

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	12/07/2022
<b>Subject: Corporate Risk – Deep Dive Review: CR02 Loss of Business Support for the City and CR10 Adverse Political Developments</b>	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of: Head of Internal Audit</b>	<b>For Discussion</b>
<b>Report author: Matt Lock</b>	

### **Summary**

Internal Audit has undertaken deep dive reviews in relation to CR02 Loss of Business Support for the City and CR10 Adverse Political Developments. The objective of the deep dive review is to review the effectiveness of the arrangements in place for the systematic management of Corporate Risk.

In both cases the deep dives had similar findings:

- Risk register updates had not been completed as frequently as is required in practice for Corporate Risks.
- Mitigating actions are described at a broad level and do not contain sufficient detail in relation to the specific activity to manage risk.
- Discussion with responsible officers identified significant activity beyond that described on the risk register, providing assurance as to the adequacy of arrangements in place.

The responsible officers engaged fully with this process, resulting in a transparent and full exchange of information, the findings of the deep dive reviews have been shared and updates made to the risk register accordingly. Amended practice will support the continued improvement to the management of CR02 and CR10.

### **Recommendation(s)**

Members are asked to note the report.

## Main Report

### Background

1. As previously discussed at this Committee, Officers have reviewed the arrangements for facilitating Committee deep-dive reviews of the City of London Corporation's Corporate Risks. The objective of this exercise was to streamline the process, improving efficiency and effectiveness.
2. This is now an Internal Audit led process, with deep dive reports prepared independently of, but in consultation with, the relevant Senior Responsible Officer. The reports are informed by in depth review of the arrangements in place for managing risk, incorporating a quantitative assessment of the systematic application of the Corporate Risk Management Framework and a qualitative assessment as to the overall quality and completeness of the information provided in the risk register and, where possible, an objective review of the effectiveness of mitigating actions.

### Current Position

3. This is the first deep dive report within the new process and takes the following format:
  - i. Review of Risk Register Maintenance
  - ii. Review of Completed Mitigating Actions
  - iii. Review of Proposed Mitigating Actions
  - iv. Review of Monitoring Arrangements
  - v. General Observations and Overall Commentary
4. This report is focussed on the following Corporate Risks, both of which were raised as priorities by this Committee at its last meeting:
  - CR02 Loss of Business Support for the City
  - CR10 Adverse Political Developments

The latest Risk Register extracts are shown as Appendix 1 and 2 respectively.

### CR02 Loss of Business Support for the City

Area of Testing	Audit Findings
Risk Register Maintenance	<ul style="list-style-type: none"><li>▪ While the majority of key information fields are populated and updated when review takes place, target dates for completion of mitigating actions are the same as the date for achieving the Target Risk Score.</li><li>▪ The risk register is updated at least quarterly, driven by requirements for reporting to Audit and Risk Management Committee.</li><li>▪ This frequency does not meet the requirement for the Senior Leadership review via Chief Officers Risk Management Group (CORMG), which requires monthly review. CORMG may, however, determine that the current practice is sufficient.</li></ul>

<p>Completed Mitigating Actions</p>	<ul style="list-style-type: none"> <li>▪ The actions captured on the risk register provide a broad summary of some of the work of Innovation and Growth in relation to this risk which are ongoing in nature rather than a schedule of specific, measurable and time-bound activity.</li> <li>▪ The stated actions are not amended over time.</li> </ul>
<p>Proposed Mitigating Actions</p>	<ul style="list-style-type: none"> <li>▪ As referred to above, the recorded actions relate to ongoing activity rather than specific tasks.</li> <li>▪ Updates to the Risk Register would be more informative if they referred in more specific detail to the threats and vulnerabilities of the moment and the activity to mitigate these.</li> <li>▪ Because of the on-going nature of the mitigating actions it is not possible to verify the extent to which these are effective and without more specific detail and timescales, it is not possible to comment on the timeliness of mitigating actions.</li> </ul> <p>The mitigating actions are noted as reducing the likelihood of the risk and having no effect on the impact, this was questioned at the May meeting of this Committee. The mitigating actions are designed to manage the likelihood that events outside the control of the City Corporation will adversely affect the competitiveness of the City rather than mitigating the occurrence of such events. Nonetheless, from discussion with I&amp;G colleagues it is anticipated that some of the planned work of the department will serve to reduce impact should the risk be realised. This will be explored as part of the on-going review of the risk by the I&amp;G Senior Leadership Team.</p>
<p>Monitoring Arrangements</p>	<p>In the absence of specific detail on the risk register, it is not possible (via the risk management process) to demonstrate a systematic approach to managing the risk. This risk is, however, aligned to the core function of Innovation and Growth, the work of the Policy Chair and the Lord Mayor. The risk register can only provide a brief overview of this work, but it must contain sufficient detail to facilitate the effective collective oversight of Senior Leadership.</p>
<p>General Observations and Overall Commentary</p>	<p>This risk relates to the on-going work of Innovation and Growth. The administration of the risk within the risk management system does not reflect the level of detail and extent of activities in relation to this risk. The systematic approach of the Corporate Risk Management framework is not being fully deployed in managing this risk or in reporting the extent to which the risk is being managed.</p> <p>For the risk register to be a useful assurance tool, a more proactive approach is required for review and maintenance, some greater degree of detail is required to provide the user of the risk register with greater assurance that the risk is being managed well.</p>

	<p>Until discussed as part of this deep dive review, the monitoring arrangements in place were insufficient for this as a Corporate Risk, the key driver for the review and maintenance of a Corporate Risk must be based upon activity and threat assessment rather than for the purpose of the Committee update. Innovation and Growth colleagues have taken on board the feedback provided by Internal Audit.</p>
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## CR10 Adverse Political Developments

Area of Testing	Audit Findings
Risk Register Maintenance	<ul style="list-style-type: none"> <li>▪ All key information fields are populated and updated accordingly when review takes place.</li> <li>▪ The risk register is updated at least quarterly, driven by requirements for reporting to Audit and Risk Management Committee.</li> <li>▪ In practice, updates have been made more frequently (once a month for 3 out of the past 5 months), reflecting changes to the risk.</li> <li>▪ This frequency does not meet the requirement for the Senior Leadership review via Chief Officers Risk Management Group (CORMG), which requires monthly review. CORMG may determine that the current practice is sufficient.</li> <li>▪ The risk describes an overarching vulnerability that will be ever present, while an accurate description of the potential threat, it does not describe or detail the specific threats at play or what action is being taken to mitigate these.</li> </ul>
Completed Mitigating Actions	<ul style="list-style-type: none"> <li>▪ The actions captured on the risk register provide a broad summary of the work of the Remembrancer in relation to this risk which are ongoing in nature rather than a schedule of specific, measurable and time-bound activity.</li> <li>▪ From discussion with Officers and examination of extensive evidence, it was possible to verify that there is a more detailed programme of activity and that this includes horizon scanning for emerging threats and issues. It was possible to link this activity back to the actions recorded on the risk register.</li> </ul>
Proposed Mitigating Actions	<ul style="list-style-type: none"> <li>▪ As referred to above, while target dates are noted, the recorded actions relate to ongoing activity rather than specific tasks.</li> <li>▪ Updates to the Risk Register would be more informative if they referred in more specific detail to the threats and vulnerabilities of the moment and the activity to mitigate these.</li> <li>▪ Because of the on-going nature of the mitigating actions it is not possible to verify the extent to which these are on track.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ The risk has an overall target score of (green) 4, coming down from (amber) 12, the point of assessment being 30/11/2024, the date of the next planned General Election. Internal Audit has challenged whether this target risk score could actually be achieved given the ever-present nature of the risk and that a General Election in itself would create political instability – at this point, it may reasonably be expected that the risk would actually increase.</li> <li>▪ It should be noted that there is a planned methodology in place for assessing the impact of a General Election, Internal Audit considered this appropriate.</li> </ul>
Monitoring Arrangements	Subject to the points raised in relation to the detail recorded on the risk register, monitoring arrangements within the Remembrancers department in relation to the actual risk environment are robust.
General Observations and Overall Commentary	<p>This risk is kept under continuous review within the Remembrancers department, it relates to the core and ongoing activity of the department. The administration of the risk within the risk management system does not reflect the level of detail and extent to which this risk is actively managed. The systematic approach of the Corporate Risk Management framework is not being fully deployed in managing this risk or in reporting the extent to which the risk is being managed.</p> <p>Further discussion is required at CORMG to evaluate the extent to which the level of detail maintained is sufficient, together with the basis for updating by exception. For the risk register to be a useful assurance tool, a more proactive approach is required for review and maintenance.</p> <p>The sensitivities around this risk are understood and Internal Audit is not advocating full disclosure of mitigation strategies, it is possible, nonetheless to include some greater degree of detail that would provide the user of the risk register with greater assurance that the risk is being managed well.</p> <p>CORMG will also need to consider the extent to which this risk should incorporate the work of the Corporate Communications Team, which, although not currently represented within this risk, does form part of the overall mitigation of adverse political developments.</p>

## Corporate & Strategic Implications

5. Corporate Risks are those that threaten the City of London Corporation's ability to achieve its strategic objectives and top priorities. The Risk Management process is designed to identify and manage risk to the organisation and incorporates various

assurance mechanisms, this deep dive process is one source of assurance, examining the extent to which Corporate Risks are being managed within the Corporate Risk Management framework.

## **Conclusion**

6. In the case of both CR02 and CR10, the deep dive review process has identified scope for more effective demonstration that these risks are being managed well and in accordance with the Corporate Risk Management framework. The risk register was found to contain insufficient detail in relation to the specific activities of the responsible departments to be able to evaluate the effectiveness of mitigating strategies. Colleagues have noted the findings of the deep dive reviews and have agreed to take on board the feedback provided, the appendices to this report reflect updates made following the deep dive reviews.

## **Appendices**

- **Appendix 1:** Risk Register Extract - CR02 Loss of Business Support for the City
- **Appendix 2:** Risk Register Extract - CR10 Adverse Political Developments

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