

Report – Audit and Risk Management Committee

Annual Report

To be presented on Thursday, 16th June 2022

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

The Audit and Risk Management Committee presents to the Court of Common Council the 2021/22 Annual Report of the Audit and Risk Management Committee, reporting on activity from 1 April 2021 to 31 March 2022. Providing this report to the Court of Common Council on an annual basis is in line with Chartered Institute of Public Finance & Accounting (CIPFA) guidance on best practice for audit committees in order to effectively support the organisation; for the Court to understand the work of the Committee; and, for the Court to hold the Committee to account.

RECOMMENDATIONS

Members of the Court are asked to note the report.

MAIN REPORT

Introduction

1. The Audit & Risk Management Committee (the Committee) has a wide-ranging brief that underpins the City of London Corporation's governance processes by providing independent challenge and oversight of the adequacy of risk management, the internal control and financial reporting frameworks. It also deals with a limited number of matters not reserved to the Court of Common Council or delegated to another Committee and related to a non-executive function. The Committee was formed as a Grand Committee in 2011, replacing the former Audit Sub-Committee (Finance).
2. The Audit and Risk Management Committee has served to scrutinise the risk management process at the City Corporation and enhance the maturity of risk management organisation wide. It has contributed to increasing the engagement with risk management, both on the part of Officers within the various departments, and elected Members through a process of "deep dive" review of significant risks and Informal Risk Challenge Sessions (IRC). The deep dive review process has resulted in re-evaluation of risks to ensure that mitigating actions are given the appropriate priority and the IRC has examined the operation of risk management within departments on a rolling basis and holds Chief Officers to account for the effectiveness and completeness of this. The Committee has also served to improve engagement with the work of Internal Audit through regular monitoring of the implementation of Internal Audit recommendations. The Committee oversees

the planning and delivery of the External Audit review of the Annual Accounts produced by the City of London Corporation across all operations.

3. This report details the work of the Committee for the period from 1 April 2021 to 31 March 2022 and outlines work in relation to the key remit areas of:
 - Annual Governance Framework
 - Internal Audit
 - Risk Management
 - Counter-Fraud
 - External Audit
 - Financial Reporting
4. Members of the Committee have a wide range of skills in many technical and professional areas, bringing significant experience and expertise to the Committee. All the Members have some experience in relation to the governance processes they challenge; supported by a periodic skills gap analysis undertaken by the Nominations Committee. The Committee is comprised of 13 Members, together with three external members who provide additional knowledge and skills to support the function. Table 1 details the Committee Members during 2021/22.

Table 1: Members of the Audit & Risk Management Committee 2021/22

Alexander Barr (Chairman)
Alderman Prem Goyal (Deputy Chairman)
Hilary Daniels (Deputy Chair)
Rehana Ameer
Randall Anderson
Chris Boden
Deputy Jamie Ingham Clark (Ex-Officio Member, Finance Committee, Deputy Chairman)
Gail Le Coz
Anne Fairweather
Marianne Fredericks (Ex-Officio Member, Policy and Resources Committee Representative)
Paul Martinelli
Jeremy Mayhew (Ex-Officio Member, Finance Committee, Chairman)
Andrien Meyers
John Petrie
Ruby Sayed
Dan Worsley (External Member)

5. The three external members are each appointed for a three-year term, which can be renewed twice, Hilary Daniels' final term ended on 31 March 2022. A nominations sub-committee, cognisant of the skills audit undertaken by members of the Committee, was appointed to oversee the appointment of a replacement external member, and Karen Sanderson was recommended for appointment. Karen's appointment was ratified by the Court of Common Council on 21 April 2022 and is effective from this date.

Changes Within the Year

6. There were no specific change events that require mention here, in-person Committee meetings resumed during the year, the IRC meetings continued in a virtual/online format.

Annual Governance Framework

7. The Accounts and Audit (England) Regulations 2015, which apply to the City of London's City Fund activities, require an audited body to conduct a review, each financial year, of the effectiveness of its system of internal control, risk management and governance and publish an Annual Governance Statement (AGS) each year, alongside the authority's Statement of Accounts. The purpose of the AGS is to:
 - Describe briefly the governance framework
 - State what activity has been undertaken to evaluate the governance framework and the outcome of that review
 - Set out a plan of action to improve the effectiveness of the governance framework
8. The Committee received the draft AGS for 2020/21 at its 5 October meeting, a number of points were raised to improve the overall quality and usefulness of the AGS to its audience. The amended AGS was approved at the 30 November meeting for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive. The Committee had also identified several longer-term improvements for the overall structure, format and presentation of the AGS, these were duly noted by Officers to be incorporated in the 2021/22 AGS.

Internal Audit

9. The Committee received the Head of Audit & Risk Management's Annual Audit Opinion for the year ended 31 March 2021 in May 2021:

"I am satisfied that sufficient quantity and coverage of internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes."
10. The Audit Plan is aligned to the City's corporate and departmental objectives and key risks so that assurance can be obtained on these areas. Internal Audit's work identified a number of opportunities for improving controls and procedures, with a "Limited (Red) Assurance" opinion having been provided in three cases. Those recommendations raised have been accepted by management.
11. The Internal Audit Plan for 2021/22 was subject to review throughout the year, in part recognising the continued impact of the COVID-19 pandemic, but also recognising the wider benefits realised from operating a more flexible and agile Audit Plan. Resourcing levels of the Internal Audit Team continued to be limited

during 2021/22, although, for this limited period, this has not had an overall detrimental impact on the provision of assurance to the Committee.

12. The Audit & Risk Management Committee has continued to support and drive departmental engagement in relation to the follow-up work of Internal Audit to assess the implementation of recommendations. There have been no instances in 2021/22 where the Committee has needed to escalate the matter of tardy implementation and poor departmental compliance with the follow-up process to relevant Chief Officers and the Chairmen of the respective Committees, an indicator of the effectiveness of the follow-up Audit process.

Risk Management

13. The Committee is responsible for monitoring and overseeing the City of London Corporation's risk management strategy and to be satisfied that the authority's assurance framework properly reflects the risk environment. The strategy was reviewed and updated during 2020/21.
14. The City Corporation's Risk Management strategy includes a Policy Statement and a framework, which aligns with the key principles of ISO 31000: Risk Management Principles and Guidelines and defines clearly the roles and responsibilities of officers, senior management and Members.
15. The Strategy emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level. The Strategy assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives.
16. A risk management health check was undertaken by a third-party organisation during 2021/22, the review concluded that the City Corporation's risk management approach aligns with best practice, it strives for continuous improvement, recognising that there are always improvements that can be made to its effectiveness.
17. During 2021/22, the Committee has exercised its oversight role in a number of ways:
 - a. Receiving quarterly risk update reports in relation to the corporate and red departmental level risks
 - b. Endorsing new corporate risks flagged by management
 - c. Deep-dive review of individual corporate risks of which eight were considered by the Committee in 2021/22.
 - d. Operating a cycle of regular departmental risk challenge sessions with Chief Officers and their respective Committee Chairmen, of which, nine were held in 2021/22.
18. While the IRC process has proven highly effective since its introduction, the primary impact has been in nurturing a strong risk management culture with Chief

Officers and their Senior Leadership Teams; having reached a point of maturity, the IRC will not continue in the same format. The IRC will instead be utilised on an exception basis, with Internal Audit providing primary assurance as to the effectiveness of risk management.

Counter-Fraud

19. During 2021/22, the Corporate Anti-Fraud team completed 31 investigations across all fraud disciplines, with an associated value of £400k. Whilst the associated values of these frauds includes notional figures, we expect to recover £125k through a mix of Proceeds of Crime Act investigations, Council tax recoveries and insurance claims.
20. Social housing tenancy fraud remains a key fraud risk area for the Corporate Anti-Fraud team and a concern for the Committee; returning to some of our traditional investigation work and a fraud presence on the City's social housing estates following the end of lockdown, whilst maintaining the positive aspects of desk-based investigations practices during the pandemic has resulted in an increase in the volume of referrals in this key fraud risk area of 33%. During the reporting year the team recovered six tenancies, stopped four fraudulent housing applications from progressing and had a guilty plea in one prosecution case. A further four cases are currently subject to criminal (2) and civil (2) action and are awaiting court hearings.
21. The Corporate Anti-Fraud Team has procured and introduced the NFI Fraud Hub; the fraud hub is expected to be adopted across London Borough's over the coming year and will allow the City to undertake proactive cross-boundary data-matching to detect and prevent fraud. Initial work on the hub has involved pensions data and housing data, with departments supporting with the review of output.

Financial Reporting

22. The Audit and Risk Management Committee has scrutinised the City Corporation's various 2020/21 financial statements, seeking assurances on significant financial reporting issues, estimates and judgements. Reports have been received from both the External Auditors and the Audit Panel. The Committee has held the External Auditors to account to drive effective delivery of the audit.
23. Having completed its review, the Audit and Risk Management Committee recommended approval of the 2020/21 statements to the Finance Committee as follows:
 - a. Bridge House Estates statements were approved at the November 2021 Committee meeting
 - b. City Fund and Pension Fund statements were approved at the November 2021 Committee meeting

- c. Statements for City's Cash, the City's Cash Charities (seven Open Spaces charities and Sir Thomas Gresham Trust) and the other Sundry Trusts were approved at the November 2021 Committee meeting

Other Work of the Committee

24. The City Corporation continues to host the London Borough Audit Committees Chairs' forum, seeking to share knowledge, experiences and best practice and to explore the development of joint initiatives such as member training and performance benchmarking. This initiative has now been recognised on a national level, with the Local Government Association striving to replicate this through the creation of several regional networks.

All of which we submit to the judgement of this Honourable Court.

DATED this 24th day of May 2022.

SIGNED on behalf of the Committee.

Alexander Barr
Chairman, Audit and Risk Management Committee