

Report – Audit and Risk Management Committee

Annual Report

To be presented on Thursday, 5th December 2024

*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 2023/24 Annual Report of the Audit and Risk Management Committee, reporting on activity from 1 April 2023 to 31 March 2024. 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.

RECOMMENDATION

Members of the Court are asked to note the 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 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 bring a wide range of skills and considerable experience in various technical and professional areas. They are supported by a periodic skills gap analysis conducted by the Nominations Committee. The Committee consists of 12 members, along with three external members who provide additional knowledge and skills.

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
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 has given notice of her intention not to renew her appointment and authorisation to advertise for her replacement was approved accordingly at the Committee meeting held in November 2024.

- 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 govern the City of London's City Fund activities, mandate that an audited body must annually review the effectiveness of its internal control, risk management, and governance systems. This review must be documented in an Annual Governance Statement (AGS), which is published alongside the authority's Statement of Accounts. The AGS aims to:

- Provide a brief description of the governance framework.
- Outline the activities undertaken to evaluate the governance framework and the results of that review.
- Present an action plan to enhance the effectiveness of the governance framework.

8. The draft AGS for 2022/23 was presented at the 13 May meeting. Committee Members suggested adding a section to emphasise the importance of Member induction, especially with the upcoming 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. In May 2024, the Committee received the Head of Audit & Risk Management's Annual Audit Opinion for the year ending 31 March 2024. The opinion stated:
“Based on the Internal Audit work conducted in 2023/24, I can reasonably conclude that the City’s risk management, control, and governance processes are adequate and effective. In my opinion, the City has sufficient internal control systems in place to achieve its objectives.”
10. The Internal Audit programme is aligned with the City’s corporate and departmental objectives and key risks to ensure these areas are adequately covered. The Internal Audit identified several opportunities for improving controls and procedures, issuing a “Limited (Red) Assurance” opinion in four cases. Management has accepted the recommendations, and the Committee monitors the progress of their implementation. The Committee has collaborated with the Head of Internal Audit to enhance reporting information and tracking mechanisms.
11. Throughout the year, the Internal Audit programme for 2023/24 was reviewed. The Committee acknowledged the resourcing challenges faced by the Internal Audit function and the impact on the scope and coverage of the audits. Consequently, a proposal to increase the resource base for Internal Audit was supported and recruitments are currently underway.

Risk Management

12. The Committee is tasked with monitoring and overseeing the City of London Corporation’s risk management strategy, ensuring that the authority’s assurance framework accurately reflects the risk environment.
13. During this period, the City Corporation’s Risk Management Strategy was reviewed, and in May 2024, the Audit and Risk Management Committee endorsed the new five-year strategy. This review was informed by feedback from the Committee on culture and approach, Internal and External Audit reviews and best practices, and 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 introduces several changes from the previous version:
 - It articulates four strategic objectives to be delivered over five years, 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

- It includes an action plan to guide efforts to achieve these strategic objectives.
 - It provides measurements to assess the progress and success of the strategy.
 - It separates the overarching Risk Management Strategy from the Risk Management Policy document. The policy, being updated in FY24/25, will outline the City Corporation's risk management structure and processes, which, along with guidance and training, will help realise the strategic objectives.
15. In Q4, a review of the City Corporation's risk appetite, requested by Members, was conducted by Zurich Resilience Solutions' Risk and Resilience Team. The findings and subsequent work were 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. The challenges and questions raised by Members during committee meetings on risk management were incorporated into CORMG discussions.
16. Throughout 2023/24, the Committee has exercised its oversight role by:
- Receiving and reviewing quarterly risk update reports related to corporate and red departmental level risks, including any corporate risks added or removed from the register and broader risk management topics identified by officer governance processes.
 - Conducting deep-dive reviews of individual corporate risks, with six such reviews considered by the Committee in 2023/24.

Counter-Fraud

17. During 2023/24, the Corporate Anti-Fraud team conducted 56 investigations across various fraud disciplines, with an associated value of £977,174. Most of this value pertains to notional or preventative savings.
18. The team has increased its focus on supporting business units to better understand their fraud risks and develop fraud risk registers. This has been achieved through fraud risk workshops, which help design out fraud risks in high-risk areas such as transactional finance operations.
19. Single Person Discount and social housing tenancy fraud remain key risk areas for the Corporate Anti-Fraud team and a concern for the Committee. The team has intensified its use of the London NFI fraud hub, resulting in a 20% increase in referrals due to data-matching in this area. This approach has allowed for continuous auditing of tenant data to identify concerns for further review. It has been particularly successful in early identification of deceased tenants, mitigating the risk of the City not being informed of a tenant's death, and ensuring enhanced vetting of tenancy succession applications to prevent fraud.
20. The City's Counter Fraud team led a pan-London collaboration to address the risk of staff working across multiple permanent and agency roles. This effort resulted in the release of 968 referrals to 26 London NFI Fraud Hub members for further investigation.

Financial Reporting

21. Considerable progress was 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, which was a national issue. This technical issue was resolved with the release of temporary variations to the accounting code by CIPFA in January 2023. Consequently, the 2020/21 City Fund accounts were also signed off during 2023/24, in line with the previous approval in 2021, to enable the signing of future years.
22. During the year, the Audit and Risk Management Committee was presented with the audit findings report for City Fund (2021/22) and Pension Fund (2021/22 and 2022/23) at the November meeting. The Audit Findings Report for the City Fund 2022/23 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 the Audit and Risk Management Committee in November for the 2022/23 accounts.
24. Having completed its review, the Audit and Risk Management Committee recommended approval of the 2022/23 statements to the relevant Committees and trustees as follows:
 - Statements for City Fund and Pension Fund accounts (2021/22 and 2022/23) at 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 2023 Committee meeting.

Other Work of the Committee

25. The Nominations and Effectiveness Sub-Committee of the Audit and Risk Management Committee conducted a review of the Committee's effectiveness and skills in early 2024, a review that had not been conducted since 2018. The results from the Effectiveness and Skills Review exercise show that the Audit and Risk Management Committee is generally perceived to be performing effectively, but with certain areas that could benefit from addressing. Two potential methods to address this are through an action plan and more regular training and support arrangements.

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

DATED this 27th day of November 2024.

SIGNED on behalf of the Committee.

Alderman Prem Goyal
Chairman, Audit and Risk Management Committee