

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 4 November 2024

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Monday, 4 November 2024 at 11.00 am

Present

Members:

Alderman Prem Goyal, OBE (Chairman)
Alderman Alexander Barr
Deputy Christopher Boden
Alderwoman Elizabeth Anne King, BEM JP
Karen Sanderson (External Member)
Ruby Sayed
Naresh Hari Sonpar
Gail Le Coz (External Member)
Dan Worsley (External Member)

In Attendance:

Judith Pleasance
James St John Davis

Officers:

Caroline Al-Beyerty	- Chamberlain
Dionne Corradine	- Chief Strategy Officer
Iain Jenkins	- Chamberlain's Department
Kate Limna	- Chamberlain's Department
Matt Lock	- Chamberlain's Department
Pauline Mouskis	- Chamberlain's Department
Daniel Peattie	- Chamberlain's Department
Blair Stringman	- Town Clerk's Department
Tabitha Swann	- Town Clerk's Department
Sonia Virdee	- Chamberlain's Department
Edward Wood	- Comptroller & City Solicitor's
Thomas Wrench	- Town Clerk's Department

Also in attendance:

Sophia Brown	- Grant Thornton
Jasmine Kemp	- Grant Thornton
Grant Patterson	- Grant Thornton

1. APOLOGIES

Apologies were received from Alderman Kawsar Zaman and Deputy Randall Anderson.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That, the public and non-public summary minutes of the meeting held on 23 September 2024 be agreed as a correct record.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received a report of the Town Clerk concerning outstanding actions.

The following points were noted:

- **School Meetings:** Officers reported that meetings were held with two schools, and the third meeting was deemed unnecessary due to shared financial services. The schools reported good progress in implementing recommendations. Follow-up work for the Boys' and Girls' schools is scheduled for January 2025.
- **Member Declarations:** Officers updated that the number of related party declarations had been reduced from 15 to 8, and further action would be escalated to the Chief Commoner.
- **CR36 Protective Security:** Officers noted that CR36 had been completely overhauled, with mitigations reviewed and inconsistencies addressed. The full update was available in the main agenda pack, and it was requested that the action be closed.
- **Nominations & Effectiveness Sub-Committee:** A Member asked that the sub-committee actions be reviewed and appropriately closed.

5. **COMMITTEE WORK PROGRAMME**

The Committee received a report of the Town Clerk concerning the Committee Work Programme.

6. **ANNUAL REVIEW OF TERMS OF REFERENCE OF THE AUDIT RISK MANAGEMENT COMMITTEE**

The Committee considered a report of the Town Clerk concerning the annual review and approval of the Terms of Reference for the Audit Risk Management Committee.

The following points were noted:

- **Membership Updates:** Amendments were requested to update titles and Membership. The Town Clerk advised that this takes place prior to submission to the Court of Common Council meeting in April 2025.
- **Service Periods:** Members noted that three Members, were nearing the maximum service period of nine years within any 12-year period. They suggested starting a campaign to find replacement talents for those stepping down next year.
- **Net Zero Reporting:** A question was raised about the committee's role in mandatory net zero reporting. Officers discussed the upcoming international standards on sustainability reporting and the potential for early adoption by the corporation.

- **Risk Appetite:** A Member noted that risk appetite was not included in the terms of reference and emphasised its importance. It was agreed to take this away for further consideration.
- **Public vs. Private Items:** A Member suggested clarifying how decisions are made about what items are public versus private, The Town Clerk clarified that this is defined in Part I of Schedule 12A of the Local Government Act and is set out for any materials that are to be considered in non-public.
- **Hybrid Meetings:** A Member raised the possibility of hybrid meetings following the announcement by the Government. The Town Clerk noted that any implications may not be seen for some time, however, this would be kept under review and monitored.

RESOLVED – That Members, Agree that the terms of reference of the Audit Risk Management Committee, subject to any comments, be approved for submission to the Court of Common Council in April, and that any further changes required in the lead up to the Court’s appointment of Committees be delegated to the Town Clerk in consultation with the Chairman and Deputy Chairman.

7. **EXTERNAL MEMBER APPOINTMENT**

The Committee considered a verbal update from the Town Clerk concerning an external Member appointment to the committee.

The following points were noted:

- **Notice of Non-Reappointment:** It was noted that Karen Sanderson has given notice that she does not intend to stand for reappointment following the expiry of her term.
- **Timeline for Appointment:** The Town Clerk outlined the proposed timeline which included advertising the position in December-January, shortlisting applicants in January, interviewing in February, and recommending a candidate to the Court of Common Council in April, with a new Member starting in May.
- **Authorisation for Recruitment:** The committee agreed to authorise the Town Clerk to finalise a role profile and application form for an external member of the Audit Risk Management Committee for a term of three years.

RESOLVED – That Members, authorise the Town Clerk to finalise the role profile and application form for External Member of The Audit and Risk Management Committee, for a term of three years.

8. **INTERNAL AUDIT UPDATE**

The Committee received a report of the Head of Internal Audit concerning an update on Internal Audit activity during September and since the last update provided to the Committee.

The following points were noted:

- **Audit Findings:** The internal audit report highlighted that most completed audits resulted in limited assurance, with only one providing moderate assurance. This reflects a focus on higher-risk areas. Members requested additional information on the audit universe for the upcoming calendar year, extending beyond Q3/Q4.
- **Community and Children's Services:** The audit of Community and Children's Services revealed issues with risk management processes, including risk owners not managing their risk registers. This raised concerns about the consistency of risk management across the organisation.
- **Outstanding Recommendations:** There were several high-priority recommendations still outstanding, particularly related to schools and housing. Follow-up work is planned for January 2025 to assess progress.
- **Team Development and Strategy:** The internal audit team was focusing on developing the skills of junior auditors and creating an internal audit strategy to align with new global standards.
- **Value for Money (VFM) Audit:** The internal audit plan for the rest of the year does not yet incorporate findings from the recent VFM audit, but these will be considered for the 2025-2026 plan.
- **Flexibility of Audit Plan:** While the audit plan is designed to be dynamic, there are practical limitations to making significant changes within the remaining months of the year. Urgent audits can still be prioritised as needed.

9. RISK MANAGEMENT UPDATE

The Committee received a report of the Chief Strategy Officer concerning an update on the corporate and top red departmental risk registers since they were last reported to the Committee in September 2024.

The following points were noted:

- **Policy and Strategy:** The update included references to the ongoing implementation of the Risk Management Strategy, which aims to improve the consistency and effectiveness of risk management practices across the organisation.
- **Training and Culture:** Emphasis was placed on the importance of training and developing a risk-aware culture among staff, with plans for further training sessions and initiatives to embed risk management into daily operations.
- **Chief Officer Risk Management Group:** The Chief Officer Risk Management Group continues to play a key role in overseeing risk management activities and ensuring that risk management practices are aligned with organisational objectives.
- **Next Steps:** The next steps involve further socialisation of the risk management policy, ongoing training, and continued monitoring and reporting of risk management activities to ensure continuous improvement.

10. COUNTER FRAUD & INVESTIGATIONS – 2024/25 MID-YEAR UPDATE REPORT

The Committee received a report of the Head of Internal Audit concerning counter fraud and investigation, mid-year update.

The following points were noted:

- **Fraud Investigations:** The report detailed ongoing and completed fraud investigations, highlighting key cases and outcomes. Specific details on the nature of the frauds and the actions taken were included.
- **Preventive Measures:** Emphasis was placed on preventive measures and initiatives to reduce the risk of fraud within the organisation. This includes training, awareness programs, and the implementation of robust internal controls.
- **Collaboration:** The update mentioned collaboration with other departments and external agencies to enhance the effectiveness of fraud detection and prevention efforts.
- **Future Plans:** Future plans include continuing to strengthen the counter fraud framework, conducting regular risk assessments, and ensuring that all staff are aware of their roles in preventing and detecting fraud.

11. **CITY OF LONDON CORPORATION RISK MANAGEMENT POLICY**

The Committee considered a report of the Chief Strategy Officer concerning a draft Risk Management Policy outlines the City of London Corporation's risk management framework and expectations.

In response to a Member's question, it was noted that the Risk Management Policy aims to ensure effective risk management across the City Corporation and its Institutions. It integrates risk management into daily operations and decision-making processes.

Members noted their appreciation for the progress in developing risk management and highlighted the importance of distinguishing between risks and issues. They were impressed by the policy's clear explanation of this distinction. Members emphasised the need for the appetite statements, which are under development, to be owned by Members, not Officers. It was suggested that examples would help illustrate how committees would use these statements.

Members suggested that training, especially for committee chairs and deputy chairs, would bolster Members' understanding of risk management. Officers confirmed that training would coincide with the March 2025 elections. One Member proposed the inclusion of time, in addition to impact and likelihood, in the assessment of risk.

The following points were also noted:

- **Policy Overview:** The policy aims to provide a comprehensive framework for managing risks across the City of London Corporation, ensuring consistency and effectiveness in risk management practices.
- **Governance and Applicability:** The policy will be applied across all departments and institutions within the Corporation, including the City

Bridge Foundation and the City of London Police (subject to agreement). It emphasises the roles and responsibilities of officers at various levels.

- **Key Components:** The policy includes definitions of risk management, the difference between risks and issues, and the importance of risk appetite. It also outlines the processes for identifying, assessing, managing, and reporting risks.
- **Training and Culture:** There is a strong focus on training and developing a risk-aware culture among staff. This includes integrating risk management into training programs and performance management.
- **Implementation and Monitoring:** The policy will be socialised through various forums and training sessions. Regular reviews and updates will be conducted to ensure the policy remains relevant and effective.
- **Next Steps:** The next steps involve finalising the policy, obtaining approvals from relevant committees, and rolling out the policy across the organisation.

RESOLVED – That Members,

- a) Endorse the draft Risk Management Policy
- b) Authorise the Chair and Deputy Chair of Audit and Risk Management Committee to agree any minor changes to the content of the draft document, subject to comments from the City Bridge Foundation Board and City of London Police Authority Board

12. **2023-24 CITY'S ESTATE FINANCIAL STATEMENTS**

The Committee considered a report of the Chamberlain concerning the annual report and consolidated financial statements for City's Estate, for the year ending 31 March 2024 and annual reports and financial statements of the open spaces and sundry trust charities which are consolidated within the City's Estate accounts.

- **Progress and Deadlines:** Officers noted that significant progress had been made, with the aim to complete most of the accounts by the end of the month. The deadline for the charities' accounts is January 31st, but efforts were being made to finalise them earlier.
- **Audit and Recommendations:** The consolidation process was noted to have improved significantly compared to the previous year.
- **Barking Power Limited:** There was a discussion on the provisions related to Barking Power Limited, with ongoing work to finalise the figures.
- **Management Accounts:** A recommendation was made to restart the routine production of management accounts to enhance oversight and challenge.
- **Next Steps:** Both the audit team and the City's Estate team are focused on completing the outstanding items and finalising the accounts by the end of November.

RESOLVED – That Members, recommend approval of the 2023-24 City's Estate Financial statements, and the financial statements of each of the 9 consolidated charities, for the year ending 31 March 2024 to Finance Committee.

13. **SUNDRY TRUSTS FINANCIAL STATEMENTS 2023-24**

The Committee considered a report of the Chamberlain concerning approval of the annual reports and financial statements for the 11 Sundry Trust charities for the year ended 31 March 2024.

The following points were noted:

- **Overview:** The financial statements for 11 sundry trusts were presented. These trusts are not consolidated into the City's Estate accounts.
- **Audit Requirements:** Out of the 11 trusts, four do not require an audit, three require full audits, and four require independent examinations.
- **Progress:** Good progress has been made on the financial statements, with the aim to sign off on most of them by the end of the month.

RESOLVED – That Members, recommend approval of the annual reports of the 14 charities presented for the year ended 31 March 2024, to the Finance Committee for those charities where the Corporation is Trustee; to the Aldermen for the Emmanuel Hospital charity where the Corporation is acting by the Court of Aldermen as the named corporate trustee; and to the individual trustees of the Sir William Coxen Trust Fund and the Samuel Wilson Loan Charity (see Appendix 1 of the report for charity registration numbers).

14. **EXTERNAL AUDITOR'S ANNUAL REPORT 2023-24 - CITY FUND**

The Committee received a report of the Chamberlain concerning the external auditor's Annual Audit Report summarising all of the work that Grant Thornton has undertaken in relation to the City Fund during 2023-24.

The following points were noted:

- **Key Findings:** The report contained a significant number of amber ratings, indicating areas for improvement. There were no red ratings, which would indicate significant weaknesses.
- **Comparative Context:** It was noted that other local authorities often have reports with red ratings, making the absence of red ratings in this report a positive aspect. Green ratings are rare, and the presence of some greens in this report is commendable.
- **Recommendations and Actions:** The report included several recommendations for improvement, with some actions scheduled to be completed within six months. There was a discussion on the feasibility of meeting these deadlines.
- **Next Steps:** The Chamberlain's team will gather all recommendations and work on implementing them, with an expectation of seeing more green ratings in the next year's report as progress is made.

15. **AUDIT RISK MANAGEMENT ANNUAL REPORT**

The Committee considered a report of the Chamberlain concerning the Annual Report of the Audit and Risk Management Committee, reporting on activity up to 31 March 2023.

The following points were noted:

- The report summarised the committee's activities and achievements over the past year. It was suggested to include the review of the committee's effectiveness that was carried out during the year. The report was approved with the inclusion of the suggestion to mention the committee's effectiveness review.

RESOLVED – That Members, Agree the 2022/23 Annual Report of the Audit and Risk Management Committee at Appendix 1 of the report for onward submission to the Court of Common Council in December 2024.

16. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.

17. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There was one item of urgent business concerning a late supplementary report.

17.1 **Treasury Management Outturn 2023/24**

The Committee received a report of the Chamberlain concerning matters relating to the Treasury Management Outturn 2023/24.

18. **EXCLUSION OF THE PUBLIC**
Members did not move to exclude the public.

19. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.

20. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There was no urgent business.

21. **CONFIDENTIAL MINUTES**
RESOLVED – That, the confidential minutes of the meeting held on 23 September 2024 be agreed as a correct record.

The meeting ended at 12.32 pm

Chairman

Contact Officer: Blair Stringman
blair.stringman@cityoflondon.gov.uk