

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 2022/23 Annual Report of the Audit and Risk Management Committee, reporting on activity from 1 April 2022 to 31 March 2023. 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.
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. The Committee has continued to play an important and integral part in ensuring key risks are reviewed through regular risk updates and deep dives of corporate risks (carried out by Internal Audit Team) on a rolling basis. The Committee has also served to improve engagement with the work of Internal Audit through receiving regular reports on completed work and monitoring 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 2022 to 31 March 2023 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 12 Members, together with three external members who provide additional knowledge and skills to support the function. Table 1 details the Committee Members during 2022/23.

Table 1: Members of the Audit & Risk Management Committee 2022/23

Alderman Alexander Barr (Chairman)
 Alderman Prem Goyal (Deputy Chairman)
 Gail Le Coz (Deputy Chair, External Member)
 Rehana Ameer, Deputy
 Randall Anderson, Deputy
 Christopher Boden, Deputy
 Henry Nicholas Almroth Colthurst, Deputy (Ex-Officio, Chairman of the Finance Committee)
 Paul Martinelli
 Alderman Bronek Masojada
 Judith Pleasance
 Karen Sanderson (External Member)
 Ruby Sayed
 Paul Singh
 Naresh Sonpar
 Dan Worsley (External Member)

5. The three external members are each appointed for a three-year term, which can be renewed twice. Following the end of Hilary Daniels' final term on 31 March 2022, the recommendation of the appointment of Karen Sanderson was ratified by the Court of Common Council on 21 April 2022. Gail Le Coz was elected as the Deputy Chair from the External Membership at the meeting on 24 May 2022. Dan Worsley was re-appointed for a second three-year term in April 2023.

Changes Within the Year

6. There were no specific change events that require mention here.

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 draft AGS for 2021/22 was presented at the 12 July meeting, receiving unanimous praise from the Committee, noting the enhancements made to the structure, format and content of the AGS following previous input from the Committee. The AGS was approved at this meeting for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.

Internal Audit

9. The Committee received the Head of Audit & Risk Management's Annual Audit Opinion for the year ended 31 March 2022 in May 2022:
- "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 programme of Internal Audit work 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 four cases. Those recommendations raised have been accepted by management.
11. The programme of Internal Audit work for 2022/23 was subject to review throughout the year. While the Committee recognised the benefits of operating a more flexible and agile Audit plan, there was agreement that this approach made it more challenging for Members to understand the broader spread of Internal Audit work over the longer term. The Committee supported the Head of Internal Audit in their approach to planning, although tasked them with providing a more detail in respect of the Audit Universe.
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 2022/23 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.
14. The current 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, establishes a clear system for the evaluation of

risk and escalation of emerging issues to the appropriate scrutiny level and 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. As part of the Target Operating Model (TOM), oversight of City Corporation risk management moved on 1 April 2022 from the Internal Audit Team to the Corporate Strategy and Performance Team (CSPT) to support an integrated, professional and insight-led approach to corporate strategy, planning, risk management and performance. Risk management officer governance structures were reviewed and updated terms of reference issued for the Chief Officer Risk Management Group (CORMG). This outlined their role as senior officers accountable for oversight of risk management on behalf of the Executive Leadership Board (ELB), which also considers cross-cutting corporate matters relating to risk management, as does the CoLC Senior Leadership Team (SLT) – both ELB and SLT are chaired by the Town Clerk and Chief Executive of City Corporation and attended by Chief Officers. CORMG met regularly during this period – both feeding into Committee update reports through their work on risk registers and overarching risk themes, as well as considering any challenges/questions raised by the Committee during their sessions.
17. Over the course of 2022/23, the Committee has exercised its oversight role by:
 - a. Receiving and reviewing quarterly risk update reports in relation to the corporate and red departmental level risks, including any corporate risks added or removed from the register and wider risk management topics identified by officer governance processes
 - b. Deep-dive review of individual corporate risks of which five were considered by the Committee in 2022/23.

Counter-Fraud

18. During 2022/23, the Corporate Anti-Fraud team completed 52 investigations across all fraud disciplines, with an associated value of £1,335,436. Whilst the value of these frauds is in the main notional, we identified recoverable amounts of £691,835, of which £636,251 has been recovered during the reporting year. The sum recovered was largely in respect of a single instance of mandate fraud, valued at £575,639. A series of management recommendations have been made to mitigate the risk of such instances of mandate fraud affecting the City in the future.
19. Single Person Discount and Social housing tenancy fraud remains a key fraud risk area for the Corporate Anti-Fraud team and a concern for the Committee; the team has had an increased focus over the past year on ensuring that where tenants commit fraud and benefit from unlawful subletting, robust action is taken to recover any profits made using Unlawful Profit Orders or Proceeds of Crime Act Investigations, the later through a partnership with Croydon Council's Financial Investigators. This has resulted in the identification of £108,425 in recoverable fraud, of which £82,066 has already been recovered. The remainder is subject to court ordered timescales for recovery.

Financial Reporting

20. The 2020/21 City Fund and Pension Fund Statements were approved in November 2021, but the final sign off was delayed due to a late query regarding the accounting of infrastructure assets – a national issue. Accordingly, the Committee recommended approval in November 2022, acknowledging that the final issue regarding infrastructure assets was still to be resolved. A statutory override in March 2023 provided a resolution for financial statements beginning on or before 1st April 2024; and the Committee therefore awaits final audit sign-off. The Committee's Chair wrote to the External Auditor in March 2023 to expedite final completion of the audit.
21. The Audit and Risk Management Committee has scrutinised the City Corporation's various 2021/22 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.
22. Having completed its review, the Audit and Risk Management Committee recommended approval of the 2021/22 statements to the relevant Committees and trustees as follows:
 - a. Statements for City's Cash, the City's Cash charities, Bridge House Estates and 12 sundry trusts at the January 2022 Committee meeting
 - b. Statements for the final 3 sundry trusts under urgency by the Town Clerk, in consultation with the Chairman and Deputy Chairs of the Committee, in April 2023. A report of action taken was presented to the Committee at its May meeting

Other Work of the Committee

23. 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.

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

DATED this 10th day of July 2022.

SIGNED on behalf of the Committee.

Alderman Prem Goyal
Chairman, Audit and Risk Management Committee