

## **AUDIT & RISK MANAGEMENT COMMITTEE**

### **Annual Report 2023/24**

#### **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 2023 to 31 March 2024 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 2023/24.

#### **Table 1: Members of the Audit & Risk Management Committee 2024/25**

Alderman Prem Goyal (Chairman)  
Alderwoman Elizabeth King (Deputy Chairman)  
Gail Le Coz (Deputy Chair, External Member)

Randall Anderson, Deputy  
Christopher Boden, Deputy

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Henry Nicholas Almroth Colthurst, Deputy (Ex-Officio, Chairman of the Finance Committee)

Alderman Bronek Masojada  
Judith Pleasance  
Karen Sanderson (External Member)  
Ruby Sayed

Naresh Sonpar  
Dan Worsley (External Member)  
Alderman Alexander Barr  
Alderman Kawsar Zaman

5. The three external members are each appointed for a three-year term, which can be renewed twice:
- Karen Sanderson (appointed for a three-year term expiring April 2025)
  - Dan Worsley (appointed for a three-year term expiring in April 2026)
  - Gail Le Coz (appointed for a three-year term expiring in April 2027)

### **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 2022/23 was presented at the 13 May meeting. Members of the Committee said an addition to the AGS should be made to reflect the importance of member induction, with forthcoming elections in March 2025. 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 2024 in May 2024:

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*“On the basis of Internal Audit work undertaken in 2023/24, I am able to draw a reasonable conclusion as to the adequacy and effectiveness of the City’s risk management, control and governance processes. In my opinion, the City has adequate and effective systems of internal control in place to manage the achievement of its objectives.”*

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 and the Committee monitors the progress in recommendation implementation. The Committee has worked with the Head of Internal Audit to develop reporting information and the mechanisms for tracking implementation.
11. The programme of Internal Audit work for 2023/24 was subject to review throughout the year. The Committee recognised the resourcing challenges faced by the Internal Audit function during the year and noted the resulting impact on the scale and spread of Internal Audit coverage. A proposal was supported to request an increase to the resource base for Internal Audit.

## **Risk Management**

12. 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.
13. The City Corporation’s Risk Management Strategy was reviewed over this period, with Audit and Risk Management Committee endorsing the new five-year strategy in May 2024. The review was informed by the Committee’s feedback on culture and approach, by Internal and External Audit reviews and best practice, and by input from the Chief Officer Risk Management Group (CORMG), the Executive Leadership Board and the City Corporation’s Risk Management Forum (RMF).
14. The Risk Management Strategy 2024-2029 differs from the previous iteration in:
  - The articulation of four strategic objectives delivered across the five years and aligned with the Corporate Plan and People Strategy
    - *An agile and effective risk management approach*
    - *Enhanced risk culture*
    - *Informed decision making*
    - *An appetite for risk*
  - The inclusion of an action plan to guide work to achieve the strategic objectives
  - Measurements to help assess progress and success of the strategy
  - Separation of the overarching Risk Management Strategy from the Risk Management Policy document. The policy is being updated in FY24/25 and will outline the City Corporation’s risk management structure and processes

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which, together with guidance and training, will help realise the strategic objectives in this space.

15. A review into City Corporation risk appetite requested by Members was carried out in Q4 by Zurich Resilience Solutions' Risk and Resilience Team, with the findings and follow-on work reported to the Committee in FY2024/25. The Chief Officer Risk Management Group (CORMG) met regularly during this period with their work on risks and overarching themes feeding into Committee update reports and the challenges/questions raised by Members during committee meetings on risk management incorporated into CORMG discussions.
16. In addition, over the course of 2023/24, the Committee has exercised its oversight role by:
  - 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
  - Deep-dive review of individual corporate risks of which six were considered by the Committee in 2023/24.

#### **Counter-Fraud**

17. During 2023/24, the Corporate Anti-Fraud team completed 56 investigations across all fraud disciplines, with an associated value of £977,174. The majority of this relates to notional or preventative savings.
18. The team have increased their focus on supporting business units to better understand their fraud risks and develop fraud risk registers, through fraud risk workshops, helping to design out the risks of fraud in high-risk areas, such as transactional finance operations.
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 on utilising the London NFI fraud hub, with a 20% increase in referrals as a direct result of data-matching in this area, whilst allowing for continuous auditing of tenant data to identify concerns for further review – this has been particularly successful in identifying, at an early stage, tenants that have passed away and mitigating the risk that the City will not be informed of a tenants death, and ensuring enhanced vetting of tenancy succession applications to prevent fraud.
20. The City's Counter Fraud team led on a pan-London collaboration to tackle the risk of staff working across multiple permanent and agency roles, resulting in the release of 968 referrals to 26 London NFI Fraud Hub members for further investigation.

## Financial Reporting

21. Significant progress has been made in clearing the outstanding statements of accounts during 2023/24. At the beginning of the year, the 2020/21 City Fund and Pension Fund Statements had been approved back in November 2021, but the final sign off was delayed due to a late query regarding the accounting of infrastructure assets – a national issue. This technical issue was resolved with the release of temporary variations to the accounting code by CIPFA in January 2023. In line with the previous approval in 2021, the 20/21 City Fund accounts were also signed off during 23/24 in order to enable the signing of future years.
22. During the year the Audit and Risk Management Committee were presented with the audit findings report for City Fund (21/22) and Pension Fund (21/22 and 22/23) in the November meeting. The Audit Findings Report for the City Fund 22/23 was then presented to the Committee in the February 2024 meeting.
23. The audit findings report for City's Estate (formerly City's Cash), was presented to Audit and Risk Management Committee in November for the 22/23 accounts.
24. Having completed its review, the Audit and Risk Management Committee recommended approval of the following statements to the relevant Committees and trustees as follows:
  - Statements for City Fund and Pension Fund accounts (21/22 and 22/23) in the November 2023 meeting.
  - Statements for City's Estate, the City's Estate charities, City Bridge Foundation (formerly Bridge House Estates) and 14 sundry trusts at the November 23 Committee meeting
25. The City of London has successfully addressed the entire backlog of statements of account, largely due to the exceptional efforts of both management and the auditors.