

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	08/07/2024
<b>Subject: Corporate Risk – Deep Dive Reviews: CR01 Resilience; CR36 Protective Security</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: the Chamberlain</b>	<b>For Discussion</b>
<b>Report author: Matt Lock, Head of Internal Audit</b>	

### **Summary**

Internal Audit has undertaken deep dive reviews in relation to CR01 Resilience and CR36 Protective Security. 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:

- Neither risk is being reviewed as frequently as expected within the risk management framework, Chief Officer Risk Management Group does not, therefore, always have the most up to date information when considering these risks.
- In both cases, the level of detail recorded in the mitigations is not reflective of the actual mitigating activity 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 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 CR01 Resilience and CR36 Protective Security. The relevant extracts from the Risk Register are shown as Appendix 1 and 2 respectively.

### CR01 Resilience

Area of Testing	Audit Findings
Risk Register Maintenance	<ul style="list-style-type: none"><li>▪ All key information fields are populated.</li><li>▪ The risk register has been reviewed on system quarterly rather than monthly, which falls short of the requirements of the Risk Management Framework, and is not considered sufficiently frequent to ensure that Chief Officers are presented with timely information.</li></ul>
Mitigating Actions	<ul style="list-style-type: none"><li>▪ It is unclear to what extent mitigation actions will deliver positive outcomes and what impact these will have on the overall risk level.</li><li>▪ The lead officer demonstrated robust knowledge and understanding of the risk and mitigations in place, beyond the level of depth captured in the risk register – indicating that the risk register is not a complete and accurate reflection as to how this risk is being managed.</li></ul>
Monitoring Arrangements	The risk has been updated quarterly although is incorporated within the monthly review at Chief Officers Risk Management Group.
General Observations and Overall Commentary	The risk mitigation approach and assessment do not appear to align; the risk is recorded as having an "accept" approach yet has a reduced target risk. It is not possible, based on the available information, to determine the likelihood of the target risk score being achieved by the associated target date.

## CR36 Protective Security

Area of Testing	Audit Findings
Risk Register Maintenance	<ul style="list-style-type: none"> <li>▪ The key information fields are populated, although the risk register does not consistently contain sufficient information to enable effective oversight at Chief Officer Risk Management Group.</li> <li>▪ The risk register has been reviewed on system 4 times in the past 12 months rather than monthly, which falls short of the requirements of the Risk Management Framework and is not considered sufficiently frequent to ensure that Chief Officers are presented with timely information.</li> </ul>
Mitigating Actions	<ul style="list-style-type: none"> <li>▪ Stated mitigating actions lack detail, updates to mitigating actions show no change to the detail so far in 2024.</li> <li>▪ It is not evident what impact mitigating actions will have on this risk, particularly given we are currently tracking at the target risk score.</li> </ul>
Monitoring Arrangements	<p>This risk is being actively monitored at Senior Security Board, this forum receives a greater depth of information than is captured on the Corporate Risk Register, although this is in what is best described as a “shadow risk register”. This review is at a different frequency to the review of the actual risk register and information recorded is not aligned. This impacts the ability of Chief Officers Risk Management Group to fulfil its remit in relation to this risk.</p>
General Observations and Overall Commentary	<p>The overall strategy for managing this risk is not clear; the current risk assessment is that this risk is at target risk level, yet the risk register states this is above target, suggesting a “reduce” approach.</p> <p>The risk register does not accurately reflect the active management of this risk, management stated concerns around confidentiality, however it is Internal Audit’s view that it is possible to provide sufficient and timely information to support effective oversight.</p>

### Corporate & Strategic Implications

4. 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

5. 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 – CR01
- **Appendix 2:** Risk Register Extract – CR36

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