

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 22 November 2022

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 22 November 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
Alderman Bronek Masojada
Karen Sanderson (External Member)
Paul Singh
Naresh Hari Sonpar

Officers:

Ben Dunleavy	- Town Clerk's Department
Michael Cogher	- Comptroller and City Solicitor
Dionne Corradine	- Chief Strategy Officer
Chris Keesing	- Chamberlain's Department
Kate Limna	- Chamberlain's Department
Matthew Lock	- Chamberlain's Department
Neilesh Kakad	- Chamberlain's Department
Tabitha Swann	- Town Clerk's Department
Sonia Virdee	- Chamberlain's Department
Tatianna Wanyanga	- Town Clerk's Department

Also attending:

Paul Dossett	- Grant Thornton
David Eagles	- BDO
Sebastian Evans	- BDO

1. APOLOGIES

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

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

There were no declarations.

3. **MINUTES OF THE PREVIOUS MEETING**

A Member commented on the minute of the Internal Audit Update item, and asked why it referred to the action involving the Museum of London project being closed. The Head of Internal Audit responded that the action had been to explore whether the issues had been resolved. This action had been completed, and had found that the issues had not been resolved, which may be of continuing concern to the Committee.

The minutes of the meeting on 27 September 2022 were approved as a correct record.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Committee's Outstanding Actions List.

A Member said that they did not feel the Head of Internal Audit's comments at item 3, relating to the City Corporation's involvement in the Museum of London project, counted as a completed action. The Head of Internal Audit replied that they had provided a follow-up on the current status at the September meeting in September, reporting that there had been no substantive developments. At the request of the Member, the Head of Internal Audit undertook to circulate a written note to Members following the meeting, to provide confidence on this process.

5. **COMMITTEE WORK PROGRAMME**

Members received the Committee Work Programme.

The Chairman asked that deep dives on Planning and Electoral services to be scheduled for the upcoming year.

6. **2020-21 CITY FUND AND PENSION FUND STATEMENT OF ACCOUNTS APPROVAL**

Members received a report of the Chamberlain relative to the 2020-21 City Fund and Pension Fund Statement of Accounts, including the external auditor's audit completion reports, with representatives from BDO attending.

Members heard from the external auditors that formal completion of the main report was being held up by a national issue regarding infrastructure assets, but it was hoped that this would be resolved by a statutory instrument in January 2023. BDO were working with the Chamberlain to ensure that the lead-in time on the handover to Grant Thornton was as short as possible once this secondary legislation had gone through Parliament.

A representative from BDO said that they had been asked to issue an earlier, qualified opinion in advance of the above changes, but they noted that with one exception, no other audits with infrastructure assets had been signed off, as the Department for Levelling Up, Housing and Communities and CIPFA wanted to have no qualifications. BDO were therefore waiting for the SI rather than issue a qualified opinion.

A Member asked if there was a fall-back option should the above completion date be missed. Representatives from BDO replied that if there was a significant delay and it seemed that a solution could not be achieved in a reasonable timescale, it might be necessary to move towards a qualified opinion.

A Member asked if issuing qualified accounts would lead to any penalties in the City Corporation's fundraising with external investors. Officers undertook to return to the Committee with an answer on this question.

A Member asked if officers had maintained a log of the lessons learned during this process. The Chairman said that he hoped the Chamberlain's Department would be undergoing a continual process of improvement. Officers replied that it was worth recognising that this had been a protracted audit process and some of the issues that had been faced were unique. There were formal recommendations in the audit reports which officers would be taking away, and the Head of Internal Audit had been asked to look into the IT issues in particular. With regards to continual improvement, the department was currently going through the recruitment phase of the TOM process, which would be the first step in an improvement model. Officers were also in the initial stages of engaging with the new external auditors. The Chairman thanked officers for this response, and asked if the Chamberlain could also be asked to provide a response at the next possible opportunity.

A Member requested that the Committee be informed should the Chamberlain approve any material changes to the financial statements as recommended in the report.

RESOLVED, that – Members:

- Note the content of BDO's audit completion reports;
- Recommend approval of the 2020-21 City Fund and Pension Fund Statement of Accounts to the Finance Committee, acknowledging that the outstanding issue regarding infrastructure was still to be resolved; and
- Authorise to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material changes to the financial statements required before the signing including agreement of the final audit opinion to be issued linked to the resolution of the accounting of infrastructure assets.

7. **INTERNAL AUDIT UPDATE**

Members received a report of the Head of Internal Audit providing an update on Internal Audit activity.

A Member suggested that the information presented over ten pages in Appendix 2 to the report could have been kept to one page. They asked if it was necessary for senior officers to have information presented in such a simplified way. Officers replied that the information presented in the appendix was a simplified front-view of a Power BI dashboard, hosted on Sharepoint, which they hoped to develop into an interactive dashboard for senior officers to

use and to provide a live, agile system across a number of areas. The Chairman requested that officers return to the Committee with a demonstration of the dashboard once it was fully developed.

Members requested the following changes to the information included in the appendices:

- Adding the estimated completion dates to Appendix 1, and flagging any outstanding open recommendations and outstanding actions, especially for red items
- Changing the colours of the follow-ups in Appendix 2

A Member said that the information revealed the underlying dependency on IT infrastructure, and asked if it was possible for the Committee to get assurances on any risks related to IT infrastructure. The Chairman suggested a deep dive on the relevant corporate risks could be scheduled.

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

8. **COUNTER FRAUD & INVESTIGATIONS - 2022/23 MID-YEAR UPDATE REPORT**

Members received a report of the Chamberlain providing an update on Counter Fraud & Investigations activity.

At the request of a Member, officers undertook to provide a written update comparing levels of single person discount council tax fraud with appropriate local authorities.

Following a question from a Member, the Chairman requested that future reports include a breakdown of how much had been recovered under each item.

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

9. **RISK MANAGEMENT UPDATE**

Members received a report of the Chief Strategy Officer providing an update on risk management.

A Member noted that CR35 Unsustainable Medium Term Finances had been split into CR35 City Fund and CR38 City's Cash, with both now showing as red, and asked if they should have got to red sooner and if there were any lessons learned. The Chief Strategy Officer replied that the original CR35 had managed at Finance Committee, within the Chamberlain's Department and across the Executive Leadership team as a high priority. It had reached the Corporate Risk Register due to the split into City Fund and City's Cash. Officers were looking at how to consider risks outside of the sequence of the Chief Officer Risk Management Group and the Executive Leadership Board.

A Member asked why there was not a specific corporate risk around staffing and recruitment. In reply, officers said that an articulated risk on people, capability and capacity had been dealt with on departmental risk registers,

partly due to the previous absence of a Chief People Officer, a position which had now been filled. The risk had been returned to the Chief Officer Risk Management Group for discussion, and the Chief People Officer wanted to explore where the most pressing risks were. The Chairman requested that this be added to the schedule for Deep Dives.

A Member asked if the Committee could receive an interim update on climate. The Chairman requested that the Head of Internal Audit return with an update on this.

The Chairman requested that an inception date for risks be added to the information presented in the risk register.

RESOLVED, that – Members note:

- The report and the corporate and top red departmental risk registers outlined in this report.
- That CR35 Unsustainable Medium Term Finances has been split into two - CR35 City Fund and CR38 City's Cash - with both risks now showing as red.
- That CR16 Information Security has increased its risk rating, moving from amber to red.
- That CR17 Safeguarding has been reviewed by the Internal Audit team and is included in the Committee papers separately.

10. **DEEP DIVE RISK REVIEWS**

Members received a report of the Head of Internal Audit.

10.1 **Deep Dive: CR17 Safeguarding**

Members received a report of the Head of Internal Audit relative to a Deep Dive into CR17 Safeguarding.

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

11. **TREASURY MANAGEMENT OUTTURN 2021/22**

Members received a report of the Chamberlain relative to the Treasury Management Outturn 2021/22.

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

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

Members suggested that the Committee should consider doing another risk appetite review, and consider the frequency at which these reviews are undertaken.

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

There was no other business.

14. **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.

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

There was one non-public question.

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

There was no other business in the non-public session.

The meeting ended at 3.30 pm

Chairman

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