

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 13 March 2023

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Monday, 13 March 2023 at 10.00 am

Present

Members:

Alderman Alexander Barr (Chair)
Alderman Prem Goyal (Deputy Chairman)
Gail Le Coz (Deputy Chair, External)
Deputy Randall Anderson
Paul Martinelli
Alderman Bronek Masojada
Ruby Sayed
Naresh Hari Sonpar
Dan Worsley (External Member)

Officers:

Ian Thomas	- Town Clerk and Chief Executive
Caroline Al-Beyerty	- Chamberlain
Michael Cogher	- Comptroller and City Solicitor
Dionne Corradine	- Chief Strategy Officer
Emma Moore	- Chief Operating Officer
Bob Roberts	- Deputy Town Clerk
Peter Collinson	- City Surveyor's Department
Ben Dunleavy	- Town Clerk's Department
John Galvin	- City Surveyor's Department
Kehinde Haastrup-Olagunju Jnr	- Town Clerk's Department
Bruce Hunt	- Remembrancer's Department
Matthew Lock	- Chamberlain's Department
Paul Murtagh	- Community & Children's Services Department
Ola Obadara	- City Surveyor's Department
Tabitha Swann	- Town Clerk's Department
Sonia Virdee	- Chamberlain's Department
Genine Whitehorne	- Chief Operating Officer's Department
Paul Wright	- Remembrancer's Department

Also in attendance

Sophia Brown	- Grant Thornton (External Auditors)
Guy Clifton	- Grant Thornton (External Auditors)
Paul Dossett	- Grant Thornton (External Auditors)
Reshma Ravikumar	- Grant Thornton (External Auditors)

1. **APOLOGIES**

Apologies for absence were received from Rehana Ameer and Karen Sanderson.

Judith Pleasance observed the meeting virtually.

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**

The public minutes and non-public summary of the meeting held on 16 January 2023 were approved as a correct record.

The Chairman introduced the Town Clerk and Chief Executive and thanked him for joining the meeting.

The Town Clerk and Chief Executive thanked the Chairman for the invite and for his work while chairing the Committee. He provided Members with his impressions from his initial weeks in the role, and his thoughts on the key issues facing the City Corporation.

In response to a question from a Member on the City Corporation's workplace attendance policy, the Town Clerk and Chief Executive said it was important to recognise the benefits of both working from the office and working from home.

The Deputy Chair (External) asked if the Town Clerk and Chief Executive had thoughts on how Members might be able to virtually attend Committee meetings falling under local authority regulations. In reply, the Town Clerk and Chief Executive said that while the City Corporation would always need to work within the confines of the relevant legislation, he was keen to explore what could be done to use the available technology to improve outcomes for the various stakeholders.

A Member reflected on working practices within the City Corporation, commenting favourably on the cut-through of the Climate Action Strategy across the reports and decisions they had seen, but also on what they perceived to be a historic reluctance in the City to benchmark itself against comparable organisations. In reply, the Town Clerk and Chief Executive said that the Chairman of the Policy and Resources Committee had been very generous with his time in guiding the new Town Clerk through the strategic purpose of the City, and agreed that climate policies were critical, with a need to deliver on these rather than simply provide rhetoric.

The Chairman thanked the Town Clerk and Chief Executive for his candour, time and insight.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the outstanding actions of the Committee.

The Town Clerk informed Members that the actions under agenda items 10 and 15 from the meeting on 22 November 2023 had been completed.

The Chief Strategy Officer informed the Members that the work for the action under item 12 from the meeting on 22 November 2023 would be delayed due to resourcing issues.

5. COMMITTEE WORK PROGRAMME

Members noted the Committee's work programme.

6. EXTERNAL MEMBER - RE-APPOINTMENT

The Town Clerk provided a verbal update to Members regarding the Nominations and Effectiveness Sub-Committee, which had met that morning, informing the Committee that the Sub-Committee recommended the appointment of Dan Worsley as an External Member for a second three-year term, expiring in April 2026.

RESOLVED, that – the Committee recommends to the Court of Common Council that Dan Worsley be appointed to the Audit and Risk Management Committee for a second term, expiring in April 2026.

7. AUDITOR'S ANNUAL REPORT ON THE CITY OF LONDON CORPORATION: CITY FUND

Members received a report of the External Auditors providing the annual report on City Fund, and considered this alongside the Audit Progress and Findings Reports circulated as items 15a and 15b.

The Chairman expressed his thanks to Neilesh Kakad for all his work.

Members noted that the wording for recommendations 7 and 8 had been duplicated in error. The correct wording for recommendation 8 was read out as follows:

The Chamberlain commissioned an external review of HRA during 2022/23. The results will be presented to the Committee in March. Furthermore, implementation of the new ERP system will allow effective benchmarking to be progressed across areas. It should be noted that where the residential base for the City is in the region of c.8,000 residents some services will be more expensive when compared with neighbouring authorities; however, the recommendation has been noted and will be taken forward.

Members discussed Improvement Recommendation 3 of the report, which recommended a 'formal risk based approach to the programme of Internal Audit work', and focused on the merits of a formalised internal audit plan versus an agile plan. It was felt that an agile approach worked well for the City Corporation, as it allowed focus on the basis of risk, but that it was important to have structures that provided for oversight of all potential risks. The Head of Internal Audit confirmed that that the internal audit plan was a mix of both agile and planned work, which reflected current internal audit practice across most

institutions, and outlined the other structures and methods used to provide assurances on risks across the Corporation. He undertook to look at how to address the concerns regarding audit coverage against key systems and control areas. One way to cover this was through lighter-touch assurance work, which was becoming more necessary due to resourcing issues within the audit team. In reply, the External Auditors said they felt it was unusual not to have an annual audit plan, but acknowledged the point regarding resourcing. They hoped the Committee would receive assurances that resourcing would not pose a risk in covering internal audit work.

The Chamberlain noted her disappointment that the former External Auditors had not yet signed off the previous audit into City Fund. The Chairman confirmed that he would be happy to sign a potential letter if it was felt this would be helpful.

RESOLVED, that – the reports be received and their contents noted.

8. **INTERNAL AUDIT UPDATE**

Members received a report of the Head of Internal Audit providing an update on internal audit work.

The Deputy Chair (External) expressed her surprise that there were still outstanding audit recommendations from 2018/19. She asked if these concerns were still valid, or if they should be reviewed. In reply, the Head of Internal Audit said that the recommendations related to issues around the facilities at the Guildhall School of Music and Drama and the Barbican Centre. The recommendations had been dependent on other departments and an integrated management approach, and had taken longer to deliver than anticipated.

A Member asked how the Member Register of Interests and Related Party Transactions fitted into the work of internal audit. At the request of the Chairman, the City Solicitor reminded members of the legal requirements in these areas, and the responsibilities of the auditors. The Head of Internal Audit said that a review of this area had not been undertaken for some time, and that they could discuss with the relevant departments.

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, referring to CR39 Recruitment and Retention, asked where the balance of the risk lay, as there was not much information on recruitment. The Chief Strategy Officer replied that it related to both, with a huge amount of detail sitting behind the risk. A Member asked if the figure of 18.6 turnover included employees who had changed roles internally. The Chief Strategy Officer undertook to return with more information on this.

Members heard that the status of CR10 Adverse Political Developments had been reduced due to various external political developments and the efforts of officers from the Remembrancer's Department and the Corporate Affairs team.

RESOLVED, that – Members note:

- The report and the corporate and top red departmental risk registers outlined in the report, including the changes to the registers as follows:
 - The number of corporate risks had increased by one to 15 with the addition of a new corporate risk CR39 Recruitment and Retention (risk rating of Red 16, 4x4 - impact major, likelihood likely).
 - CR36 Protective Security had reduced its risk rating from red to amber (Amber 12, 4x3 - impact major, likelihood possible).
- That the number of red departmental risks had increased by one to 25 with the addition of five risks to the register since the last written update and the de-escalation of four risks to amber.

10. DEEP DIVE CR09 HEALTH, SAFETY AND WELLBEING

Members received a joint report of the Head of Internal Audit and the Chief Strategy Officer providing a Deep Dive into CR09 Health, Safety and Wellbeing.

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

11. RESOLUTION REGARDING GSMD RISKS

Members noted a resolution of the Board of Governors of Guildhall School of Music and Drama.

12. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2023/24

Members received a report of the Chamberlain relative to the Treasury Management Strategy Statement and Annual Investment Strategy 2023/24.

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

13. PROJECT GOVERNANCE

Members heard from the Commercial Director, who provided the Committee with an overview of project governance at the City Corporation.

The Chairman asked a question relating to the management of pipeline planning for projects such as Guildhall Refurbishment and Barbican Renewal. In response, the Director said that these would both be significant major programmes, and would require a robust development of their business cases.

A Member expressed their concerns that the governance of major projects sat in the wrong place. The Director replied that there would be a review of project governance which would cover this.

A Member expressed their hope that an overall view of the scale of the financial challenges ahead was being created. The Chamberlain replied that major projects were included in CR38 Unsustainable Medium Term Finances – City’s Cash. The Chamberlain hoped that third-party capital would be available to help fund projects.

In accordance with Standing Order 40, Members agreed to extend the meeting.

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

A Member asked a question on how the Committee could respond to the Guildhall Music of School and Drama risks. In reply, another Member, also the Deputy Chairman of the Board of Governors of the Guildhall School of Music and Drama, replied that it was important to ensure that the risk sat at the right level.

15. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

Two items of business were circulated under item 15, and considered under item 7.

15.1 Audit Progress Report

15.2 Audit Findings Report: Pension Fund

The non-public minutes of the meeting held on 16 January were approved as a correct record in the public session.

The meeting ended at 12.02 pm

Chairman

Contact Officer: Ben Dunleavy

ben.dunleavy@cityoflondon.gov.uk