spencer Palmer, Director (T+M)	2	2	4	
HEB 3	Loss of HEB Access database	Financial, Operational, Reputation	Loss of all data. Medical practitioners issued with PCNs while on emergency calls. Possible data breach	4	3	12	Regular maintenance and saving of the database. (Ultimately modernise existing system).	Spencer Palmer, Director (T+M)	2	2	4	

TRACE

TRACE 1 (previously B5)	Parking services (TRACE, DVLA link, Northampton County Court link) fail	Operational, Reputation	Borough enforcement compromised and public confidence effected	1	3	3	Northgate disaster recovery in place.	Spencer Palmer, Director (T+M)	1	2	2	
TRACE 2	COVID-19 Failure of contractor staff to deal with notifications	Financial, Operational, Reputation	Staff not available to process notifications of removals and relocations so motorists are unable to locate their vehicles	3	3	9	Significant reduction in removals of vehicles has mitigated this risk. Contractor has indicated that it has the resources to deal with this as usual	Spencer Palmer, Director (T+M)	1	2	2	

				Risk Rating (without controls)					Risk Rating (with controls)			
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Direction
TRACE 3	Incorrectly processed cases	Operational, Financial and Reputation	Appeals received not processed correctly resulting in enforcement authorities taking further enforcement action before an appeal is registered and heard. Could result in someone paying additional enforcement charges, perhaps to a bailiff, believing their appeal was heard and unsuccessful. Could result in the tribunal having to write to appellants to explain errors and the refunding of costs. Could lead to legal action and claims for damages and compensation.	4	2	8	<p>Ensure system and process checks are sound and carried out to ensure cases are not left in system without appropriate actions being completed.</p> <p>Legal advice was sought and received. All affected appellants have been contacted. London Councils has offered recompense to appellants and EAs as appropriate.</p> <p>Use of contractual clauses to recover balances from the supplier and minimise costs to boroughs.</p> <p>A small residual risk remains where people affected have moved and it has not been possible to contact them.</p>	Spencer Palmer, Director (T+M)	2	2	4	

LONDON TRIBUNALS

LT 1 (previously C1)	New regulations require changes to systems	Compliance, External	New regulations require substantial changes to London Councils systems	2	3	6	Managed Services contractual change mechanism in place , involvement in Government working parties	Spencer Palmer, Director (T+M)	2	2	4	
LT 2 (previously C2)	London Councils Offices/London Tribunals hearing centre unavailable	Financial, Operational, Reputation, Strategic	Office and hearing centre facilities become unavailable due to building defect, incident in building or other emergency; causing service interruption which might also affect remote services.	1	3	3	Northgate disaster recovery and plans to move essential processes to remote site. Remote working from home/other available office space (Northgate/London Councils). If necessary London Tribunals could suspend work for one week and personal hearings for one month.	Spencer Palmer, Director (T+M)	1	2	2	
LT 3 (previously C3)	Court Judgement requiring significant changes to systems and processes	Operational	Judgement in High Court or Court of Appeal requires major changes in practice / procedures	2	4	8	Contingency budget for IT /info /publicity development - manual workarounds while developments being installed	Spencer Palmer, Director (T+M)	1	3	3	
LT 4 (previously C4)	Adjudicator unavailability	Operational	Lack of sufficient adjudicators.	2	4	8	Amending personal hearings if unable to cover them	Caroline Hamilton, Ingrid Persadsingh, Chief Adjudicators, and Spencer Palmer, Director (T+M)	1	4	4	
LT 5 (previously C5)	New areas of activity	Operational, Financial, Reputation, Strategic	Taking on new areas of activity that we cannot properly deliver.	3	3	9	Proper analysis and all relevant approvals in advance.	Spencer Palmer, Director (T+M)	2	2	4	
LT (previously C6)	Northgate contract	Operational, Financial and Reputation	Northgate fail to deliver on the contract on operating London Tribunals.	4	3	12	Contract monitoring arrangements being reviewed and Northgate implementing additional quality control measures.	Stephen Boon, Chief Contracts Officer	2	2	4	
LT 7 (previously C7)	RUCA contract	Operational, Financial and Reputation	Failure to deliver the RUCA contract within the agreed time, cost and quality parameters.	3	3	9	London Councils and its supplier (NPS) work closely with the customers (GLA and TfL) to ensure regular and appropriate monitoring of the contract, undertaking targeted intervention where appropriate.	Spencer Palmer, Director (T+M)	2	2	4	
LT 8 (previously C8)	Incorrectly processed cases	Operational, Financial and Reputation	Appeals received not processed correctly resulting in enforcement authorities taking further enforcement action before an appeal is registered and heard. Could result in someone paying additional enforcement charges, perhaps to a bailiff, believing their appeal was heard and unsuccessful. Could result in the tribunal having to write to appellants to explain errors and the refunding of costs. Could lead to legal action and claims for damages and compensation.	4	2	8	<p>Ensure system and process checks are sound and carried out to ensure cases are not left in system without appropriate actions being completed.</p> <p>Legal advice was sought and received. All affected appellants have been contacted. London Councils has offered recompense to appellants and EAs as appropriate.</p> <p>Use of contractual clauses to recover balances from the supplier and minimise costs to boroughs.</p> <p>A small residual risk remains where people affected have moved and it has not been possible to contact them.</p>	Spencer Palmer, Director (T+M)	2	2	4	

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

GRANTS

D1	Non-delivery of outcomes of current Grants programme (2017). (ESF element completed June 2019).	Financial, Project, Reputation, London, Strategic	Projects fail to deliver their agreed outcomes or London Councils does not adequately monitor the projects and is unable to demonstrate that the programme adds value to borough services. Adverse impact on funding of future programmes, and on London Councils' reputation.	2	3	6	<p>Quarterly RAG rating of projects. Commissioning Monitoring Arrangements policy in place to monitor all necessary aspects of projects' work and robustly address poor performance.</p> <p>Monthly meetings with Grants Partners during Covid lockdown to continuously ascertain impacts on delivery and requirements for flexibility to maintain value to boroughs.</p>	Yolande Burgess, Strategy Director	2	2	4	
D2	Not making payments when due.	Financial Operational Project Reputation	Grant payments are made to projects quarterly following receipt and acceptance of quarterly reporting. Failure to pay organisations on time could damage their cashflow position and undermine their ability to deliver the outcomes of the projects.	3	4	12	Grants officers are set targets of paying providers within four weeks of approving the quarterly report. Where either officers or providers do not meet requirements performance management measures will be put in place. ESF payments made based on ESF compliant submissions.	Yolande Burgess, Strategy Director	1	2	2	
D3	Audit and controls on programmes are inadequate and do not detect failures that put at risk borough and GLA/LEP investment. ESF programme only.	Financial Operational Project Reputation	ESF is subject to a strict audit regime and receives a minimum of four compliance visits per year. At audit, financial claims made by London Councils for ESF monies must be verifiable against programme and project records. Where ESF records do not match claims made, irregularities are reported. If this occurs, London Councils would not be fulfilling its duties and would be required to repay associated ESF funding, with a maximum exposure of an irregularity identified from a sample applied to the entire ESF programme. This is an audit accountability, under signed agreement with the Greater London Authority, to 2030.	4	3	12	<p>Controls include:</p> <ul style="list-style-type: none"> -Strict guidance to providers on ESF regulations -Detailed checking of provider claims prior to payment -Quarterly monitoring visits to providers -Thorough preparation for audit -On-the-spot verification (Article 125) visits 	Yolande Burgess (Strategy Director)	2	3	6	

COMMUNITY SERVICES

E1	London Care Services fails to attract sufficient providers and services for the London boroughs to commission placements for Looked After Children.	Reputation and financial	Poor response by providers of children's services; recommendations on fees and charges not sustainable	3	2	6	Effective arrangements for engaging providers and services through web and direct marketing.	Yolande Burgess (Strategy Director)	2	2	4	
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				<u>Risk Rating (without controls)</u>					<u>Risk Rating (with controls)</u>			
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1- 4)	Impact (1 - 4)	Overall	Direction
E2	Boroughs do not use the Notify system.	Reputation and operational	Failure to effect notifications of data between boroughs; loss of data	3	2	6	Boroughs supported to improve the data quality and consistency of information provided to Notify - Data extraction protocols established and maintained for each borough to ensure a regular, reliable data upload to Notify - Regular liaison with appropriate borough officers to promote and develop best practice in relation to the provision of data for the Notify system	Yolande Burgess (Strategy Director)	2	2	4	
E3	Service delivery failures as a result of providers withdrawing from the London Care Services Model Contract.	reputational and operational	Failure to support boroughs, loss of providers in delivery of excellent services	3	2	6	Engagement with providers and the market through representative organisations.	Yolande Burgess (Strategy Director)	3	2	6	

				Risk Rating (without controls)					Risk Rating (with controls)			
Risk No.	Risk	Type of Risk	Risk Description (including Implications)	Likelihood (1 - 4)	Impact (1 - 4)	Overall	Controls in Place	Risk Owner (Name & Position)	Likelihood (1 - 4)	Impact (1 - 4)	Overall	Direction
E4	London Care Services is no longer relevant to borough needs.	Financial and operational.	Work becomes less relevant. Members question the value of the service and cease subscriptions; revenue decreases; ability to deliver undermined.	3	2	6	Regular board meetings at which timely, accurate and relevant information about the service is provided. Effective engagement with key stakeholders; ALDCS; boroughs; sub-regions; DfE and PaPA.	Yolande Burgess (Strategy Director)	3	2	6	

YPES

F1	Stakeholder (LEAP, DfE, LGA, GLA and ALDCS) working loses coherence.	Reputation Operational	Partner disengagement will reflect badly on London Councils' ability to coordinate, lead and influence boroughs effectively	3	2	6	Meetings with stakeholders maximises partner engagement (Board meetings, Task & Finish Groups, participation in stakeholder meetings and relevant projects).	Yolande Burgess, Strategy Director	1	2	2	
F2	The strategic direction provided by the YPES Board does not contribute to the achievement of full participation for 16-18 year-olds.	Reputation Operational	YPES' work plan does not address the major priorities of Local Authorities, or influence their operations	2	2	4	Reconfiguring the Operational Sub-Group together with workshops / seminars on specialist themes ensures a constant focus on Local Authorities' priorities	Yolande Burgess, Strategy Director	1	2	2	

Audit Committee

Informing the Audit Risk Assessment Item no: 07 2020/21

Report by:	David Sanni	Job title:	Chief Accountant
Date:	17 June 2021		
Contact Officer:	David Sanni		
Telephone:	020 7934 9704	Email:	david.sanni@londoncouncils.gov.uk

Summary This report presents the responses provided by London Councils officers to the external auditor's questionnaire on *Informing the audit risk assessment for London Councils* in connection with its audit of the 2020/21 financial statements.

Recommendations The Audit Committee is asked to discuss whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

Background

1. As part of the audit of London Councils 2020/21 financial statements, Grant Thornton, London Councils external auditor, has asked officers to complete a questionnaire to inform the audit risk assessment. The purpose of the questionnaire is to contribute towards the effective two-way communication between the auditor and Audit Committee. It includes areas of the audit risk assessment where the auditor is required to make inquiries of the Audit Committee in order to comply with auditing standards. The auditor seeks to gain an understanding of management processes and London Councils' oversight of the following areas:
 - General Enquiries of Management;
 - Fraud;
 - Laws and Regulations;
 - Related Parties; and
 - Accounting Estimates.
2. The completed questionnaire can be found at Appendix A. The Audit Committee is asked to consider whether these responses are consistent with its understanding of London Councils arrangements and whether there are any further comments it wishes to make.

Financial Implications

None

Legal Implications

None

Equalities Implications

None

Appendices

Appendix A – Informing the audit risk assessment for London Councils Questionnaire



Informing the audit risk assessment for London Councils

London Councils includes:

- Joint committee (consolidated)
- Grants Committee
- Transport and Environment Committee
- London Councils Limited

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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 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 purposes

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between London Councils ('the Joint Committees') external auditors and the 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 Joint Committees oversight of the following areas:

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

Purpose

This report includes a series of questions on each of these areas and the response we have received from the Joint Committees' 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.

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 2020/21?	The impact of Covid-19 pandemic on London Councils' services has resulted in an underachievement of income in areas such as the replacement of Freedom Passes, traffic enforcement activity, tenants' licenses and meeting room hire. In addition, there has been expenditure incurred to support member boroughs through the pandemic. There have also been significant underspends on running costs and payments to independent bus operators that offset some of the losses and additional expenditure incurred.
2. Have you considered the appropriateness of the accounting policies adopted by the Joint Committees? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	The accounting policies have been reviewed and are considered appropriate. An accounting policy note on financial instruments has been included in the limited company accounts due to the allocation of a share of an increase in the market value of some of the City of London's cash investments measured at fair value.
3. Is there any use of financial instruments, including derivatives?	Yes London Councils has basic financial instruments such as, cash balances, accounts receivables, accounts payables and short term deposits. London Councils does not have any derivatives.

General Enquiries of Management

4. Are you aware of any significant transaction outside the normal course of business?	No, there have not been any significant transactions outside normal business.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No, there has not been a change in circumstances that would lead to an impairment of non-current assets.
6. Are you aware of any guarantee contracts?	No, London Councils does not have guarantee contracts.

General Enquiries of Management

7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No, there are no loss contingencies or un-asserted claims that will affect the financial statements.
8. Other than in house solicitors, can you provide details of those solicitors utilized by the Joint Committees during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Trowers Hamlin LLP, a firm of solicitors, was engaged to carry out a review of London Councils' governance arrangements. The work was commissioned during 2019/20 with some activity completed in 2020/21.
9. Have any of the Joint Committees service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No, there have been no reports of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements.

General Enquiries of Management

10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	There were no other advisers engaged on legal, finance, business or governance matters. However, London Councils occasionally procures consultancy services for work on policy areas and externally funded projects.
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Fraud

Issue

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 the Joint Committees 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 the Joint Committees management.

Fraud risk assessment

Question	Management response
<p>1. Have you assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How does the Joint Committees risk management processes link to financial reporting?</p>	<p>Yes, an assessment of the risk of material misstatement in the financial statements due to fraud has been carried out. There are a number of procedures in place to ensure that the risk of material misstatements in the financial statements due to fraud or error is sufficiently mitigated.</p> <p>These procedures include:</p> <p>An annual review of the draft financial statements to ensure they are an accurate representation of the underlying records held on the financial accounting system.</p> <p>A strong system of internal controls to ensure that the financial records which the statements are based on are free from material misstatement which include amongst other controls: reconciliations, segregation of duties, budgetary controls, financial regulations, delegated financial authorities, detailed supplier set up checks, system access restrictions, debt and cashflow management, financial reporting processes etc.</p> <p>A comprehensive risk based internal audit plan and five year rolling programme is approved each year by the Corporate Management Board and Audit Committee. All areas of operational risk are covered in the five-year period with regular assessments of key risk areas. The internal audit service performs a key role in the prevention of fraud, bribery and corruption by the independent and systematic examination of systems and procedures, geared to maintaining strong systems of internal control. The outcome of internal audit reviews are reported to the Corporate Management Board and Audit Committee.</p> <p>The Head of Audit and Risk Management's annual opinion on the internal control environment in operation during the financial year.</p> <p>The Corporate Management Board and Audit Committee's review of the effectiveness of governance</p>

	<p>arrangements in place during the financial year.</p> <p>London Councils has a policy to Combat Fraud, Bribery and Corruption and a Whistleblowing Policy.</p> <p>Financial Statements that are prepared in accordance with the Code of Practice for Local Authority Accounting and UK accounting standards where relevant.</p> <p>The risk of fraud is included in the Corporate Resources risk register. London Councils has an approved risk management framework which sets out the frequency of the risk review cycle which ensures that emerging risks are captured on risk registers on a timely basis. Directorate risk registers are reviewed periodically by divisional management, the Corporate Governance Group, Corporate Management Board and Audit Committee.</p>
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>London Councils takes appropriate action to mitigate the risk of fraud such that there are no specific areas of the financial accounts that have a high residual risk of fraud.</p>

Fraud risk assessment

<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Joint Committees as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>No, there have not been any instances of fraud.</p> <p>The corporate and directorate risk register are periodically reviewed by the Audit Committee. The corporate risk register is reviewed annually and the three directorate risk registers are reviewed on a rolling basis. The risk of fraud is included in the Corporate Resources risk register.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Joint Committees where fraud is more likely to occur?</p>	<p>No, specific fraud risks have been identified.</p> <p>No, there are no concerns of areas at risk of fraud.</p> <p>No, there are no particular locations within the Joint Committee where fraud is more likely to occur. London Councils only has two sites.</p>
<p>5. What processes do the Joint Committees have in place to identify and respond to risks of fraud?</p>	<p>As set out in the response to question 1 above, London Councils has a robust system of internal controls that mitigate the risk of fraud. There is a risk based internal audit plan and five year rolling programme that is approved each year with the Head of Audit and Risk Management of the City of London issuing an annual opinion on the effectiveness of the internal control environment in operation during the financial year. London Councils policy to Combat Fraud, Bribery and Corruption and Whistleblowing policy set out the response to any instances of fraud that occur.</p>

Fraud risk assessment

<p>6. How do you assess the overall control environment for the Joint Committees, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>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)?</p>	<p>The internal audit service plays a key role in providing assurance on internal control environment through its comprehensive risk-based audit of all auditable areas within a five-year planning cycle. The Head of Audit and Risk Management ensures that sufficient work is carried out to allow a reasonable conclusion to be reached on the adequacy and effectiveness of London Councils' internal control environment. The Internal Audit Section of the City of London operates, in all aspects, in accordance with the CIPFA Code of Practice and Public Sector Internal Audit Standards.</p> <p>Management considers and implements internal audit recommendations where accepted.</p> <p>There are a number of internal controls set out in the response to question 1 that prevent, deter and detect fraud.</p> <p>There are no areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>There are no areas where there is potential for misreporting.</p>

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<p>8. How do the Joint Committees communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The policy to Combat Fraud, Bribery and Corruption and the Whistleblowing Policy are available on London Councils' intranet and internet for all staff, members, contractors and other stakeholders to access. The policies set out the matters that staff should report. The policies are brought to the attention of new starters as part of the Corporate Induction and New Activity Schedule they are asked to complete and sign. All staff are reminded periodically about these policies.</p> <p>In addition, London Councils has other policies that set out its expectation that all officers, members and stakeholders associated with it are honest and fair in their dealings, which include: Standing Orders; Financial Regulations; Code of Conduct for Officers; Member and Officer Relations Protocol; and other relevant policies, procedures and protocols. These policies are also available on London Councils' intranet and internet.</p> <p>There have been no significant issues reported</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Postholders with a responsibility of approving orders, certifying payment of invoices, operating financial systems and IT operations are considered higher risk. The risks are managed through the system of internal controls including the segregation of duties, reference checks etc.</p>

<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>There are no known related party relationships or transactions that could give rise to instances of fraud.</p> <p>The system of internal controls including declaration of interests and the completion of related party returns help mitigate the risk of fraud associated with related party relationships.</p>
<p>11. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>London Councils' policy to Combat Fraud, Bribery and Corruption requires all incidents to be reported to the Audit Committee. The Director of Corporate Resources (Section 151 officer) is responsible for disclosing all information in relation to fraud or suspected fraud to the Audit Committee. The Audit Committee will review any fraud matters which are disclosed to them and help to bring improvements in the control of risk.</p> <p>The Audit Committee is responsible for monitoring the Policy to Combat Fraud, Bribery and Corruption which is included in its Terms of Reference. This policy along with the Whistleblowing Policy were last reviewed by the Audit Committee in June 2019.</p> <p>There were no cases of fraud to disclose to the Audit Committee during 2020/21.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No, there have been no whistle blowing events or complaints by whistle blowers.</p>

Fraud risk assessment

13. Have any reports been made under the Bribery Act?	No, there have been no reports made under the Bribery Act during 2020/21.
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Law and regulations

Issue

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 the Joint Committees 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 entity is in compliance with laws and regulations. Where we become aware of information 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.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements do the Joint Committees have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Joint Committees regulatory environment that may have a significant impact on the financial statements?</p>	<p>London Councils has comprehensive corporate policies and procedures, which include financial regulations, that promote compliance with relevant laws and regulations. All staff are required to comply with the procedures with breaches resulting in potential disciplinary action. These policies and regulations are reviewed on a regular basis and changes are approved by London Councils Leaders' Committee or the Corporate Management Board as appropriate.</p> <p>Legal advice is provided by the City of London Corporation under a service level agreement for legal services. Legal advice is sought on new activities, arrangements, contracts and projects where appropriate.</p> <p>The internal audit programme incorporates reviews which assess compliance with corporate policies as well as relevant laws and regulations.</p> <p>There are no changes to London Councils' regulatory environment that have a significant impact on the financial statements.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Audit Committee is provided with regular reports on the outcome of reviews carried out by the internal audit section. The Committee will consider instances of non-compliance with policies, laws and regulations that are brought to its attention through audit reports or by London Councils officers or the Head of Audit and Risk Management. The Committee considers any risks of non-compliance of laws and regulations included in the corporate and directorate risk registers.</p>

	The Committee also considers the annual audit report presented by the external auditor.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?	There are no known instances of non-compliance or suspected non-compliance of laws and regulations that have an on-going impact on the 2020/21 financial statements.
4. Is there any actual or potential litigation or claims that would affect the financial statements?	No, there is no actual or potential litigation that would affect the financial statements.
5. What arrangements do the Joint Committees have in place to identify, evaluate and account for litigation or claims?	Management will assess the impact of any litigation or claims brought to its attention by internal audit reports, officers or any other source and ensure appropriate disclosures are included in the financial statements where required.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	There have been no reports from regulatory bodies regarding non-compliance of laws and regulations.

Related Parties

Issue

Matters in relation to Related Parties

The Joint Committees are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Joint Committees;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Joint Committees;
- 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 Joint Committees, or of any entity that is a related party of the Joint Committees.

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 Joint Committees perspective but material from a related party viewpoint then the Joint Committees 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.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in the Joint Committees 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and the Joint Committees • whether the Joint Committees has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>There are no known changes to related parties for 2020/21 at the time of completing this questionnaire. However, the annual exercise of requesting related party returns from members and directors which is completed after the year-end may identify additional related party relationships.</p>
<p>2. What controls does the Joint Committees have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A Related Party Transaction (RPT) return is issued to all members and directors after the year-end. The returns and revenue transaction listings are reviewed to identify RPTs. All officers are required to declare any personal interests that could arouse any suspicion about their honesty, integrity or performance and that could conflict with London Councils values and interests. Members are also required to declare their interest and recuse themselves from participating in discussions or voting on any items in which they have a personal interest.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>London Councils' financial regulations set out the rules that govern financial transactions, including procurement. All staff are required to adhere to the regulations. The regulations include segregation of duty controls that require more than one authorised signatory to be involved in the approval of</p>

	procurement of suppliers and payment of invoices.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Please see response to question 3 above.

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors 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 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.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>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?</p>	<p>The accounting estimates that have a material impact on London Councils financial statements are:</p> <ul style="list-style-type: none"> • Net pension scheme liability • Accounting provisions for obligations in property leases • Depreciation of property, plant and equipment • ESF Grant Debtors
<p>2. How does the Joint Committees risk management process identify and addresses risks relating to accounting estimates?</p>	<p>The Corporate Resources risk register includes the risk of qualification of the financial statements due to a number of reasons including material errors and misstatements. The mitigating controls include the employment of professionally qualified staff, robust review processes, reconciliation controls, regular training on accounting standard updates and accounts closure issues as well as the implementation of audit recommendations.</p>
<p>3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>The methods, assumptions and source data used in calculating accounting estimates are based on the latest available reliable information that are consistent with generally accepted accounting principles. Management also places reliance on the recommendations of specialists in cases such as the valuation of the net pension scheme liability where it adopts the financial and mortality assumptions recommended by the actuary. The information used in calculating estimates is subject to an internal finance review.</p>

Accounting Estimates - General Enquiries of Management

4. How do management review the outcomes of previous accounting estimates?	Accounting estimates are reviewed by comparing them to actual values where relevant. Significant variances are reviewed to identify how estimation techniques can be improved in the future. Changes to financial assumptions and actuarial gains/losses that arise in the pension valuation are also reviewed with explanations sought from the actuary where necessary.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	<p>The pension scheme actuary, Barnett Waddingham, has set out the following changes to the calculation of the net pension liability at 31 March 2021:</p> <ul style="list-style-type: none"> • Inflation expectations: The actuary has allowed for an inflation risk premium for each year beyond 2030 following a review of the market and in particular the alignment of RPI and CPIH from 2030. • Mortality assumption: The future mortality improvements assumption is to be based on the CMI_2020 model with a 2020 weight parameter to prevent the exceptional mortality experienced due to the coronavirus pandemic having a disproportionate impact on results. • Actual pension increases: Actual pension increase experience up to 31 March 2021 will be incorporated into accounting disclosures. • Settlements and curtailments: Following a recent amendment to IAS19, the actuary will assume that all settlements are material and will adopt the approach set out in the revised standard.
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	London Councils employs qualified accountants who use their professional expertise and judgement to calculate majority of the accounting estimates included in the financial statements. An assessment will be made on whether sufficient expertise to calculate the estimate exists within the organisation. External expertise will be procured in those limited instances where specialist skills and knowledge is required that does not exist within the organisation, such as the annual valuation of the pension liability.

Accounting Estimates - General Enquiries of Management

<p>7. How do the Joint Committees determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>All amounts included in the financial statements are subject to a review process. Finance officers responsible for preparing the estimates include in-built checks on spreadsheet models where possible and compare the results with expected outcomes and previous years estimates. Supporting records are retained in shared drives to facilitate the review process. The pension valuation report is reviewed by finance officers with explanations sought for significant movements.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>The calculation of estimates is subject to a review process.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used <p>The resultant accounting estimates included in the financial statements.</p>	<p>London Councils accounting policies and explanation of sources of material estimation uncertainty are included in its financial statements which are reviewed and approved by the Audit Committee.</p>
<p>10. Are management aware of 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)?</p>	<p>No, the material accounting estimates included in London Councils accounts are set out in question 1 of this section.</p>

Accounting Estimates - General Enquiries of Management

11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes, the arrangements detailed in Appendix A are reasonable and are consistent with generally accepted accounting principles.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	The financial statements which include accounting estimates are reviewed by the Director of Corporate Resources prior to the presentation to the Audit Committee and external auditor. There are review mechanisms incorporated in the accounts production process. The Audit Committee receives an annual report prepared by the external auditor on the outcome of its audit of the financial statements.

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 defined benefit net pension fund liabilities	<p>An actuarial valuation method based on the “roll forward” of the results of the full triennial valuation of the pension liabilities carried out at 31 March 2019.</p> <p>The pension scheme assets are measured at fair value at the accounting date. The share of pension scheme assets are also rolled forward from allocations</p>	<p>The net pension liability is obtained from a valuation report prepared by a reputable and experienced firm of actuaries which provides services to approximately 25% of LGPS funds.</p> <p>The valuation report is reviewed by finance officers and compared to information held and knowledge of the factors affecting the valuation. Any significant variances are queried with the actuary.</p>	Yes, the valuation report is prepared by a pension actuary, Barnett Waddingham	<p>The main assumptions used in the calculation of the net pension liability are:</p> <ul style="list-style-type: none"> • discount rate; • inflation rate; • salary increases; • pension increases; & • mortality rates <p>Management acknowledges the material uncertainty that exists within the valuation process and rely on the expertise of the actuary in determining the appropriate value of the assumptions used in calculating the liability.</p>	Minor changes to the method of valuation are listed in the response to question 5 above.

	made at 31 March 2019 with adjustments for investment returns, contributions paid into and benefits paid out of the fund.				
Dilapidation provisions	The provision is based on legal obligations included within property leases. The estimated future dilapidation costs are based on the most historic experience adjusted for inflation and the cost of capital.	<p>Information used in the calculation is obtained from accounting records and other reliable sources.</p> <p>The annual movement in property provisions are reviewed with explanations requested for significant movements.</p>	No, the provisions are calculated by finance officers	<p>The underlying assumptions are:</p> <ul style="list-style-type: none"> • estimated future dilapidation costs; • inflation rate; & • Cost of capital (based on average returns on cash balances held by the City of London) <p>A 10% change in the estimated value of all property provisions will only have a material impact on the limited company accounts but not the committee accounts.</p> <p>The impact of a 10% change in the inflation rate and cost of capital will</p>	No

				not have a material impact on any of London Councils accounts.	
External decorations provisions	(See responses to dilapidation provisions above)				
European Social Fund Grants	The method of calculating the ESF Grant debtor is based on the rules set out in the funding agreement and is based on eligible expenditure incurred.	The amounts included in the calculation are reviewed and agreed to accounting records and other supporting documentation.	No, the grant receivable is calculated by grant/finance officers.	There are no underlying assumptions as the grant receivable is based on the rules set out in the funding agreement.	No
Credit loss and impairment allowances	The bulk of the credit loss impairment allowance (bad debt provision) relates to PCN debts registered at the Traffic Enforcement Centre of	The information provided by the transport and mobility teams is reviewed by finance officers.	No	The recovery rate is the main source of estimation uncertainty and a 10% change in the rate will not have a material impact on any London Councils financial statements.	No

	<p>Northampton County Court (NCC).</p> <p>A 70% bad debt provision is applied to these PCN debts based on a recovery rate of 30%. The recovery rate is monitored by London Councils Transport and Mobility team and forms part of its monthly KPI reporting.</p>				
Depreciation	<p>London Councils depreciation methodology is set out in its accounting policy for property, plant and equipment. Assets are</p>	<p>A review of accounting records to identify capital expenditure. Working papers are also subject to review and compared to approved budgets.</p>	No	<p>The useful economic life is the main source of estimation uncertainty and a one year reduction will not have a material impact on London Councils financial statements.</p>	No

	<p>depreciated on a straight-line basis, starting after the year of acquisition, over their estimated economic useful life as follows:</p> <p><i>Leasehold Improvements:</i> the remaining length of the lease</p> <p><i>Furniture, Fittings and Equipment:</i> 5 years</p> <p><i>Computer Hardware:</i> 3 years</p>				
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