

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 27 September 2022

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 27 September 2022 at 2.00 pm

Present

Members:

Alderman Alexander Barr (Chair)
Alderman Prem Goyal (Deputy Chairman)
Gail Le Coz (Deputy Chairman)
Deputy Rehana Ameer
Deputy Randall Anderson
Deputy Christopher Boden
Paul Martinelli
Judith Pleasance
Karen Sanderson (External Member)
Naresh Hari Sonpar

Officers:

Ben Dunleavy	- Town Clerk's Department
Caroline Al-Beyerty	- Chamberlain
Michael Cogher	- Comptroller and City Solicitor
Matthew Lock	- Chamberlain's Department
Dionne Corradine	- Town Clerk's Department
Neilesh Kakad	- Chamberlain's Department
Emma Moore	- Chief Operating Officer
Nathan Omane	- Chamberlain's Department
Tabitha Swann	- Town Clerk's Department
Sonia Virdee	- Chamberlain's Department
Tatianna Wanyanga	- Town Clerk's Department

Also in attendance

Sophia Brown	- Grant Thornton (External Auditors)
Paul Dossett	- Grant Thornton (External Auditors)

1. APOLOGIES

Apologies for absence were received from Deputy Henry Colthurst, Alderman Bronek Masojada, Paul Singh and Dan Worsley.

James Bromiley-Davis observed the meeting virtually.

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

There were none.

3. **MINUTES OF THE PREVIOUS MEETING**

Members received the public minutes and non-public summary of the meeting held on 12 July 2022.

A Member requested a correction to their comments on the discussion on the Annual Governance Statement (AGS). They said that they had asked for a discussion on including comments on the disruption to the normal elections process for Alderman that had been caused by the elections of Lord Mayor and Sheriffs in the AGS for 2021/22, but the minutes had recorded this as a request for it to be included in the next AGS. The Member would also send a private note to the Chairman and the Chairman of the Policy and Resources Committee on this matter.

The Town Clerk informed Members of two further matters of accuracy:

- Corrections to the departments of three officers
- Add that the Committee had given unanimous praise for the Annual Governance Statement 2021/22 (AGS)

Matters arising

The Chairman provided Members with an update on the issue of elections. He said that he had been engaged in separate conversations with both the Head of Electoral Services and the Chairman of the Policy and Resources Committee. The Chairman understood that a report on elections would be on the agenda for the next meeting of the Policy and Resources Committee (4 October 2022), and that there were indications that a Working Group would be set up on this area.

A Member said that it was important for Members to remember that the responsibilities of the Electoral Services team are specifically limited by law.

The City Solicitor said that he had also discussed the issue with Electoral Services. He said one area being considered was how much initial information was being provided to candidates on the legal limitations of Electoral Services. He clarified that it was not for the Returning Officer to become involved in certain disputes.

The Chairman welcomed the officers from Grant Thornton.

RESOLVED, that – the public minutes and non-public summary be approved as a correct record, subject to the above changes.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Outstanding Actions List.

Officers provided updates on the Outstanding Actions:

- Item 9 – the Chief Strategy Officer had reported on the concerns about financial risks wider than inflation to the Chief Officer Risk Management Group meeting on 7 September. The Group discussed it as part of the corporate risks overall, and chief officers undertook to keep in mind the Audit and Risk Management Committee’s concerns. She requested that the item now be closed.
- Item 12 - further to the Internal Audit review conducted, the recommended protocol between the City of London Corporation, GLA and Museum of London had not been developed. The Head of Internal Audit was aware that discussions on this were currently ongoing, but felt that a risk remained that the arrangement was not as formalised as it could be. A Member said that the extent of the cash-flow financing and the precise terms should be better spelled out. The Chamberlain informed Members that she had been in correspondence with the Museum of London to clarify the payment schedule for the monies owed to the project by the GLA and the Museum’s fundraising.
- Item 15 – the Head of Internal Audit expected to include the methodologies and resources of the Anti-Fraud team in a future update report to the Committee

5. COMMITTEE WORK PROGRAMME

Members received the Committee’s Work Programme.

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

6. ANNUAL REVIEW OF THE TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Members received a report of the Town Clerk relative to the annual review of the Committee’s terms of reference.

The Chairman advised Members that he felt the terms of reference could do with a refresh, and would circulate some suggested revisions to allow for informal discussion before a report to a future meeting.

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

7. CITY FUND AND PENSION FUND AUDIT ARRANGEMENTS

Members received a report of the Chamberlain relative to the arrangements for the City Fund and Pension Fund audit.

The Chamberlain informed Members that there was not currently a national agreement on how to treat the valuation of infrastructure assets. The Chamberlain and BDO had been considering ways to navigate this situation in order to get an audit opinion. Their recommended solution was to wait until after CIPFA and the Financial Reporting Council had agreed on what the accounting treatment should be. This would be a qualified opinion on an except for basis. The Chamberlain had consulted the Chairmen of the Finance Committee and the Audit and Risk Management Committee, and they agreed that this was a reasonable and pragmatic solution to closing down the audit for

the 2020/21 accounts. This solution would allow for the publication of the 2021/22 draft statement and would allow Grant Thornton to begin the City Fund audit.

Another consideration was that the Pension Fund included admitted bodies who were also waiting on an audit certificate for the pension accounts admitted into the City Fund statement. The Chamberlain said that the report presented at agenda item 7 was a pragmatic solution to how work could begin on this area without waiting for the final audit certificate.

The Chairman confirmed that the Chamberlain had kept him informed throughout this process and agreed that a pragmatic solution had to be the way forward. The Chamberlain added that she did not believe that the City Corporation would be alone in adopting measures like this.

A Member requested for the Chamberlain to lay out the minimum and the maximum levels of materiality in her opinion. The Chamberlain confirmed that this could be included, and officers further confirmed that the level of materiality in the audit was around £10m.

Members heard that officers hoped to have the 20/21 accounts signed off as soon as possible in order to enable Grant Thornton to begin their work. It was estimated that Grant Thornton would be able to bring a timeline to the Committee in March. The City's Cash and Bridge House Estates fund accounts were scheduled for the November meeting of the Committee, but officers were continually assessing as to whether that would be realistic. Officers undertook to notify Members if any changes were required to these timelines.

Members received an audit progress report and sector update from Grant Thornton.

A Member asked if there were any implications resulting from the delay in completing the housing benefit check. In reply, officers said that the delays had been due to resourcing issues, both internally and with the auditors. The City Corporation had received various extensions and the work had been transferred from BDO to Grant Thornton. Officers from Grant Thornton added that they recognised the challenges faced in delivering housing benefit work across the sector, and now employed a specialist team to deliver this work. They were confident that, subject to the City Corporation's resources, they could progress this work for 2020/21 and 2021/22 as quickly as possible.

In reply to a Member's question, officers confirmed that the pension work had been deemed as a non-audit service by the Ethical Standards.

A Member requested that Grant Thornton provide their view on the implications of infrastructure assets for the City Corporation once there was greater clarity on this issue.

RESOLVED, that – Members:

- Note the contents of the report

- Agree to the proposed non-audit services.

8. **DEEP DIVE CR29 INFORMATION MANAGEMENT**

Members received a report of the Head of Internal Audit relative to a deep dive on CR29 Information Management.

The Deputy Chair (External) said she was concerned by the review's findings on split ownership of the risk, and the lack of mitigating actions, and asked what could be done to resolve this. In reply, the Head of Internal Audit said that they would use the risk management framework to escalate the concerns. The exposure on the risk was currently increasing because resource was not being given to actively mitigate the risk. The Chief Operating Officer (COO) said that the risk was currently jointly owned by her and the City Solicitor. She added that she felt the right place for ownership would be with the Head of IT, with the COO remaining as the responsible chief officer. The Head of IT role had not been filled permanently for several months, but a new officer would be starting shortly.

The Chairman asked who the equivalent risk holder would be in across comparable local authorities. The COO replied that it would commonly be held by IT departments, but this was not necessarily universal.

A Member suggested that the Committee should consider undertaking a risk appetite exercise, as it had been several years since this was last done.

The Chief Operating Officer said that the primary manifestation of the risk was lack of efficiency. There had also been a lack of sufficient training for staff on the tools which would help to improve things.

RESOLVED, that – the report be received, its contents noted and the feedback of the Committee be noted by officers.

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

There were no questions.

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

There being no accuracy issues or matters arising, the non-public minutes of the previous meeting were agreed in the public session.

There was no other business.

The meeting ended at 2.59 pm

Chairman

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