



# **Audit and Risk Management Committee**

## **SUPPLEMENTARY AGENDA**

**Date:** TUESDAY, 14 JULY 2020  
**Time:** 2.00 pm  
**Venue:** VIRTUAL PUBLIC MEETING (ACCESSIBLE REMOTELY)

### **AGENDA**

#### **10. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

- a) **Future Arrangements for the Informal Risk Challenge Sessions**  
Report of the Chamberlain.

**For Decision**  
(Pages 1 - 6)

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<b>Committee:</b> Audit and Risk Management Committee – <i>For Decision</i>	<b>Date:</b> 14 July 2020
<b>Subject:</b> Future arrangements for the Informal Risk Challenge sessions	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Paul Dudley, Corporate Risk Manager	

## Summary

This report seeks the Committee's agreement for a high-level proposal to a change in the format and frequency of the Committee's Chief Officer Informal Risk Challenge (IRC) sessions. The aim of the proposal is to provide a greater focus on departments with the higher and/or more immediate risk exposures and/or areas of concern and enable lighter touch sessions for departments where there may be lower risk exposures and where the Committee is assured that their risk management process is robust.

The proposal is for a risk-based approach to selecting the order of Chief Officer IRCs based upon a range of risk performance information as well as intelligence on current issues that a department is or will be dealing with. Lighter touch sessions for Chief Officers will take place where there is assurance and evidence that risks are being managed well and an effective risk process is in place. The duration of each IRC will be proportionate to risk exposure and effectiveness of each departmental risk management arrangements.

For the immediate future one or two sessions will take place online in between Committee meetings depending upon the scheduling of Committee dates. This will ensure all departments will participate in an IRC within two years – a shorter period than at present. IRCs will no longer take place on the day of the Committee.

This report highlights the role and purpose of these sessions, which began in September 2014 and the importance of such sessions to the Committee discharging their responsibilities as set out in the Committee's Terms of Reference.

## Recommendations

Members are asked to:

- agree that the Chief Officer Informal Risk Challenge sessions be planned and held separately from the cycle of Committee meetings with effect from September 2020;

- agree that the IRCs be held on a more frequent basis, with up to two sessions between each Committee meeting (depending on the Committee meeting date schedule);
- agree that the Schedule of IRCs gives due consideration to the potential risk exposure of the City Corporation of both existing and new risk areas as well as the effectiveness of the departmental risk management arrangements. (The duration of each IRC will be proportionate to risk exposure and effectiveness of each departmental risk management arrangements – up to one hour maximum per IRC session);
- agree that lighter touch IRCs take place where the Committee is satisfied that there are effective risk management arrangements in place. This proportionate approach will be reviewed on a regular basis, subject to the continued effectiveness of departmental risk management arrangements and the overall and up to date risk profile of departments;
- agree that, subject to the views of the Committee in relation to the above, the IRC administrative working arrangements be approved by the Chairman and two Deputy Chairmen.

## **Main Report**

### **Background**

1. Informal risk challenge sessions (IRCs) are an integral part by which the Committee Members fulfil their risk management role as set out in the Committee's terms of reference (which are based upon the Accounts and Audit Regulations 2015 as well as the latest CIPFA guidance on Audit Committees (2018)). See Appendix 1. IRCs have been part of the Committee's activities since September 2014 and currently take place immediately prior to each Committee meeting with a Chief Officer.
2. The IRC sessions are designed to allow Members to engage in a wide ranging, constructive, and on occasions, challenging discussions with Chief Officers. Over the last six years Informal Risk Challenge sessions have enabled the Committee to examine in detail departmental approaches to risk management and delve deeper into specific risk areas. The Committee has, for example, provided valuable support to Chief Officers in providing corporate visibility of emerging risks as well as expressing concerns in relation to risk and audit issues, sometimes necessitating further reports to the Committee.
3. On the 8 March 2016, the Audit and Risk Management Committee's informal risk management challenge sessions completed one full cycle of discussions with Chief Officers. The Committee, at the meeting on 8 March 2016, reflected upon the informal risk challenge sessions, which began in September 2014, noting that the IRCs had provided the Committee with:
  - A good overview on the role, function and key challenges for each department;

- an insight into the how the Chief Officers and their management teams identify, assess and mitigate risk within their department; and,
  - an opportunity to discuss with Chief Officers possible risks that might impact upon the department or the City Corporation in the future.
4. These sessions have also assisted the Committee in its role of the oversight of the risk management arrangements of the Corporation. Members also .....”  
*agreed that the sessions had seen improvements and were reinforcing risk management as more than just a process”.*
  5. IRCs provide an important assurance on the effectiveness of risk management within the City Corporation and this is reflected within the Annual Governance Statement and the Annual Committee report, presented to the Court of Common Council.

### **Proposed Changes to the Informal risk Challenge Sessions**

6. At the Committee’s meeting on 2 June 2020 there was a brief discussion concerning the work programme for the 2020/21 informal risk challenge sessions. There was a suggestion that it would be timely to review how the Committee undertook informal risk challenge sessions given the upcoming change in Chairmanship as well as reflecting on the success of conducting Committee business online and how this approach could be used for IRCs. A concern was expressed that taking the IRC session together with the Committee meeting significantly extends the time of the meeting thus constraining Members’ ability to meet other commitments.
7. Following on from that suggestion, the Chairman and the two Deputy Chairmen met with the Head of Internal Audit and Risk Management and the Corporate Risk Manager on the 26 June 2020, to consider a number of ideas/suggestions to make informal risk challenge sessions more effective as well as making best use of Members’ time. The points below set out the view taken by this meeting:
  - There was strong support for the continuation of informal risk challenge sessions which play an important part in the way the Committee discharges its Risk Management responsibilities as well as recognition that they contribute to the effective corporate governance of the City Corporation.
  - It was suggested that, subject to successful operation in the immediate term, informal risk challenge sessions should be conducted virtually, taking advantage of now proven video technology and to take place in between Committee meetings. The intention would be that, depending on the length of time between these meetings, there would be at least one and possibly two informal risk challenge sessions. This approach would ensure that all Chief Officers have their IRC on at least a two-year cycle. The length of each IRC will be proportionate to risk exposure and effectiveness of each departmental risk management arrangements although it was anticipated that one hour would be the maximum time allowed for each IRC.

- The Chairman and two Deputy Chairmen to be consulted on the schedule of IRC sessions. The schedule should give due weight to the potential risk exposure of the City Corporation of both existing and new risk areas as well as the effectiveness of the departmental risk management arrangements.
- The Committee may decide, where they are satisfied that a Chief Officer has effective risk management in place and working well, that at the Chief Officer's next IRC a lighter touch session be used. Such an approach will enable the Committee to maintain oversight and assurance that the risk management arrangements are continuing to be effective as well as picking up on any new risks/issues that have arisen since the last session. It is important to note that 'lighter touch' in this context does not mean that the consequential impact of a risk event is any less serious, or that there is less day to day oversight. In practice it means that the Committee have greater surety on the mitigation controls and procedures in place, that the oversight of that department's risk framework is well developed and dynamic (i.e. regularly re-assesses existing risks and self-identifies new risks, per above) and that evidence exists to support the categorisation to 'light touch'.
- The "lighter touch" designation allocated to some departments will be reviewed on a regular basis subject to the continued effectiveness of departmental risk management arrangements and the overall and up to date risk profile of departments.
- The IRC administrative arrangements to be approved by the Chairman and two Deputy Chairmen.

## **Conclusion**

8. Informal Risk Challenge Sessions play an important role in both the way the Committee discharges its risk management role and their contribution to the corporate governance of the City Corporation. The aim of the proposal is to provide a greater focus on departments with the higher risk exposures and/or areas of concern and enable lighter touch sessions for departments where there may be lower risk exposures and where the Committee is assured that their risk management process is robust.

## **Appendices**

- Appendix 1 – Audit and Risk Management Committee Terms of Reference (as they apply to Risk Management)

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**Terms of Reference of the Audit and Risk Management Committee**

**Risk Management**

- a) To monitor and oversee the City of London Corporation's risk management strategy, anti-fraud and anti-corruption arrangements; and to be satisfied that the authority's assurance framework properly reflects the risk environment.
- b) To consider all audit or external inspection reports relating to any department at the City of London Corporation and seek assurance that action has been taken where necessary.
- c) To receive an annual report from the Chamberlain reviewing the effectiveness of the City of London's risk management strategy.
- d) To consider and report back to the Court on any risks related to all governance issues.
- e) To undertake periodic reviews of the risk management procedures, financial capabilities, controls, and safeguarding procedures of the City of London School, the City of London School for Girls, the City of London Freemens' School, the City of London Academies Trust (including its embedded academies) and the City Academies which are freestanding entities.

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