

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 12 May 2025

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Monday, 12 May 2025 at 11.00 am

Present

Members:

Deputy Timothy Butcher
Simon Burrows
Alderman Prem Goyal CBE (Chairman)
Alderswoman Elizabeth Anne King, BEM JP
Gail Le Coz (External Member)
Naresh Hari Sonpar
Dan Worsley
Alderman Kawsar Zaman

Officers:

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1. APOLOGIES

Apologies for absence were received from Deputy Christopher Boden, Stephen Hodgson and David Sales.

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

There were no declarations.

3. ORDER OF THE COURT OF COMMON COUNCIL RESOLVED – That, the Court Order be received.

4. ELECTION OF CHAIR

RESOLVED – That, in accordance with Standing Order 28, Alderman Prem Goyal being the only Member indicating their willingness to serve was declared to be Chairman for the ensuing year.

The Chairman thanked Members and officers for their continued support noting he looked forward to building on the excellent work already undertaken and maintaining the Committees standing City.

The Chairman also extended his sincere thanks to those who have stepped down from the committee but made valuable contributions last year: Randall Anderson, Alderman Alexander Barr, Alderman Bronek Masojada, Judith Pleasance, and Karen Sanderson.

A warm welcome was given to new Members: Deputy Timothy Butcher, Simon Burrows, Stephen Houghton, and David Sells. Members also welcomed James St John Davis, joining in his ex-officio capacity as the Finance Chairman's nominee.

5. **ELECTION OF DEPUTY CHAIR**

RESOLVED – That, in accordance with Standing Order 29 and as outline in the Court Order;

- a) Alderwoman Elizabeth King being the only Member indicating their willingness to serve, was declared to be Deputy Chairman for the ensuing year.
- b) Gail Le Coz being the only external Member expressing their willingness to serve, was duly elected as Deputy Chair for the ensuing year.

6. **MINUTES**

RESOLVED – That, the public and non-public summary of the minutes of the meeting held on 3 February 2025 be agreed as a correct record.

7. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received a report of the Town Clerk concerning outstanding actions.

The following points were noted:

- A new format for presenting outstanding actions was introduced, following a request from members at the previous meeting.
- Members were advised to disregard the numbers next to office names in the registered list; formatting updates are planned post-meeting.
- It was agreed to add a "Completed" section and update the actions for the next meeting.
- Officers requested the closure of an action under the risk management update concerning Corporate Risk 30 (Climate Action Risk). The risk has been recalibrated to reflect the organisation's ability to deliver against targets, rather than the strategy itself.
- Officers reported that all related party transactions for 2023–24 have been received and acknowledged the start of the 2024–25 process, which is expected to be more streamlined.

RESOLVED – That, the report be noted.

8. **COMMITTEE WORK PROGRAMME**

The Committee received a report of the Town Clerk concerning the work plan for the 2025-2026 Civic Year.

RESOLVED – That, the report be noted.

9. **APPOINTMENT OF SUB-COMMITTEE**

The Committee considered a report of the Town Clerk concerning the appointment of the Nominations and Effectiveness Sub-Committee and the

appointment of one Member to serve on the Resource, Risk and Estates Committee of the Police Authority Board.

RESOLVED – That Members,

- a) Agree the appointment and Terms of Reference of the Nominations and Effectiveness Sub-Committee, subject to changing of the frequency of meetings to meet no less than once a year and agree its composition;
 - Alderman Prem Goyal
 - Alderwoman Elizabeth King
 - Gail Le Coz
 - Simon Burrows
 - Ruby Sayed
 - Vacancy
 - Vacancy
 - Vacancy
 - Vacancy;
- b) Appoint Gail Le Coz the Chairman of the Nominations and Effectiveness Sub-Committee; and,
- c) Appoint Alderwoman Elizabeth King to the Resource, Risk and Estates Committee of the Police Authority Board.

10. **EXTERNAL MEMBER APPOINTMENT - UPDATE**

The Committee considered a report of the Town Clerk concerning an update on the recruitment of an external Member to the Audit Risk Management Committee.

RESOLVED – That Members,

- a) Authorise the Town Clerk to finalise the Job Description for and External Member of the Audit Risk Management Committee.
- b) Endorse a panel consisting of the Chairman, Deputy Chairman(s) of the Audit Risk Management Committee and an appropriate officer of the Corporation to conduct interviews for potential candidates.
- c) Delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman(s), to recommend a candidate to the Court of Common Council meeting in September 2025 following interviews for shortlisted candidates.

11. **RISK MANAGEMENT UPDATE**

The Committee received a report of the Chief Strategy Officer concerning an update on the corporate and top red departmental risk registers since they were last reported to the Committee in February 2025.

The following points were noted:

- The Chief Strategy Officer introduced the item and key officers supporting the risk update, highlighting a shift toward proactive, enabling risk management and a stronger organisational risk culture.

- The Chief Officer Risk Management Group continues to coordinate risk oversight across departments and institutions, with a focus on trend analysis and organisational-level risks.
- Members received the full corporate risk register and were informed that future reporting will align with the new risk appetite framework, pending Court of Common Council approval.
- Members suggested improvements to reporting clarity, for terminology and inclusion of target risk levels on summary pages.
- CR16 (Information Security) remains the highest-rated risk. Improvements include 24/7 monitoring and mandatory training. The information management risk has decreased due to improved GDPR compliance.
- Ransomware was raised as a concern and will be addressed further in the non-public session. Recruitment for a Chief Information Security Officer is underway.
- Funding constraints were discussed in relation to risk mitigation. Officers confirmed that resource availability is being reviewed as part of risk assessments.
- The Medium-Term Financial Plan shows City Fund is currently balanced, but future deficits are forecast due to the 2026 business rate reset. City's Estate is in a stronger position following the decision not to relocate markets.
- Internal audit findings on procurement compliance highlighted areas for improvement. Further guidance and training are being developed.
- The Housing Revenue Account (HRA) remains under pressure due to rent caps and repair backlogs. An audit of rent arrears is planned, and national advocacy is ongoing.
- Members suggested highlighting upward-trending risks in future reports to ensure appropriate scrutiny. Officers agreed to take this forward.

RESOLVED – That, the report be noted.

12. **INTERNAL AUDIT UPDATE**

The Committee received a report of the Head of Internal Audit concerning an update on the work of Internal Audit during January, February and March 2025, further to the update report provided to the February meeting of this Committee.

The following points were noted:

- A red-rated issue was identified in the Environment Department (cemetery and crematorium) concerning income discrepancies. The root cause was over-reliance on verbal daily reconciliations. A high-priority recommendation to document the process was implemented immediately, and the audit received a “substantial” rating.
- A Member queried whether the outdated accounting system (approx. 30 years old) contributed to the discrepancy. An update on this would be provided after the meeting.
- The procurement audit focused on managing conflicts of interest. While interest declarations are captured, there was a significant gap in how declared interests are managed to prevent conflicts. Recommendations

were well received, with several implemented immediately and others on a short timeline. A follow-up is scheduled for June.

- A Member asked whether the new procurement system would capture conflict of interest data. It was confirmed this is being considered, and the auditor has joined a procurement improvement group to provide ongoing assurance.
- The 2025–26 Internal Audit Plan includes audits on contract management and related themes. A suggestion was made to present audits thematically (e.g., by risk category) rather than by department to better align with risk management discussions.
- Internal Audit confirmed they are working on this thematic approach, including visual representations and categorisation by internal control, governance, and risk management focus. The current list format will evolve in future iterations.

RESOLVED – That, the report be noted.

13. **HEAD OF INTERNAL AUDIT ANNUAL OPINION**

The Committee received a report of the Head of Internal Audit concerning the Head of Internal Audit's opinion on the internal control environment, governance arrangements, and risk management processes within the City of London Corporation.

The following points were noted:

- In response to a question about internal control weaknesses, officers clarified that the control environment's design remains robust. Most issues relate to inconsistent application, though there is a growing concern around the design of second-line assurance activities—particularly in procurement, where increased delegation has reduced scrutiny.
- A Member inquired about access to specialist audit skills. Officers explained that the team uses the framework (hosted by London Borough of Croydon) with a small budget available for additional third-party expertise if needed.
- A Member raised a question about whether compliance issues stem from cultural factors. Officers suggested that non-compliance often arises from staff trying to expedite processes or lacking familiarity with procedures, especially in procurement. They emphasised the need for better support and training rather than attributing issues to negative culture.
- The discussion highlighted the importance of focusing audit resources on high-risk areas and training staff. There was agreement that while urgent needs arise, maintaining value for money and procedural discipline is essential.
- In response to a question raised about the independence of internal audit. Officers confirmed that there have been no instances where independence was compromised or challenged during the past year.

RESOLVED – That, the report be noted.

14. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY (RELATING TO TREASURY MANAGEMENT) 2025/26

The Committee received a report of The Chamberlain concerning the Corporation's Treasury Management Strategy Statement and Annual Investment Strategy (relating to Treasury Management) (TMSS) for 2025/26.

A Member raised questions about interest rate exposure, specifically regarding the types of approved instruments used and how counterparty risk is assessed, particularly in relation to derivatives. Officers responded by explaining that the strategy is reviewed annually and prioritises capital preservation, liquidity, and then returns. Officers clarified that the City adopts a conservative approach, using only cash instruments and not derivatives, with a strict and highly rated counterparty list outlined on pages 145–149 of the report.

RESOLVED – That, the report be noted.

15. STATEMENT OF ACCOUNTS UPDATE FOR CITY FUN, PENSION FUND, AND CITY'S ESTATE

The Committee considered a report of The Chamberlain concerning an update on the production of the 2024-25 Statement of Accounts and planning for the 2024-25 audit of the City Fund, Pension Fund, and City's Estate accounts.

A representative from Grant Thornton presented the City Fund audit plan, identifying key risks such as management override of controls, valuation of London Buildings Council dwellings, investment properties, and pension fund liabilities. The representative noted the inclusion of IFRS 16 as a new area of focus and discussed changes in materiality thresholds and audit fees. They also mentioned ongoing work on the Value for Money assessment and confirmed that no new significant weaknesses had been identified at this stage.

Crow's representative, addressed the complexities of the City Estates accounts, including multiple income streams and new VAT considerations on school fees. They also flagged the need to assess market-related liabilities. The audit partner for natural spaces and sundry trusts, elaborated on the audit approach for these entities, emphasising the importance of income completeness and upcoming changes to accounting standards, particularly around revenue recognition and leases.

A separate update was provided by Grant Thornton on the Pension Fund audit. The key focus was the valuation of Level 3 investments, which are based on unobservable inputs and valued at £221.8 million in the prior year. Materiality was set at £29 million, with a lower threshold for the fund account. The audit is scheduled to begin in July, with completion targeted for the September committee meeting. Audit fees have increased to £95,000, reflecting market conditions and PSAA benchmarks.

A Member raised questions regarding the materiality change, the scale of audit fee increases, and the £20,000 threshold for exit package disclosures. Grant

Thornton clarified that the materiality adjustment was minor (from 1.9% to 2%) and that all errors in exit packages, regardless of size, would be adjusted. It was confirmed that audit fees had been benchmarked against similar-sized London boroughs and explained that the City's classification as a major audit under the PSAA framework contributed to the cost.

Grant Thornton also disclosed their office relocation from Finsbury Square to Finsbury Circus, noting that this would not affect their independence despite now paying business rates to the City. They also confirmed that their role as auditors for the London CIV, which pools the City's pension fund, does not present a conflict of interest.

A minor update was also shared regarding IFRS 9. The Government has extended the override for investments held as of 1 April 2024 to 2029. New investments after that date will not benefit from the override.

RESOLVED – That Members,

- a) Note the Indicative City Fund Audit Plan for 2024-25 as set out in Appendix 1
- b) Note the Indicative Pension Fund Audit Plan for 2024-25 as set out in Appendix 2
- c) Approve the responses from Management for both the City Fund and Pension Fund as per Appendix 3 and Appendix 4
- d) Note the Indicative City's Estate Audit Plan for 2024-25 as set out in Appendix 5

16. ANNUAL GOVERNANCE STATEMENT (CITY FUND) 2024-25

The Committee received a report of the Chief Strategy Officer concerning the Annual Governance Statement (AGS) 2024/25 (City Fund).

Officers were thanks for compiling the AGS, highlighting the challenge of condensing the breadth of City Fund activities into a clear and accessible document. The AGS remains succinct at 20 pages, which compares favourably with other local authorities, and includes additional detail in response to committee feedback.

The AGS affirms that good governance is in place, with internal audit independence confirmed in paragraph 4 of the report. The report also reflects the committee's prior request to include information on sustainable inputs, and references ongoing transformation efforts, including the people strategy and the DDAT (Digital, Data, Analysis and Technology) strategy. Although retrospective, the AGS also signposts future commitments, allowing the committee to hold officers accountable in 2025/26. It was noted that a request from the Deputy Chair to include prior-year metrics on page 386 would be incorporated into the final version.

During the discussion, Members praised the clarity of the document and suggested refining the table under paragraph 77 to better summarise progress. Another Member echoed the positive feedback, appreciating the inclusion of both performance assessment and forward-looking elements. Members also raised a point about the limited mention of the pension fund, which holds £1.5

billion in assets under management. They suggested that future AGSs might better reflect governance arrangements for the pension fund, even if it is considered business as usual. The Chamberlain acknowledged the suggestion and agreed it was worth considering for next year, noting the technical inclusion of the pension fund within the City Fund accounts.

RESOLVED – That Members,

- a) Consider and approve the AGS, at Appendix 1, for signing by the Chair of the Policy and Resources Committee and the Town Clerk and Chief Executive
- b) Note that the AGS will be published alongside the 2024/25 City Fund and Pension Fund Statement of Accounts
- c) Delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairmen of this Committee, to amend the AGS for any relevant significant events or developments that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

17. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

18. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no urgent business.

19. EXCLUSION OF THE PUBLIC

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

20. MINUTES

RESOLVED – That, the non-public minutes of the meeting held on the 3 February 2025 be agreed as a correct record.

21. NON-PUBLIC APPENDIX - ITEM 11

The Committee received a non-public appendix in conjunction with item 11.

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

There were no non-public questions.

23. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

There was no urgent business.

The meeting ended at 12.30 pm

Chairman

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