

Committee(s)	Dated:
Audit and Risk Management Committee	26/02/2024
Subject: Corporate Risk – Deep Dive Reviews: CR35 Unsustainable Medium-Term Finances - City Fund; CR37 Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets); CR38 Unsustainable Medium-Term Finances - City's Cash	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: the Chamberlain	For Discussion
Report author: Matt Lock, Head of Internal Audit	

Summary

Internal Audit has undertaken deep dive reviews in relation to CR35 Unsustainable Medium-Term Finances - City Fund; CR37 Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets); and CR38 Unsustainable Medium-Term Finances - City's Cash. The objective of the deep dive reviews is to examine the effectiveness of the arrangements in place for the systematic management of Corporate Risk.

The review found that:

- Risks are being reviewed regularly on system and updated accordingly.
- The impact of the mitigating actions had not been quantified and so it was not possible to assess the extent to which these will contribute to reduced risk.
- The target dates for all 3 risks are not the date by which the risk is expected to reach the target risk score, instead it is a significant review point.
- For CR37, progress against some of the mitigating actions is less advanced than anticipated.

The responsible officers engaged fully with this process, resulting in a transparent and full exchange of information, the findings of the deep dive review have been shared and it is anticipated that this will inform subsequent management review accordingly.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

1. Deep-dive reviews of the City of London Corporation's Corporate Risks are undertaken by Internal Audit and reported to this Committee. The report is 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

2. The deep dive report 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
3. This report is focussed on Corporate Risks CR35 Unsustainable Medium-Term Finances - City Fund; CR37 Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets); CR38 Unsustainable Medium-Term Finances - City's Cash. The relevant extracts from the Risk Register are shown as Appendix 1.

CR35 Unsustainable Medium-Term Finances - City Fund and CR38 Unsustainable Medium-Term Finances - City's Cash

Area of Testing	Audit Findings
Risk Register Maintenance	<ul style="list-style-type: none">▪ All key information fields are populated.▪ The risk register has been reviewed on system 6 times in 10 months, which meets the requirements of the Risk Management Framework and is considered sufficiently frequent to ensure that Chief Officers are presented with timely information.
Mitigating Actions	<ul style="list-style-type: none">▪ It is unclear in some instances what mitigation actions will deliver and what impact will be achieved by the individual due dates.
Monitoring Arrangements	<p>There are adequate monitoring arrangements in place to identify changes in the internal / external environment that may impact on the risk score:</p> <ul style="list-style-type: none">▪ Finance Committee – monthly▪ Senior leadership team – monthly▪ Star Chamber – officers (last held June 2023) and monitored by Finance Business partners on quarterly basis.

	Also, it should be noted that the above monitoring is supplemented by other officer forums which review performance and relate to mitigation of this corporate risk.
General Observations and Overall Commentary	On the basis of the information contained within the Corporate Risk Register and clarifications obtained from relevant officers, Internal Audit cannot provide assurance that the target risk score will be achieved by the stated due date of 31 March 2024. It is understood that the overall risk due date is being used as the next significant review date i.e. the date when further relevant financial information will be known. Updates against individual actions comprise statements which do not facilitate independent review of incremental progress in mitigating the overall risk; in some cases it is unclear what action (and impact) is expected by the individual due dates and whether or not delivery against these is on track.

CR37 Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets)

Area of Testing	Audit Findings
Risk Register Maintenance	<ul style="list-style-type: none"> ▪ All key information fields are populated. ▪ The risk is subject to regular review; in the main this has been reviewed and updated on a monthly basis with some instances noted where there are two-month periods between updates. This meets the requirements of the Risk Management Framework and is considered sufficiently frequent to ensure that Chief Officers are presented with timely information.
Mitigating Actions	<ul style="list-style-type: none"> ▪ In 4 out of 6 cases, mitigating actions are considered not on target for completion by their stated due dates. ▪ The impact of the mitigations to this risk should be stated more explicitly to enable better understanding of their significance.
Monitoring Arrangements	<p>There are adequate monitoring arrangements in place to identify changes in the internal /external environment that may impact on the risk score. This conclusion has been made on the basis that:</p> <ul style="list-style-type: none"> ▪ The City Surveyor’s department has a dedicated Corporate Property Division together with an Operational Property Group which both employ highly qualified and experienced Surveyors that understand the risk implications for operational property maintenance arising from changes in both the internal and external environment. ▪ Asset Management Plans are in place and subject to monitoring for each operational property. ▪ The City Surveyors department has representation on the Chief Officers Risk Management Group and holds quarterly departmental risk management meetings which

	<p>are supported by directorate risks management meetings. These provide the opportunity to consider how changes in the internal and external environment impacts on risks under its control.</p>
<p>General Observations and Overall Commentary</p>	<p>On the basis of the information contained within the Corporate Risk Register and discussions with management, the planned mitigating actions are unlikely to reduce the current risk score to target level by the stated due date of 31 March 2024. The extent to which the current risk score can be reduced to the target level is highly dependent on allocation of funding of £133m required to bring operational assets up to the required standard; at the current time, the funding has yet to be made available. It is understood that the risk due date is being used as the 'next review date' i.e. the date when further information regarding available funding will be known, and it is unclear what the target date is for actually reducing the risk score to the target level</p> <p>In order to ensure that Members can provide effective oversight in respect of the management of this corporate risk, the register should clearly set out the extent to which the funding required to deliver the backlog maintenance programme has been secured, and if not, the likely impact on reducing the Corporate Risk Score to target level.</p>

Corporate & Strategic Implications

- 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

- Internal Audit has identified opportunities to improve the application of a systematic approach to managing risk and the extent to which the Corporate Risk Management framework is applied.

Appendices

- **Appendix 1:** Risk Register Extract – CR35, CR37 & CR38

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