

Audit Committee (In Person)

16 June 2022: 10:30am (Revised Agenda)

Location: London Councils, 59 ½ Southwark Street, London SE1 0AL
Meeting Room 6

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Agenda items

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Exclusion of the Press & Public (Exempt)	
<i>The Chair to move the removal of the press and public since the following items would be exempt from the Access to Information Regulations. Local Government Act 1972 Schedule 12(a) (as amended) Section 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information).</i>	
E1 Exempt Minutes of the Audit Committee Meeting held on 17 March 2022	
E2 External Audit Fee 2021/22	

*** 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 Informal Meeting of the Audit Committee held Virtually on 17 March 2022

Cllr Roger Ramsey was in the Chair.

Members Present:

Cllr Roger Ramsey (LB Havering)
Cllr Muhammed Butt (LB Brent)
Cllr David Gardner (RB Greenwich)
Cllr Stephen Alambritis MBE (LB Merton)
Cllr Robin Brown (LB Richmond)

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.

The Chair informed members that this would be an informal meeting of the Audit Committee and that any decisions taken would be agreed via the London Councils' Urgency Procedure following the meeting.

1. Apologies for Absence

There were no apologies for absence.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Audit Committee meeting held on 16 September 2021

It was noted that Councillor Robin Brown was from the Borough of Richmond and not Merton, as stated on the front of the minutes. This had been amended before the meeting of the Audit Committee had convened.

As this was an informal meeting of the Audit Committee, the minutes of the meeting held on 16 September 2021 were noted by the Committee and would be agreed by London Councils' Urgency Procedure following the meeting.

4. Annual Audit Report 2020/21

The Audit Committee received a report that presented the updated annual audit report to those charged with governance (ISA260) prepared by Grant Thornton, London Councils' external auditor, in respect of the 2020/21 financial year.

David Sanni, Director of Corporate Resource, London Councils, said that this was an updated annual audit report for 2020/21. The Management letter could be found in the Appendix of the report, for Members' information. David Sanni confirmed that this audit report had already been presented to London Councils' Leaders Committee and members of the Grants Committee and the Transport and Environment Committee (TEC).

Ciaran McLaughlin, Director, Grant Thornton UK, introduced the report and informed Members that no significant changes had been made. He confirmed that there had been no additional fees increase for that year (page 17).

The Audit Committee noted the contents of the annual audit report for 2020/21.

5. Financial Accounts 2020/21

The Audit Committee received a report that presented the audited statement of accounts for 2020/21 and compared the results to the pre-audited position reported to the Audit Committee at its virtual meeting held on 16 September 2021.

David Sanni introduced the report that presented the three sets of accounts (Grants, TEC and Consolidated accounts) that had already been presented to the Audit Committee on 16 September 2021. He informed members that the accounts had been adopted by London Councils' Executive Committee on 18 January 2022. All three accounts had also been presented to Leaders' Committee, members of the Grants Committee, members of TEC, borough chief executives and treasurers. David Sanni confirmed that there had been no further changes to the core accounts since September 2021, although there had been some changes to the disclosure notes. The reserves had also remained the same. The Chair said that the report had already been widely circulated and the pensions liability issue would be discussed later in the agenda.

The Audit Committee noted that there were no changes between the pre-audited and audited accounts for 2020/21 for each of London Councils' three committees.

6. External Audit Plan 2021/2022

The Audit Committee received a report that presented the draft external audit plan for 2021/22 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 2021/22.

The Chair said that the proposed fee increase by the external auditors would be discussed in the exempt part of the Audit Committee agenda.

Ciaran McLaughlin, Grant Thornton, introduced the report which detailed the audit plan for year ending 31 March 2022. The report outlined the significant risks, including management override of controls, fraud risk and pension scheme liabilities. Other risks including the compliance of creditors and dilapidation and external decoration provisions for London Councils' buildings were detailed on page 8 of the Grant Thornton report (Appendix A). Accounting estimates and related disclosures were highlighted in page 10 of the report. Ciaran McLaughlin informed Members that the materiality for each of the Joint Committees could be found at page 12 of the report (the value of which was relatively low - £52,000 for London Councils Ltd). The audit would be completed by the end of 2022.

Ciaran McLaughlin said that the proposed audit fee for 2021/22 had now increased to £70,000. He said that the main reason for the increase in the fees was the challenging times, scarce audit resources and the amount of additional work the auditors now had to carry out as a result of revisions to the auditing standards. Ciaran McLaughlin said that he had been inspected and passed by the Financial Reporting Council (FRC) (last year – Grade 1). The FRC reviews are

becoming more frequent and onerous. The increase in fees reflected the additional work that has arisen as result of these changes to the audit environment.

Councillor Gardner asked what the timescale would be for the completion of local authority audits and whether this timescale needed to be tightened. He said that the FRC had been carrying-out audit inspections for many years and asked what had changed to necessitate an increase in fees, over and above what Grant Thornton had originally bid. Ciaran McLaughlin said that the Government had now extended the deadline for the completion of local authority audits to the end of November, although the resources available would mean that the deadline for completing London Councils' audit would be the end of December 2022. Ciaran McLaughlin said that the FRC had been primarily responsible for the inspection of commercial audits. However, the organisation had only been carrying-out public sector audits in recent years. Each year the FRC brought in new items to inspect to cover what local authorities were doing, like climate change. The FRC had been ramping-up the work they expected the auditors to undertake, including infrastructure assets and how local authorities managed these items.

With regards to the proposed increase in audit fees, Councillor Brown asked what new areas were that the external auditors were looking at this year compared to the previous year. He asked whether more hours were going to be spent on this year's audit. Ciaran McLaughlin confirmed that more hours were going to be spent on this year's audit. He said that the main driver for the increase in fees, however, was the quantity of work that had to be carried out. Councillor Brown asked whether the dilapidation of London Councils' buildings was a new area of work. Ciaran McLaughlin said that this work was carried out every year but was more prominent this year.

David Sanni said that London Councils had two properties, one at Chancery Lane (London Tribunals) and the other in Southwark Street (the main office). He said that London Councils had a legal obligation to carry out dilapidation and internal decoration works as set out in the leases of both buildings. Accounting provisions have been built up in the financial accounts to meet these obligations in accordance with accounting standards.

The Audit Committee noted the draft external audit plan for 2021/22 (this would be agreed via the London Councils' Urgency Procedure following this meeting). The issue regarding the increase of the annual audit fee (paragraph 8) would be deferred and discussed further in the exempt part of this Audit Committee agenda.

7. Internal Audit Plan 2022/23

The Committee considered a report that informed Members of the draft internal audit plan for 2022/23, 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 2026/27.

Matt Lock, Head of Audit & risk Management, City of London Corporation, introduced the report which set-out the proposed internal audit plan for the coming year. The report gave a broad timescale for completion of work put forward. Matt Lock said that the audit plan was flexible and open for review. The forward (five-year) plan covered all areas of significant operational risk.

Matt Lock informed Members that the City of London was trying to synchronise the internal audit work carried out on behalf of London Councils with the meetings of this Audit Committee. This would enable the City to provide an up-to-date report on the audit work that had been carried out at each meeting.

The Chair asked whether there were any reviews deferred due to the pandemic. Matt Lock said that the ICT Strategy had been carried forward as a result of the pandemic and was included in the plan for the coming year.

The Audit Committee noted the internal audit plan for 2022/23 and the rolling five-year programme, as proposed by the City of London and detailed in Appendix A of this report. This would be agreed via the London Councils' Urgency Procedure following the meeting.

8. Internal Audit Update

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 2021 meeting. The report provided an overall status update on progress against the 2021/22 Internal Audit Plan and a summary of the findings from the completed reviews of PAN London Mobility Schemes (Green Assurance opinion); ICT Cyber Security (Amber Assurance opinion) and Parking and Traffic Services (Amber Assurance opinion).

Matt Lock introduced the report that presented the final audit position for the current year and highlighted the follow-up work that was undertaken. He said that three audit reviews had been carried out, along with the follow-up exercise on recommendations from previous reviews. There were no issues to flag-up. Matt Lock thanked London Councils' officers for their prompt turnaround. He said that the ICT Cyber Security audit would be discussed in the exempt part of the agenda. There were no issues to raise in Appendix 1 of the report (recommendations for follow-up to 31 March 2022) and satisfactory progress had been made. The Chair said that the progress made had been well documented in the report.

The Audit Committee noted the internal audit update report.

9. London Councils' P&PA Risk Register

The Audit Committee had received a report that presented the current Policy and Public Affairs Risk Register for consideration by the Audit Committee

Christiane Jenkins, Director of Corporate Governance, London Councils, introduced the report. She said that the Divisional Risk Registers were presented to the Audit Committee on a rotational basis for information, and it was now the turn of the Policy and Public Affairs Division (P&PA). Any changes to the P&PA Risk Register were set out in paragraph 2.2 of the report. Christiane Jenkins said that there were no changes to the ratings themselves, and therefore, no "direction of travel" arrows were highlighted in the report. Doug Flight, Strategic Policy Lead, London Councils, said that there was nothing further to add. He said that the Risk Register had tried to take into account any changes due to Covid. More work would be carried out on the Risk Register after the local elections took place.

Councillor Gardner said that it was good that there had been no increase in the risk ratings. He felt though that although the ratings were static now, it would still be useful to include rigour in the reporting by including the direction of travel of the risks. Council Gardner asked whether there might be an increase in risk if a council, after the local elections, decided that it did not want to continue to be part of London Councils. He asked whether this risk was being properly captured. Doug Flight said that there had been a lot of thought on this across the division, and this did come up in other sections of the Risk Register. He said that all new Leaders of councils and portfolio holders would receive an induction/welcome pack to the organisation. The Chair said that the payment of London Councils' residual pension contributions usually deterred boroughs from withdrawing from the organisation

Councillor Alambritis MBE said that the boroughs had a great deal of empathy with the people of the Ukraine because of the Russian invasion of their country. He said that it was essential to ensure that any London Councils' pension investment was clear of any investments in Russia.

Doug Flight said that London Councils' Elected Officers were monitoring the Ukrainian refugee and migration situation very closely. He informed Members that the Chair of London Councils had issued a statement on this. Stephen Boon, Director of Mobility and Transport, London Councils, said that he had received an update from the National Cyber Security Centre who had checked with all our contractors with regards to contracts and Russian investments (recommendations had been implemented). David Sanni said that the pensions were managed by the London Pensions Fund Authority (LPFA) and the issue of asset investments would be raised with them. Christiane Jenkins said that London Pensions CIV was giving an update to London Councils' Leaders Committee next week. She said that there would also be a private meeting after Leaders' Committee for Members to discuss the situation in the Ukraine.

The Audit Committee noted the London Councils' P&PA Risk Register for 2021/22 which could be found at Appendix 2 of the report.

10. Treasury Management Update

The Audit Committee considered a report that provided an update on London Councils' treasury management strategy. London Councils' cash balances are held by the City of London Corporation under the service level agreement for the provision of financial support services. The investment of London Councils' cash balances were 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 said that the City of London Corporation managed London Councils' cash balances as part of a Service Level Agreement London Councils had with them. This report informed the Audit Committee of the treasury management for the coming year. The changes to the previous years treasury management were highlighted in yellow. The cover report also highlighted key areas of the treasury management strategy. David Sanni informed Members that CIPFA had revised its Code of Practice and this would come into effect in the 2023/24 financial year.

David Sanni said that the City continued to manage London Councils' cash balances in a prudent manner. He said that it was a more sensible option for the City to borrow money now while rates were so low. The City expected to use more cash balances this year. The Chair asked whether there were any negative impacts to the City of London Corporation diluting any interest rates. David Sanni said that there was a risk to the level of returns they would attract and pass on to London Councils. He said that officers were monitoring what the potential implications were. The Chair thanked the City of London Corporation for continuing to manage London Councils' cash balances in such a prudent manner.

The Audit Committee:

- Noted the City of London's Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23 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

11. London Councils' Pension Scheme

The Audit Committee received a report that provided a background to London Councils' pension scheme following discussions at the meeting of the Audit Committee on 16 September 2021.

David Sanni said that one of the key features of London Councils' 2020/21 accounts was the significant increase in the IAS19 net pension deficit. Officers had compared this increase to a sample of member boroughs accounts and found that the percentage increase in London Councils deficit was higher than the average increase of the sample reviewed. London Councils had a longer duration of pension liabilities (22 compared to 19 years). Also, there was a lower increase in

the value of pension assets compared to the boroughs which is partly explained by a lower fall in the value of assets in the last three months of the preceding financial year, 2019/20. David Sanni confirmed that the impact of the pandemic had affected investments, although they did not fall as low as the boroughs. The next triennial valuation of the scheme will be carried out on the position at the end of March and will provide a more current estimate of the funding level of the scheme.

Councillor Brown said that this was a helpful paper. He asked whether LPFA had one investment strategy for the whole fund. David Sanni confirmed that this was the case. Councillor Brown asked whether LPFA used the London Pensions Collective Investment Vehicle (CIV) to select asset managers to implement the strategy. David Sanni said that they had a partnership with the Lancashire Pension Fund called the Local Pension Partnership (LPP). Ciaran McLaughlin said that the LPP managed approximately 92% of the LPFA's assets.

Councillor Alambritis MBE said that two Council Leaders were on LPFA board. The Chair said that pensions would be reviewed by London Councils' Leaders Committee at their next meeting on 22 March 2022 and scrutinised again. With regards to actuaries, he said that there were a range of approaches that could be adopted which would have an impact on the size of the deficit. Past scrutiny was a matter of judgement and did not always come out in the same form. Councillor Brown asked what Leaders would be focussing on at the meeting on 22 March 2022. Christiane Jenkins confirmed that the London Pensions CIV would be attending Leaders' Committee to give an annual update. The Chair asked whether feedback on the fund's performance could be sought from Leaders that were on LPFA. Christiane Jenkins said that this could be requested. She said that Councillor Ruth Dombey was on the Board and she would check what the process was and request an update from the London Councils' nominees that sat on the Board.

The Audit Committee:

- Noted that an update from the London Councils' nominees that were on the LPFA Board would be requested; and
- Noted the London Councils' Pension Scheme report.

12. Any Other Business

The Chair informed Members that he would not be seeking re-election at the local elections this May. He said that he had already served as a councillor in the London Borough of Havering for 40 years and was now stepping aside. The Chair said that it had been a great pleasure working with colleagues in the Audit Committee over the past 8 years. Councillor Alambritis MBE said he thanked Councillor Ramsey, on behalf of members, for chairing the London Councils' Audit Committee for the past 8 years. The Chair thanked Members for their kind words.

Christiane Jenkins said that Councillor Ramsey had been very supportive to officers during his chairmanship of the Audit Committee over the past 8 years. She said that it had been a pleasure to work with him and wished him good luck in his retirement. Christiane Jenkins said that Frank Smith (former Director of Corporate Resources), who was unable to attend personally, also thanked Councillor Ramsey for his work over the years. He said that Councillor Ramsey's contribution to London Councils had been significant and thanked him for his approach and collaboration when it came to pre-Audit Committee meetings that he took part in as well. Frank Smith wished Councillor Ramsey all the best for the future and for a very well-deserved retirement. The Chair thanked Audit Committee colleagues for the kind present and for their generous comments and wished them good luck in the future.

The Chair said that the exempt part of the Audit Committee agenda would now be discussed.

The meeting finished at 11:49am

Audit Committee

Role of the Audit Committee

Item no: 04

Report by: Christiane Jenkins
David Sanni

Job title: Director, Corporate Governance
Director, Corporate Resources

Date: 16 June 2022

Contact Officer: David Sanni

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Summary

This report provides an overview of the role of London Councils Audit Committee. It includes the Committee's Terms of Reference, the City of London Internal Audit Charter and the cycle of reports.

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

Background

1. This report provides an overview of the role of the Audit Committee for the benefit of new members that have joined following the recent local government elections in May 2022. The Audit Committee is a sub-committee of the London Councils Leaders' Committee. It consists of five members appointed by the Leaders Committee. The Committee plays a key role in supporting good governance, strong financial management and effective audit arrangements. The Chartered Institute for Public Finance and Accountancy (CIPFA) position statement on Audit Committees sets out their main purpose as follows:

“The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.”

2. The Terms of Reference of the Audit Committee are agreed annually and were presented at the Annual General Meeting of the Leaders' Committee on 7 June 2022. The Terms of Reference for the Committee can be found at Appendix A.

Cycle of Reports

3. The Committee meets three times a year in March, June and September. Most of the reports presented to the Committee are in line with with key points in the financial year as follows:

March

- Internal Audit Plan for the next financial year

- External Audit Plan for the current financial year
- Internal Audit Update Report
- Directorate Risk Registers
- Update on the City of London's Treasury Strategy Statement and Annual Investment Strategy for the next financial year

June

- Review of the Annual Governance Statement
- Internal Audit Update Reports
- Directorate Risk Registers
- Review of responses to questionnaire to inform the Audit Risk Assessment

September

- Audited Accounts
- Annual Audit Report
- Internal Audit Update Report
- Corporate Risk Register

4. The directorate risk registers are reviewed by the Committee on a rolling basis in accordance with the risk management framework. There has been a recent reorganisation of London Councils' directorate structures involving changes to roles and responsibilities. There is an ongoing exercise to restructure the existing directorate registers to match the new configuration of the organisation.
5. The June meeting includes an annual review of the Annual Governance Statement (AGS). The AGS describes the key features of the governance arrangements that were in operation at during the year, the effectiveness of those arrangements and any planned improvements in the coming year.
6. In addition to the papers listed above, the Committee will periodically consider reports on the Risk Management Framework, Business Continuity Plan, the

Policy to Combat Fraud, Bribery and Corruption, the Whistle Blowing Policy and appointment of the external auditor. The Committee will also consider ad hoc reports on governance arrangements.

Internal Audit

7. The internal audit service plays an important role in assessing the effectiveness of the organisation's governance arrangements, including systems of internal control and risk management. London Councils' internal audit service is carried out by the City of London's internal audit team under a service level agreement for financial support services. The internal audit service is lead by the City of London's Head of Internal Audit. The internal audit service proposes an annual plan and five-year rolling programme which is subject to Audit Committee approval.
8. The service's Internal Audit Charter which sets out its role, purpose and responsibilities can be found at Appendix B of the report.
9. The 2022/23 internal audit plan and five-year rolling programme, agreed at the last meeting Committee meeting in March, can be found at Appendix C.

External Audit

10. London Councils external audit service is provided by Grant Thornton LLP. The Committee receives two main reports from the external auditor. The first is an audit plan that sets out the scope and approach for the annual audit and after the planning stage of the audit is completed and presented to the Committee in March. The second is the annual audit report prepared after the audit is completed and sets out the findings from the audit. This report is presented to the Committee along with the audited accounts.
11. London Councils' financial regulations require the audited accounts to be presented to the Audit Committee by the end of September. This is reflected in the cycle of reports above with the accounts being presented at the September meeting. However, the external auditors have been unable to

complete their work within this timescale for the 2019/20 and 2020/21 financial years due to Covid-19 working restrictions and other factors affecting the audit profession.

12. London Councils' governing agreement requires the Director of Corporate Resources to produce annual audited accounts for each of its three committees. There is also a legal obligation to produce audited accounts for its subsidiary company, London Councils Ltd. As joint committees, such as London Councils, are not named bodies under the Local Audit and Accountability Act 2014, it cannot use the Public Sector Audit Appointments (PSAA) scheme to appoint an auditor which is used by most local authorities. London Councils has to procure its auditor.

13. Grant Thornton was appointed as London Councils' external auditor by the Leaders' Committee in June 2019 following a procurement exercise and recommendation from this Committee. The appointment was for a four-year period starting with the audit of the 2019/20 accounts and finishing with 2022/23 accounts. At its last meeting, the Committee was informed of a proposal to end the contract and retender a year early due to a significant increase in the proposed audit fee for 2021/22. A procurement exercise will be undertaken for the external audit service to ensure the contract continues to provide value for money.

Financial Implications for London Councils

None

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Appendices

Appendix A – Audit Committee Terms of Reference
Appendix B – City of London Internal Audit Charter

Appendix C - 2022/23 internal audit plan and five-year rolling programme

Background Papers

Audit Committee working file 2021/22

Audit Committee Terms of Reference

The Audit Committee will:

Audit Activity

1. To consider the Chief Internal Auditor's annual audit opinion and a summary of internal audit activity (actual and proposed) and the level of assurances it can give over London Councils' corporate governance arrangements.
2. To consider specific internal audit reports as requested.
3. To consider reports dealing with the management and performance of the provider of internal audit services.
4. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
5. To consider the external auditor's annual letter, relevant reports, and to report to those charged with governance.
6. To consider specific reports as agreed with the external auditor.
7. To comment on the scope and depth of external audit work and to ensure it gives value for money.
8. To make a recommendation to Leaders' Committee on the appointment, reappointment and removal of the external auditor.
9. To commission work from internal and external audit.

Regulatory Framework

10. To maintain an overview of London Councils' contract procedure rules, financial regulations and codes of conduct and behaviour.
11. To review any issue referred to it by the Chief Executive or the Director of Corporate Resources.
12. To monitor the effective development and operation of risk management and corporate governance in London Councils.

13. To monitor London Councils' anti-fraud and anti-corruption strategy and London Councils' complaints process.
14. To oversee the production of London Councils' Annual Governance Statement and to recommend its adoption.
15. To consider the results of the annual review of London Councils' corporate governance arrangements and agree necessary actions to ensure compliance with best practice.
16. To consider London Councils' compliance with its own and other published standards and controls.

Accounts

17. To approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Leaders' Committee.
18. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Introduction

1. London Councils internal audit function is delivered as part of a wider Service Level Agreement (SLA) between London Councils and the City of London for the provision of a range of finance related services. The internal audit section is led by the City of London's Head of Internal Audit.
2. This Charter sets out the purpose, authority, and responsibility of the City of London's Internal Audit team acting on behalf of London Councils - prepared in accordance with the UK Public Sector Internal Audit Standards (PSIAS) (2017) and the CIPFA Local Government Application Note (LGAN).

Role of Internal Audit

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

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

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

Scope and Purpose

5. The scope of Internal Audit work is unrestricted and is based on Internal Audit's independent assessment of the key risks faced by London Councils and how effectively these risks are being managed.
6. Internal Audit may undertake assurance projects at the request of Audit Committee. In addition, Internal Audit may undertake lessons learned reviews following significant adverse events.
7. Internal Audit validates that management actions arising from audits have sustainably remediated the control weaknesses identified.

8. The Team may also provide advice and guidance to management on governance, risk and control and may engage with London Councils' Corporate and Departmental change projects providing expert independent and objective advice on the design of internal controls. The Head of Internal Audit will ensure that the independence of future Internal Audit assurance work is not compromised through this activity.

Independence and Authority

9. Internal Audit receives its authority from the Audit Committee, this Committee will fulfil the functions of the "board", as defined in the Public Sector Internal Audit Standards.
10. The Internal Audit function has unrestricted access to all London Councils' records and information, both manual and computerised, cash, stores and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter London Councils property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by London Councils should be set out in the conditions of funding.
11. The Head of Internal Audit meets with the Director of Corporate Resources, the Director of Corporate Governance and the Chief Accountant ("senior management" as defined in the PSIAS) in relation to planned and completed Audit work, it is through this that the Head of Internal Audit may raise matters of concern with senior management.
12. In addition to reporting formally to Members at Audit Committee meetings, the Head of Internal Audit has access to all Members of London Councils Committees in the reporting and discussion of Internal Audit work.
13. All Internal Audit staff are responsible for being independent, objective, and constructive in the conduct of their work and avoiding conflicts of interest and personal, business or other issues that may impair impartiality.

Head of Internal Audit Responsibilities

14. The Head of Internal Audit fulfils the role of the Chief Audit Executive (as required by the PSIAS) and is required to provide an annual opinion on the adequacy and effectiveness of the system of internal control for the whole organisation and not limited to financial controls. In order to achieve this, the Internal Audit function has the following objectives:
 - Developing and delivering a programme of audit work that focuses on the key risks to London Councils, providing assurance that significant risks to the Corporation's objectives are being managed and reporting progress on delivery of this plan to Audit Management Committee
 - Attending and presenting reports at the relevant Audit Committees and to senior management as appropriate. This includes reporting significant findings and their root causes and providing opinions on the effectiveness of the governance, risk management and control environment within systems reviewed

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- Provide assurance to management that London Councils' operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
 - Provide advice and support to management to enable an effective control environment to be maintained
 - Investigate concerns of irregularity
 - Accessing additional expertise and resource through the use of third parties e.g. professional services firms. In appointing third parties the Head of Audit considers the following factors: competence, independence and objectivity.

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

Standards of Audit Practice

16. The Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 and most recently revised in 2017 are **mandatory** for London Councils, the service is designed and operates within these.
17. This is also in accordance with the IPPF, which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.
18. Internal Audit officers are required to follow the CIIA's Code of Ethics which is a statement of principles and expectations governing behaviour required in the conduct of internal auditing.
19. In addition, Internal Audit officers must comply with Internal Audit's policies and procedures and those of the City Corporation together with any other relevant professional bodies' standards of conduct. Auditors must possess the knowledge, skills and disciplines necessary to discharge their responsibilities.

26 May 2022

London Councils - Proposed Internal Audit Plan for 2022/23
Last updated: 23/11/21

AUDIT	Date of last audit	2022/23 no. of days	Key contact(s) LC
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Full Assurance Reviews			
FINANCIAL MANAGEMENT (INCL. BUDGET SETTING, BUDGET MONITORING & INCOME CONTROLS)- An examination of the financial management framework to determine whether it effectively supports relevant and timely financial planning, and allocation of resources and income controls: Budget Management: budget setting, monitoring and performance reporting. Income: setting charges, billing, collection and reconciliation of income and debt management	2019-20	10	David Sanni, Acting Director of Corporate Resources and Richard Merrington, Acting Chief Accountant.
PROCUREMENT OF GOODS AND SERVICES - To examine the adequacy of controls in operation in relation to procurement of goods and services, including the use of procurement cards. Adequacy of controls for raising and authorising orders, compliance with financial and procurement policies, value for money and recording of assets.	2019-20	15	David Sanni, Acting Director of Corporate Resources and Richard Merrington, Acting Chief Accountant.
INFORMATION GOVERNANCE AND DATA SECURITY - To determine the transparency and effectiveness of the information governance framework and channels used to manage information, including compliance with GDPR requirements.	2018-19	10	Christiane Jenkins, Director of Corporate Governance, Reuben Segal, Head of Governance, David Sanni, Acting Director of Corporate Resources and Roy Stanley Information communications technology and facilities manager
ICT STRATEGY - To assess the adequacy of the ICT strategy including alignment to LC business goals, planning processes, resources, monitoring and reporting, risk management and supporting policies.	2016-17	10	David Sanni, Acting Director of Corporate Resources and Roy Stanley Information communications technology and facilities manager
DECLARATIONS OF INTERESTS, RELATED PARTY TRANSACTIONS AND GIFT AND HOSPITALITY - To examine the adequacy of controls in place for obtaining, recording and reviewing Members and officers' interests and gift and hospitality register.	N/A	5	Christiane Jenkins, Director of Corporate Governance
FOLLOW UP Annual exercise to determine progress in implementing internal audit recommendations.	2021-22	5	Various - David Sanni to co-ordinate

TOTAL NUMBER OF COL INTERNAL AUDIT DAYS	55	<i>Note - not all these days are on site, this includes planning, report writing and QA reviews.</i>
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Qtr 1 Apr-Jun 2022	Qtr 2 Jul-Sep 2022	Qtr 3 Oct- Dec 2022	Qtr 4 Jan-Mar 2023
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Q1			
			Q4
			Q4
	Q2		
Q1			

London Councils Base Plan

AUDIT	DATE OF LAST AUDIT	YEAR 2 2022-23	YEAR 3 2023-24	YEAR 4 2024-25	YEAR 5 2025-26	YEAR 1 2026-27	COVERAGE IN FIVE YEARS
<u>London Councils</u>							
<u>Full Assurance Reviews</u>							
PAN LONDON MOBILITY SCHEMES	2021-22	0	0	15	0	0	15
FINANCIAL MANAGEMENT (INCL. BUDGET SETTING, BUDGET MONITORING & INCOME CONTROLS)	2019-20	10	0	0	0	10	20
GRANTS (INCLUDING PROBITY CHECKS)	2020-21	0	15	0	15	0	30
PARKING & TRAFFIC CONTRACTS	2021-22	0	0	15	0	15	30
PROCUREMENT OF GOODS AND SERVICES	2019-20	15	0	0	15	0	30
DISASTER RECOVERY AND BUSINESS CONTINUITY ARRANGEMENTS	2019-20	0	10	0	0	0	10
RECRUITMENT & PAYROLL ADJUSTMENTS	2021-22	0	0	0	0	5	5
RISK MANAGEMENT	2020-21	0	10	0	10	0	20
PENSION SCHEME ADMINISTRATION	2019-20	0	5	0	0	0	5
DECLARATIONS OF INTERESTS, RELATED PARTY TRANSACTIONS AND GIFT AND HOSPITALITY	N/A	5	0	0	0	0	5
<u>Full Assurance Reviews ICT Reviews</u>							
INFORMATION GOVERNANCE AND DATA SECURITY	2018-19	10	0	0	0	0	10
ICT REMOTE ACCESS AND MOBILE DEVICES	2018-19	0	10	0	0	0	10
ICT CYBER SECURITY	2021-22	0	0	10	0	10	20
ICT STRATEGY 2020-2023	2016-17	10	0	10	0	0	20
CONTINGENCY		0	0	0	0	0	0
FOLLOW-UP EXERCISE	2019-20	5	5	5	5	5	25
TOTAL		55	55	55	45	45	255

Audit Committee

Review of the Annual Governance Statement

Item no: 05

Report by: David Sanni

Job title: Chief Accountant

Date: 16 June 2022

Contact Officer: David Sanni

Telephone: 020 7934 9704

Email: david.sanni@londoncouncils.gov.uk

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 2021/22.

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 approve the recommended changes to the AGS for 2020/21, as detailed in Appendix A, to produce the AGS for 2021/22 for inclusion in London Councils' accounts for 2021/22, as detailed in Appendix C.
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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 2021/22 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 2020/21 was presented at the Audit Committee meeting on 17 June 2021.
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 2021/22.
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.
5. Appendix A to this report details the AGS that was contained in the audited accounts for 2020/21 with recommended changes shown in red using the tracked changes function on MS word.

Introduction (paragraph 1 - 7)

1. There are recommended changes to this section to include information about the Shared Ambitions for London Councils agreed by Group Leaders in October 2021. There are also recommended changes to the narrative on the role played by London Councils in supporting its member boroughs during the Covid-19 pandemic and the impact the pandemic had on London Councils governance arrangements.

Scope of Responsibility (paragraphs 8 to 10)

2. It is recommended that the wording of this section as contained within the existing AGS should remain the same; with the exception of the removal of the words in brackets, "*the Committee*" which is now included in the first line of the introduction section.

The Purpose of the Governance Framework (paragraphs 11 to 13)

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 2021 to 31 March 2022.

The Governance Framework (paragraph 14 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, terms of references and corporate risk register.
5. There are recommended changes to reflect:
 - the Shared Ambitions agreed with the Group Leaders;
 - that a traditional annual review will not be produced for 2021/22 but a summary of key achievement for the year will be included in the Narrative Statement of the financial statements;
 - the change of name of London Councils' senior officer management team to the Corporate Management Team (CMT);
 - the Pandemic Steering Committee and Fire and Safety Group have been stood down;
 - that London Councils has established and is in the process of embedding a set of core values;
 - the recent reorganisation of London Councils that removed the previous directorates; and
 - changes to the members only area of London Councils' website.

Review of Effectiveness (paragraph 15 with 3 bullet points)

6. There are recommended changes to this section to reflect the change of name of the senior officer management team and the financial year under review.

Areas for Development (paragraph 16)

7. There is a recommended change to update the reference to the next financial year from 2021/22 to 2022/23.

Areas for Development – Pan London Mobility Schemes (paragraph 17 and 18)

8. There are recommended changes to this section to reflect that outcome of the internal audit review carried out in 2021/22.

Areas for Development – Procurement of Goods and Services (paragraph 19 and 20)

9. It is recommended that this section is removed as the outstanding audit recommendation has been implemented.

Areas for Development – Reviews undertaken during 2021/22

10. The City of London's internal audit team completed three reviews during 2021/22 namely:

- Recruitment and Payroll Adjustments;
- Pan London Mobility Schemes;
- Parking and Traffic Contracts; and
- ICT Cyber Security.

11. Following the review of the internal audit work carried out over the past year it is recommended that two additional areas for development in relation to Parking and Traffic Services and Cyber Security are included in the AGS.
12. The opinion of the Head of Internal Audit on the adequacy and effectiveness of London Councils' control, governance and risk management processes during 2021/22 is detailed at Appendix B.

Areas for Development (paragraph 21)

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

Significant Governance Issues (paragraph 22)

14. It is recommended that the wording of this paragraph as contained within the existing AGS remains the same.
15. Grant Thornton will comment on the robustness of the AGS when they undertake the external audit of the 2021/22 accounts during October and reference will be made to this in the annual report that will be issued to members on completion of the audit report. 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 2021/22

16. The recommended changes to the AGS for 2020/21, as detailed in this report at Appendix A, have been incorporated into the draft AGS for 2021/22, which, if approved by the Committee, will be incorporated into London Councils' accounts for 2021/22. The draft AGS for 2021/22 is detailed at Appendix C.

Financial Implications

None

Legal Implications

None

Equalities Implications

None

Appendices

Appendix A – Recommended Changes to AGS for 2020/21 with tracked changes
Appendix B – 2021/22 Annual Internal Audit Report and Head of Internal Audit Annual Opinion
Appendix C – Draft AGS for 2021/22

Background papers

Final Accounts working files for 2021/22
Internal Audit working files for 2021/22

ANNUAL GOVERNANCE STATEMENT

Introduction

Shared Ambition for London Councils

Over the summer of 2021, the Group Leaders of London Councils¹ (the Committee) reflected on their ambitions for London and Londoners. This reflection came after a period of intense and productive collaboration across London through the pandemic: a collaboration based on shared values which they want to continue into the recovery and beyond. In October 2021, the Group Leaders and Corporate Management Team developed four core areas of the Shared Ambitions for London Councils to transform it into an organisation that:

- provides political leadership based on shared values;
- is a trusted partner for central government, the GLA, other cities, business and the voluntary and community sector (VCS);
- focusses on pan-London efforts where they add real value; and
- champions innovation and leading practice and promotes collaboration and coalitions of the willing.

London Councils aims to make the best use of available resources by focusing on those key policy areas that are most important to its member boroughs. In order to achieve the Shared Ambitions, London Councils has to become:

- Strategic and influential;
- Bold and responsive; and
- Modern and digital.

A roadmap for delivering the Shared Ambitions will be completed during 2022/23. London Councils has also established a set of core values which will be promoted and embedded throughout the organisation.

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.~~

¹ For the purpose of this statement, the terms "London Councils" and "the Committee" refer to London Councils Leaders Committee and its associated committees, London Councils Transport and Environment Committee and London Councils Grants Committee.

London Councils has continued to support its member authorities in the critical role they played in the response and recovery from the Covid-19 Pandemic. ~~A detailed description of the support provided by London Councils is set out in the Narrative Statement on page 1 to 37 of the statement of accounts.~~ The assistance provided to member boroughs included:

- supporting political leadership and engagement through regular meetings of borough Leaders, the London local authority co-ordinating chief executive and other senior advisers and partners, including the Minister for London and the Director of Public Health for London;
- supporting the coordination of borough communications efforts throughout the pandemic enabling boroughs to communicate in a clear and co-ordinated way;
- London Councils' Chief Executive has been a point of co-ordination with boroughs; the group of nine regional chief executives who work with MHCLG officials; and wider resilience structures;
- supporting boroughs in the preparation of assessments of the financial implications of managing the pandemic, and to analyse and understand the overall impact for London; and
- continuing to carry out policy work and harness London local government's collective capacity in areas such as business, the economy, community safety, housing, transport and environmental matters.

London Councils Group Leaders ~~have~~ played an important role in a number of sub-regional and pan-London co-ordination arrangements that ~~have been~~ were established to provide additional support and broker mutual aid and learning across the Capital. These arrangements included London Councils' Pandemic Steering Committee, the London Transition Board and the London Recovery Board.

The restrictions introduced to reduce the spread of the pandemic meant that in person meetings could no longer be held. Virtual meetings were established following the introduction of temporary, emergency, measures (the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020) which enabled formal decision-making meetings to be held virtually until 6 May 2021. The ability to operate in this manner, with live streaming of public meetings, ensured that decisions continued to be taken in a transparent manner and improved member attendance. Following the expiry of the emergency legislation and given that social distancing restrictions are still in operation, London Councils' Pandemic Steering Committee agreed that the committee meeting schedule should continue virtually with those decisions required to be ratified being agreed through London Councils' urgency procedures. There is a planned return to in person meetings following the end to the Covid-19 related restrictions. London Councils has invested in hybrid meeting equipment to ensure that meetings remain accessible to members unable to attend in person.

London Councils corporate and ~~directorate team~~ risk registers were reviewed and updated where relevant to incorporate the impact of the Covid-19 pandemic. The risk registers were reviewed during the year in accordance with London Councils' risk management framework.

The impact of the pandemic affected the delivery of the 2020/21 internal audit plan with two reviews deferred to 2021/22. ~~The approach of internal audit reviews that were undertaken during the year were revised to take into account changes to procedures introduced in response to the pandemic.~~

London Councils' business continuity arrangements operated effectively during the lockdown period. The IT transformation programme which began in December 2018 and involved the roll-out of laptops to all staff and migration to cloud based data and business services facilitated effective remote working. In June 2020, a new cloud-based VoIP telephony system was introduced that allows staff to stay connected while working away from the office and enhances business continuity arrangements. A review of the Business Continuity Plan ~~will be~~was carried out during 2021/22 ~~in order to~~and incorporated d operational experiences learned during the lockdown.

The Covid-19 pandemic has continued to have an impact on London Councils' services during the 2021/22 financial year. While income from enforcement activities and replacement of Freedom Passes has returned to pre-pandemic levels, income from tenant licences and meeting room hire has not fully recovered. London Councils implemented measures to make sure that staff remain safe during the pandemic 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 were undertaken at both London Councils sites to ensure staff work in a safe environment. Contractors were asked to put in place contingency measures to maintain services during the 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 ~~2021~~ 2022 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/Roadmap which sets out its proposed purpose, themes, work programmes and services. In 2021, the Group Leaders and Corporate Management Team agreed Shared Ambitions for London Councils and Londoners. These Shared Ambitions will inform the development of the annual business plan/roadmap for 2022/23 that will be presented for member approval before being shared more widely with all relevant stakeholders. 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. A summary of the -which feeds into the production of the Annual Review that highlights key achievements is included in the Narrative Statement of the financial statements. London Councils Corporate Management Board Team (CMBCMT), 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 13 October 2020 8 June 2021. 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 appointed ~~eds~~ members to four ~~other~~ sub-committees/forums during 2021/22 which are the Pandemic Steering Committee, Audit Committee, Young People's Education and Skills Board (YPES) and Fire Safety Members Group. The Pandemic Steering Committee and Fire and Safety Group have since been stood down. 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. London Councils has established a set of core values which will be promoted and embedded throughout the organisation.
- **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 ~~13 October 2020~~ June 2021. The financial regulations were also reviewed and the changes approved by the Leaders Committee on 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-risk Registers registers for each of London Councils three Directorates of individual teams. 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 ~~2020~~ 2021. The individual Directorate Rteam risk Registers-registers are reviewed by the Audit Committee on a rolling basis. London Councils' Corporate Management ~~Board-Team~~ ensures that the risk registers, both Directorate-individual teams and Corporate Risk Register, 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.
- **Financial management arrangements** – London Councils' financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- **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 committee². 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. 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 ~~13 October 2020~~ 08 June 2021. 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.

² *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*

- **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. 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 members with a useful source of information, regular briefings in on~~ specific policy areas ~~and a forum for information exchange.~~
- **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 which include a summary of key achievements over the last year within its Narrative Statement. 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.
- **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.
- **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 Team 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 Team 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 2020/21-2021/22.
- London Councils Corporate Management Board Team 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 2021/22-2022/23

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2021/22-2022/23:

Pan London Mobility Schemes

An internal audit review on the Pan London Mobility Schemes was completed in 2018/19-2021/22. The review assessed the effectiveness of controls in operation over the contract management of the Freedom Pass and Taxicard schemes. The review concluded that there ~~was an~~were adequate ~~control framework~~contract management arrangements in place and effective controls to ensure that only eligible users have access to the mobility schemes. There were adequate record keeping arrangements and well-established quality controls to facilitate efficient service provision and swift resolution of problems identified. 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 tThe Taxicard Customer Management System (CMS) is being further developed to facilitate online applications for Taxicards and improve ~~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. This work will be completed in 2022/23.~~

~~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.~~

Parking and Traffic Services

~~An internal audit review of Parking and Traffic Services was completed in 2021/22. The objectives of this review were to provide assurance that adequate arrangements were in place to:~~

- ~~• manage delivery of internally delivered Parking and Traffic services;~~
- ~~• manage the performance of external contractors;~~
- ~~• ensure that key external contracts are procured in line with the relevant procurement regulations; and~~
- ~~• ensure effective financial monitoring against allocated service budgets.~~

~~The review found that there were adequate control arrangements in place but recommended improvements on service performance measurements and compliance with procurement regulations. These recommendations will be implemented in 2022/23.~~

Cyber Security

An internal audit review of Cyber Security was completed in 2021/22. The objectives of this review were to obtain assurance on the arrangements for:

- Governance for cyber security: including strategy, responsibilities and guidance.
- Culture, awareness and user education: of cyber security for operating securely.
- Secure configuration: of devices used to connect to the LC network.
- Network security: measures in operation to protect against network access by unauthorised or malicious parties.
- Identity and access management: application of user credentials and authentication for access to the network or applications.
- Malware prevention: continuous malware detection and management.
- Incident management: incidents are identified, addressed and reported.
- Data loss prevention: mechanisms in place to protect data.

The majority of recommendations made in the report have already been implemented. The remaining recommendations will be implemented in 2022/23.

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
October 2022
Chief Executive

22 November 2021xx

Cllr Georgia Gould
October 2022
Chair of London Councils

22 November 2021xx

London Councils – AUDIT COMMITTEE

2021/22 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 2021/22. 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 2021-22

Work on the 2021/22 Internal Audit Plan was completed before 31st March 2022, with final reports issued as follows:

Planned Audits	Days	Assurance Rating	Recommendations Made
Recruitment and Payroll Adjustments	7	Green	1 green priority
Pan London Mobility Schemes	15	Green	1 green priority
Parking and Traffic Contracts	15	Amber	4 amber and 2 green priority
ICT Cyber Security	10	Amber	1 red, 5 amber and 1 green priority

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 12 recommendations due by the 31st March 2022 and confirmed that 7 were fully implemented, 2 partially implemented, 3 recommendations had not been implemented by the agreed date - revised dates have been provided by management.

There was a continued impact of COVID-19 pandemic and London Councils' operational response in relation to Audit Plan delivery. A review of the ICT Strategy 2020-23 originally planned for 2020/21, carried forward to 2021/22 and subsequently re-planned for 2022/23 – albeit with an updated scope. The 2021/22 plan was reduced accordingly to reflect this, this amendment to planned activity is 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 four Internal Audit reviews were completed and 12 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 May 2022 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 2022

ANNUAL GOVERNANCE STATEMENT

Introduction

Shared Ambition for London Councils

Over the summer of 2021, the Group Leaders of London Councils¹ (the Committee) reflected on their ambitions for London and Londoners. This reflection came after a period of intense and productive collaboration across London through the pandemic: a collaboration based on shared values which they want to continue into the recovery and beyond. In October 2021, the Group Leaders and Corporate Management Team developed four core areas of the Shared Ambitions for London Councils to transform it into an organisation that:

- provides political leadership based on shared values;
- is a trusted partner for central government, the GLA, other cities, business and the voluntary and community sector (VCS);
- focusses on pan-London efforts where they add real value; and
- champions innovation and leading practice and promotes collaboration and coalitions of the willing.

London Councils aims to make the best use of available resources by focusing on those key policy areas that are most important to its member boroughs. In order to achieve the Shared Ambitions, London Councils has to become:

- Strategic and influential;
- Bold and responsive; and
- Modern and digital.

A roadmap for delivering the Shared Ambitions will be completed during 2022/23. London Councils has also established a set of core values which will be promoted and embedded throughout the organisation.

Covid-19

London Councils has continued to support its member authorities in the critical role they played in the response and recovery from the Covid-19 Pandemic. The assistance provided to member boroughs included:

- supporting political leadership and engagement through regular meetings of borough Leaders, the London local authority co-ordinating chief executive and other senior advisers and partners, including the Minister for London and the Director of Public Health for London;
- supporting the coordination of borough communications efforts throughout the pandemic enabling boroughs to communicate in a clear and co-ordinated way;
- London Councils' Chief Executive has been a point of co-ordination with boroughs; the group of nine regional chief executives who work with MHCLG officials; and wider resilience structures;

¹ For the purpose of this statement, the terms "London Councils" and "the Committee" refer to London Councils Leaders Committee and its associated committees, London Councils Transport and Environment Committee and London Councils Grants Committee.

- supporting boroughs in the preparation of assessments of the financial implications of managing the pandemic, and to analyse and understand the overall impact for London; and
- continuing to carry out policy work and harness London local government's collective capacity in areas such as business, the economy, community safety, housing, transport and environmental matters.

London Councils Group Leaders played an important role in a number of sub-regional and pan-London co-ordination arrangements that were established to provide additional support and broker mutual aid and learning across the Capital. These arrangements included London Councils' Pandemic Steering Committee, the London Transition Board and the London Recovery Board.

The restrictions introduced to reduce the spread of the pandemic meant that in person meetings could no longer be held. Virtual meetings were established following the introduction of temporary, emergency, measures (the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020) which enabled formal decision-making meetings to be held virtually until 6 May 2021. The ability to operate in this manner, with live streaming of public meetings, ensured that decisions continued to be taken in a transparent manner and improved member attendance. Following the expiry of the emergency legislation and given that social distancing restrictions are still in operation, London Councils' Pandemic Steering Committee agreed that the committee meeting schedule should continue virtually with those decisions required to be ratified being agreed through London Councils' urgency procedures. There is a planned return to in person meetings following the end to the Covid-19 related restrictions. London Councils has invested in hybrid meeting equipment to ensure that meetings remain accessible to members unable to attend in person.

London Councils corporate and team risk registers were reviewed and updated where relevant to incorporate the impact of the Covid-19 pandemic. The risk registers were reviewed during the year in accordance with London Councils' risk management framework. The impact of the pandemic affected the delivery of the 2020/21 internal audit plan with two reviews deferred to 2021/22.

London Councils' business continuity arrangements operated effectively during the lockdown period. The IT transformation programme which began in December 2018 and involved the roll-out of laptops to all staff and migration to cloud based data and business services facilitated effective remote working. In June 2020, a new cloud-based VoIP telephony system was introduced that allows staff to stay connected while working away from the office and enhances business continuity arrangements. A review of the Business Continuity Plan was carried out during 2021/22 and incorporated operational experiences learned during the lockdown.

The Covid-19 pandemic has continued to have an impact on London Councils' services during the 2021/22 financial year. While income from enforcement activities and replacement of Freedom Passes has returned to pre-pandemic levels, income from tenant licences and meeting room hire has not fully recovered. London Councils implemented measures to make sure that staff remain safe during the pandemic 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 were undertaken at both London Councils sites to ensure staff work in a safe environment. Contractors were asked to put in place contingency measures to maintain services during the period.

Scope of responsibility

London Councils 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 2022 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/Roadmap which sets out its proposed purpose, themes, work programmes and services. In 2021, the Group Leaders and Corporate Management Team agreed Shared Ambitions for London Councils and Londoners. These Shared Ambitions will inform the development of the annual business plan/roadmap for 2022/23 that will be presented for member approval before being shared more widely with all relevant stakeholders. 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. A summary of the key achievements is included in the Narrative Statement of the financial statements. London Councils Corporate Management Team (CMT), 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 8 June 2021. 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 appointed members to four other sub-committees/forums during 2021/22 which are the Pandemic Steering Committee, Audit Committee, Young People's Education and Skills Board (YPES) and Fire Safety Members Group. The Pandemic Steering Committee and Fire and Safety Group have since been stood down. 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. London Councils has established a set of core values which will be promoted and embedded throughout the organisation.
- **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 8 June 2021. The financial regulations were also reviewed and the changes approved by the Leaders Committee on 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 of individual teams. 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 2021. The individual team risk registers are reviewed by the Audit Committee on a rolling basis. London Councils' Corporate Management Team ensures that the risk registers, both individual teams and Corporate Risk Register, 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.
- **Financial management arrangements** – London Councils' financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- **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 committee². 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 her duties within the organisation. The Chief Executive is subject to appraisal arrangements with Group Leaders who assess her performance against agreed objectives.

² *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*

- **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 8 June 2021. 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. 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. London Councils' website provides members with a useful source of information on specific policy areas.
- **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 annual statutory financial statements which include a summary of key achievements over the last year within its Narrative Statement. 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.

- **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.
- **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 Team 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 Team 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 2021/22.
- London Councils Corporate Management Team 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 2022/23

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2022/23:

Pan London Mobility Schemes

An internal audit review on the Pan London Mobility Schemes was completed in 2021/22. The review assessed the effectiveness of controls in operation over the contract management of the Freedom Pass and Taxicard schemes. The review concluded that there were adequate contract management arrangements in place and effective controls to ensure that only eligible users have access to the mobility schemes. There were adequate record keeping arrangements and well-established quality controls to facilitate efficient service provision and swift resolution of problems identified. The Taxicard Customer Management System (CMS) is being further developed to facilitate online applications for Taxicards and improve the production of performance management information on application processing times. This work will be completed in 2022/23.

Parking and Traffic Services

An internal audit review of Parking and Traffic Services was completed in 2021/22. The objectives of this review were to provide assurance that adequate arrangements were in place to:

- manage delivery of internally delivered Parking and Traffic services;
- manage the performance of external contractors;
- ensure that key external contracts are procured in line with the relevant procurement regulations; and
- ensure effective financial monitoring against allocated service budgets.

The review found that there were adequate control arrangements in place but recommended improvements on service performance measurements and compliance with procurement regulations. These recommendations will be implemented in 2022/23.

Cyber Security

An internal audit review of Cyber Security was completed in 2021/22. The objectives of this review were to obtain assurance on the arrangements for:

- Governance for cyber security: including strategy, responsibilities and guidance.
- Culture, awareness and user education: of cyber security for operating securely.
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- Network security: measures in operation to protect against network access by unauthorised or malicious parties.
- Identity and access management: application of user credentials and authentication for access to the network or applications.
- Malware prevention: continuous malware detection and management.
- Incident management: incidents are identified, addressed and reported.
- Data loss prevention: mechanisms in place to protect data.

The majority of recommendations made in the report have already been implemented. The remaining recommendations will be implemented in 2022/23.

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

xx October 2022

Cllr Georgia Gould
Chair of London Councils

xx October 2022

Audit Committee

Internal Audit Update

Item no: 06

Report by: Matt Lock

Job title: Head of Audit & Risk Management
(City of London Corporation)

Date: 16 June 2022

Contact Officer: Martha Franco Murillo, Senior Auditor (City of London Corporation)
Email: Martha.Franco-Murillo@cityoflondon.gov.uk

Matt Lock, Head of Audit & Risk Management (City of London Corporation)

Email: matt.lock@cityoflondon.gov.uk

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 2022 meeting.

The report provides an overall status update on progress against the 2022/23 Internal Audit Plan, work against which is underway with one assignment completed to Draft Report stage.

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

Background

Internal Audit Plan 2022/23

1. At its meeting on 17 March 2022 the Audit Committee approved the Internal Audit Plan for 2022/23 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.

The table below summarises the overall status of the plan:

Planned Audits	Days	Status
Declarations of Interests and Gifts and Hospitality	5	Draft report issued – overview of findings to be presented to the subsequent meeting of this Committee
Financial Management (including budget setting, budget monitoring and income control)	10	Planned for quarter 1
ICT Strategy	10	Planned for quarter 2
Procurement of Goods and Services	15	Planned for quarter 3
Information Governance and Data Security	10	Planned for quarter 4
Follow Up of Audit Recommendations	5	Planned for quarter 4

Conclusion

2. Work on the 2022/23 Internal Audit Plan is in progress, with one audit review at draft report stage and one audit initiated, in accordance with the timescales agreed with Senior Leadership. 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

Audit Committee

London Councils' Pension Scheme

Item no: 07

Report by: David Sanni

Job title: Director, Corporate Resources

Date: 16 June 2022

Contact Officer: David Sanni

Telephone: 020 7934 9704

Email: david.sanni@londoncouncils.gov.uk

Summary

This report informs the Audit Committee of the London Pension Fund Authority's (LPFA) response to concerns on its investment performance during the 2020/21 financial year.

Recommendations

The Audit Committee is asked to note and comment on the response from the LPFA that can be found at Appendix B.

Background

1. At its meeting on 17 March 2022, the Audit Committee received a report that provided an overview of London Councils' pension scheme. It also included the outcome of officers' review of the reason for the significant increase in the value of the IAS19 net pension liability included in the 2020/21 financial accounts. The net liability had increased by £18 million from £24 million to £42 million during 2021/22. The percentage increase of 75% was higher than that of other local authority bodies.
2. The increase can be analysed further into an increase in the defined benefit obligation of £27 million from £78 million to £105 million offset by an increase in the value of pension assets of £9 million from £54 million to £63 million. A comparison to a sample of member boroughs schemes revealed two main reasons for the higher percentage increase. The first was London Councils had a longer average duration of pension liabilities compared to the sample of boroughs. This is primarily due to the age profile of employees, pensioners and deferred pensioners. The second reason was a lower increase in the value of pension assets over the financial year.
3. The value of pension assets had increased by 16% which was lower than the average increase of 23% across the sample of boroughs reviewed. The lower increase in the value of assets is partly explained by a lower decrease in the preceding year in comparison to the boroughs. The LPFA's pension assets decreased by 5% during 2019/20 which was lower than the average decrease of 8% across the sample of boroughs.
4. The lower increase in asset values over the 2020/21 financial year was reflected in the LPFA's annual report which states that its fund delivered a 16.6% investment return which was below its policy portfolio benchmark of 25.2%. The LPFA also states in its annual report that the objective of the fund is to outperform the actuarial discount rate (which is UK CPI + 2.7%) and the fund's primary investment objective is to ensure, that over the long term, it will have sufficient assets to meet all pension liabilities as they fall due.

5. The Committee discussed the LPFA's investment performance and asked officers to seek feedback from London Councils' nominees that sit on the LPFA board. A letter was sent to Councillor Ruth Dombey, the Leader of the London Borough of Sutton, who sits on the LPFA board and is the group leader of the Liberal Democrats at London Councils. The letter set out the Committee's concerns on the fund's investment performance. Councillor Dombey received the letter with interest and discussed the Committee's concerns with the Chair and Chief Executive Officer of the LPFA and asked them to provide a timely response.
6. Robert Branagh, the Chief Executive Officer of LPFA, provided a response on the investment performance for 2020/21 stating that its Investment Committee had explored the reasons for not achieving its portfolio benchmark and that the LPFA was satisfied that it was a consequence of the Local Pensions Partnership Investments Ltd's (LPPI) investment approach of which they support. He also states that the investment approach has provided impressive returns of long-term horizons.
7. Copies of the letter sent to Councillor Dombey and the response from Robert Branagh can be found at Appendix A and B respectively.
8. The Committee is asked to note and comment on the response from the LPFA.

IAS19 Net Pension Scheme Valuation at 31 March 2022

9. The IAS19 valuation report on London Councils pension scheme prepared by the LPFA's actuary, Barnett Waddingham, was received last month. It showed that the net pension deficit had decreased by £11.3 million from £42.5 million to £31.2 million, a reduction of 27%. The defined benefit obligation has decreased by £2.3 million from £105 million to £102.8 million and the value of scheme assets increased by £9 million from £62.6 million to £71.6 million.
10. The key financial assumptions required for determining the defined benefit pension obligation under IAS19 are the discount rate, linked to corporate bond

yields, and the rate of future inflation. There has been an increase in the discount rate which reduces the value of the pension obligation offset by an increase in the rate of inflation which increases the value of the obligation. The net effect of these changes to the financial assumptions contributes to the overall decrease in the defined benefit obligation of £2.3 million. The return on pension scheme assets during the period was higher than the discount rate assumed at 31 March 2021 which contributed to an increase in asset values of £9 million.

11. The fluctuation in recent valuation results reflect a volatile financial environment. The valuation results will be examined by the external auditor as part of its work on the 2021/22 accounts. London Councils officers will carry out a comparison to other local government bodies once when this information becomes more widely available. As highlighted at the last meeting, the triennial valuation of the scheme based on the position at March 2022 will be completed later this year. This valuation will provide more realistic assessment of the funding level of the pension scheme.

Financial Implications for London Councils

Included in the body of the report

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Appendices

Appendix A: Letter to Councillor Dombey dated

Background Papers

London Councils LPFA IAS19 valuation report March 2021 and March 2022
Grant Thornton's Audit Finding Report for year ended 31 March 2021
LPFA Pension Fund Annual report 2020/21
Final accounts working papers 2020/21

Contact: David Sanni
Email: david.sanni@londoncouncils.gov.uk

Our
reference:
Your
reference:
Date: 5 April 2022

Dear Cllr Dombey,

London Councils IAS19 Net Pension Liability

I hope you are well.

As you are aware, London Councils' pension scheme is administered by the London Pension Fund Authority (LPFA). As with other public bodies, London Councils' annual financial accounts include a net pension liability which is calculated in accordance with International Accounting Standard 19 (IAS19) Employee Benefits. This standard sets out the accounting treatment for retirement benefits and requires employers that provide defined benefit pension schemes to recognise pension obligations in their financial accounts.

As part of its role to consider and approve the annual accounts, the Audit Committee has been discussing the significant increase in London Councils' IAS19 net pension liability at 31 March 2021 and the investment performance of the LPFA fund during 2020/21. The net pension liability in London Councils 2020/21 accounts increased by £18 million from £24 million at 31 March 2020 to £42 million at 31 March 2021. In addition to the work carried out by London Councils' external auditor, Grant Thornton, on the IAS19 pension valuation London Councils officers compared the increase to a sample of member boroughs' pension valuations. This revealed that the percentage increase in London Councils' net pension liability was higher than that of the member authorities included in the sample.

Further investigations revealed that while the financial and demographic assumptions used to calculate the liability were comparable to those used by the member authorities, London Councils had a longer estimated duration of pension liabilities. Employers with longer liability durations are more sensitive to changes in financial assumptions as benefits will be paid over a longer term.

However, the comparison to borough results also showed that the percentage increase in the value of pension assets was less than the average increase across the sample of boroughs. The schemes assets had increased by 16% compared to the average increase of the sample of 23%. This result is partly explained by a lower decrease in asset values of

5% in the preceding year, at 31 March 2020, compared to the 8% average decrease across the sample.

The lower increase in asset values over the 2020/21 financial year was reflected in the LPFA's annual report which states that its fund delivered a 16.6% investment return which was below its policy portfolio benchmark of 25.2%. The LPFA also states in its annual report that the objective of the fund is to outperform the actuarial discount rate (which is UK CPI + 2.7%) which it achieved and the fund's primary investment objective is to ensure, that over the long term, it will have sufficient assets to meet all pension liabilities as they fall due.

The Audit Committee acknowledges that the LPFA is responsible for managing and investing its pension assets but feel its concerns over the underperformance of investments against its portfolio benchmark should be communicated to the LPFA. The Committee asked that I write to you in your capacity as a member of the LPFA board, to raise its concerns on the underperformance of the fund's and, by extension, London Councils' investments over the 2020/21 financial year.

London Councils officers have already raised this matter with LPFA officers. London Councils has an officer representative on the LPFA's Local Pension Board and will use this along with other channels, such as the employer forums, to monitor the fund's investment performance and raise concerns as necessary.

Thank you for your assistance with this matter and please do not hesitate to contact me should you have any questions or require additional information.

Kind regards,

A handwritten signature in blue ink, appearing to read 'David Sanni', with a stylized flourish above the name.

David Sanni
Director, Corporate Resources

David Sanni
Director, Corporate Resources
London Councils
david.sanni@londoncouncils.gov.uk

April 29, 2022

Dear David

London Councils IAS19 Net Pension Liability

I hope you are well.

Thank you for your letter of 5 April 2022 to Councillor Dombey, which she forwarded to me. I have been asked to respond on behalf of the Board. As always, we are keen to hear the views of, and engage with, the employers that participate in our Fund.

As you will be aware, the implementation of LPFA's investment strategy is delegated to Local Pensions Partnership Investments Ltd (LPPI). The activities and investment performance of LPPI are overseen closely by LPFA, which is a role we take very seriously.

The oversight of LPPI is led by our Investment Committee, which is made up of LPFA Board members with significant industry experience in investment matters. One of the Investment Committee's primary responsibilities is to hold LPPI to account for investment performance. This includes regular deep dives into each asset class and reviewing investment performance both against benchmark and against LPFA's well-developed Funding Risk Management Framework. Following these reviews, changes to our strategic asset allocation are made as appropriate.

On the specific matter of the 2020/21 investment returns, over the past year the Investment Committee has explored the reasons for the deviation from benchmark as part of its ongoing dialogue with LPPI. Bearing in mind that LPFA is a very long term investor, LPFA is satisfied that the deviation from benchmark is a consequence of LPPI's investment approach, of which we are fully supportive and which, over longer time horizons, has provided impressive returns.

I trust that this information is helpful in response to the concern you expressed in your letter. Please do let me know if you require anything further.

Kind regards,



Robert Branagh
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Audit Committee

Informing the Audit Risk Assessment Item no: 08

Report by:	David Sanni	Job title:	Director of Corporate Resources
Date:	16 June 2022		
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 2021/22 financial statements.

Recommendations The Audit Committee is asked to consider 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 2021/22 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 2021/22

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 purpose.

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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

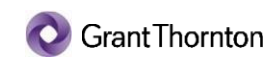
As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Joint Committees oversight of the following areas:

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

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- Accounting Estimates.

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Purpose

This report includes a series of questions on each of these areas and the response we have received from 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 2021/22?	The ongoing impact of Covid-19 pandemic on London Councils' services has resulted in an underachievement of income in areas such as tenants' licenses and meeting room hire. The impact on 2021/22 expenditure has however been limited.
2. Have you considered the appropriateness of the accounting policies adopted by Joint Committees? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	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? If so, please explain	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.

4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?

No, there have not been any significant transactions outside normal business.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No, 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? If so, please provide further details	No, London Councils does not have guarantee contracts.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No, 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 Ian Colville – Afghan Refugees related work of those solicitors utilised by the Joint Committees during the year. Please indicate where they are working Cornerstones Barristers – Homelessness related work. on open litigation or contingencies from prior years?

Erskine Chamber – Advice on company law.

All of the above are advice only and do not relate to an open litigation.

General Enquiries of Management

Question	Management response
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? If so, please provide further details	No, there have been no reports of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements.
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.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	These will be considered as part of the account closure process. Previous years, with the exception of Lorry Control PCNs, were of very low value and not considered material.

Fraud

Matters in relation to fraud

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

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

As 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 Joint Committees management.

Fraud risk assessment

Question	Management response
1. Has the Joint Committee assessed the risk of material misstatement in the financial statements due to fraud?	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.
How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?	These procedures include: 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.
How does the Joint Committees risk management processes link to financial reporting?	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. A comprehensive risk based internal audit plan and five year rolling programme is approved each year by the Corporate Management Team 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 Team and Audit Committee

	<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 Team and Audit Committee’s review of the effectiveness of governance 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 team and Audit Committee.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<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>

3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Joint Committees as a whole, or within specific departments since 1 April 2021? If so, please provide details

No, there have not been any instances of fraud.

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Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	The Audit Committee periodically review the corporate and directorate risk register. 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.
5. Have you identified any specific fraud risks? If so, please provide details	No, specific fraud risks have been identified.
Do you have any concerns there are areas that are at risk of fraud?	No, there are no concerns of areas at risk of fraud.
Are there particular locations within the Joint Committees where fraud is more likely to occur?	No, there are no particular locations within the Joint Committee where fraud is more likely to occur. London Councils only has two sites.

6. What processes do the Joint Committees have in place to identify and respond to risks of fraud?

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.

Fraud risk assessment

Question	Management response
<p>7. 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)? If so, please provide details</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>

8. Are there any areas where there is potential for misreporting? If so, please provide details

There are no areas where there is potential for misreporting.

Fraud risk assessment

Question	Management response
<p>9. How does the Joint Committee 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? Have any significant issues been reported? If so, please provide details</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>10. 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>

11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details

How do you mitigate the risks associated with fraud related to related party relationships and transactions?

There are no known related party relationships or transactions that could give rise to instances of fraud.

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.

Fraud risk assessment

Question	Management response
12. What arrangements are in place to report fraud issues and risks to the Audit Committee?	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.
How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?	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.
What has been the outcome of these arrangements so far this year?	There were no cases of fraud to disclose to the Audit Committee during 2021/22.
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Management re not aware of any such cases.

14. Have any reports been made under the Bribery Act? If so, please provide details

No, there have been no reports made under the Bribery Act during 2021/22.

Law and regulations

Matters in relation to laws and regulations

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

Management, with the oversight of the Audit Committee, is responsible for ensuring that 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 body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

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

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with?	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.
What arrangements does the Joint Committee have in place to prevent and detect non-compliance with laws and regulations?	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.
Are you aware of any changes to the Joint Committees regulatory environment that may have a significant impact on the financial statements?	The internal audit programme incorporates reviews which assess compliance with corporate policies as well as relevant laws and regulations. There are no changes to London Councils' regulatory environment that have a significant impact on the financial statements.

2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	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.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	There are no known instances of non-compliance or suspected non-compliance of laws and regulations that have an on-going impact on the 2021/22 financial statements.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	No, there is no actual or potential litigation that would affect the financial statements.

Impact of laws and regulations

Question	Management response
5. What arrangements does the Joint Committee 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 reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	There have been no reports from regulatory bodies regarding non-compliance of laws and regulations.

Related Parties

Matters in relation to Related Parties

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

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Joint Committees;
- associates;
- joint ventures;
- a body 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 body 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 [type of body]'s 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 including those disclosed in Joint Committees 2020/21 financial statements?</p> <p>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</p>

3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	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 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.

Going Concern

Matters in relation to Going Concern

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

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

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

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

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by the Joint Committees will no longer continue?	<p>Monthly budget monitoring arrangements in place. Quarterly forecast reporting on income and expenditure to Corporate Management Team and Members.</p> <p>Arrangements in place for the monitoring of key contracts and SLA's held by London Councils.</p> <p>London Councils maintains a healthy level of reserves in relation to its operating and trading expenditure and retains the full membership of the 32 London Boroughs and the City of London.</p>
2. Are management aware of any factors which may mean for the Joint Committees that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No known significant factors. See Question 1.
3. With regard to the statutory services currently provided by the Joint Committees, do the Joint Committees expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Joint	The joint committee is expected to continue to deliver services for the foreseeable future. There are no plans for the Joint Committee to cease to exist.

Accounting estimates

Matters in relation to accounting estimates

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

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

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

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;

- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

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

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<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
2. How does the Joint Committees management process identify and address risks relating to accounting estimates?	<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>
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<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>
4. How do management review the outcomes of previous accounting estimates?	<p>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.</p>



5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?
- The pension scheme actuary, Barnett Waddingham, has set out the following changes to the calculation of the net pension liability at 31 March 2022:
- ***Inflation expectations:*** Due to the muted market reaction to the likely alignment of RPI and CPIH from 2030 the actuary has allowed for an inflation risk premium for each year beyond 2030 of 0.4% of medium and longer terms.
 - ***Actual pension increases:*** Actual pension increase experience up to 31 March 2022 will be incorporated into accounting disclosures.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	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.
7. How does the Joint Committees determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	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.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	The calculation of estimates is subject to a review process.

9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:

- Management's process for making significant accounting estimates
- The methods and models used
- The resultant accounting estimates included in the financial statements.

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.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No, the material accounting estimates included in London Councils accounts are set out in question 1 of this section.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are 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	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	The net pension liability is obtained from a valuation report prepared by a reputable and experienced	Yes, the valuation report is prepared by a pension actuary, Barnett Waddingham	The main assumptions used in the calculation of the net pension liability are: <ul style="list-style-type: none"> • discount rate; • inflation rate; 	Minor changes to the method of valuation are listed in the response to question

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.	Information used in the calculation is obtained from accounting records and other reliable sources. The annual movement in property provisions are reviewed with explanations requested for significant movements.	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 not have a material impact on any of London Councils accounts.</p>	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.
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.
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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	<p>The bulk of the credit loss impairment allowance (bad debt provision) relates to PCN debts registered at the Traffic Enforcement Centre of Northampton County Court (NCC).</p> <p>A 65% bad debt provision is applied to these PCN debts based on a recovery rate of 35%. The recovery rate is monitored by London Councils Transport and Mobility team and forms part of its monthly KPI reporting.</p>	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

Depreciation	<p>London Councils depreciation methodology is set out in its accounting policy for property, plant and equipment. Assets are 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>	<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
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