

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Monday, 15 September 2025**

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Monday, 15 September 2025 at 11.00 am

### **Present**

#### **Members:**

Alderwoman Elizabeth Anne King, BEM JP (Deputy Chairman)  
Gail Le Coz (Deputy Chairman)  
Simon Burrows  
Stephen Hodgson  
Ruby Sayed  
Naresh Hari Sonpar

#### **Officers:**

|                     |                            |
|---------------------|----------------------------|
| Caroline Al-Beyerty | - Chamberlain's Department |
| Matthew Lock        | - Chamberlain's Department |
| Dionne Corradine    | - Town Clerk's Department  |
| Tabitha Swann       | - Town Clerk's Department  |
| Olivia Plunkett     | - Town Clerk's Department  |
| Sonia Virdee        | - Chamberlain's Department |
| Iain Jenkins        | - Chamberlain's Department |
| Daniel Peattie      | - Chamberlain's Department |
| Ben Dunleavy        | - Town Clerk's Department  |
| Molly Carvill       | - Town Clerk's Department  |

#### **Also in attendance:**

|                 |                  |
|-----------------|------------------|
| Sophia Brown    | - Grant Thornton |
| Grant Patterson | - Grant Thornton |

### **1. APOLOGIES**

Apologies for absence were received from Alderman Prem Goyal, Alderman Kawsar Zaman, David Sales and Dan Worsley. James St John Davis and Deputy Timothy Butcher were observing virtually.

### **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 draft public minutes and summary of the meeting held on 14 July 2025 be approved as a correct record subject to the following amendments:

## Matters arising

- Item 6: the Audit and Risk Management Annual Report 24-25. The Committee had requested that future reports should include information on the full-time resourcing levels.
- Item 7: Internal Audit Update. The Committee had requested an update on the second line of defence and the escalation process for audit actions not completed within three months.
- Item 9: the counter fraud and investigations annual report 2024/25. Whistleblowing process should be shared with residential ward members.

The Head of Internal Audit provided an update on the two points relating to internal audit. Firstly, he addressed recommendation tracking and tracking open issues where timely implementation had not been secured and informed Members that he had spoken to peers to see how they reported similar levels of information. He explained the challenge of attempting to include the right level of detail and proposed to create a report template which would include a one-page summary per audit, providing an overview of recommendations, implementation status and a summary comment. The summaries would also be bundled and included as part of the Quarterly Report.

The Head of Internal Audit moved on to the next action, creating a subset of the Internal Audit Plan. He explained that currently, follow-up reviews are dealt with when they are due but proposed that they should be integrated into the internal audit plan to adopt a formal process and improve engagement and tracking.

The Chair sought clarification regarding the follow-up process for incomplete audit actions. The Head of Internal Audit responded and suggested to include the proposed summary report templates and a cover sheet with each audit summary report which would be used to suggest possible actions for the committee or seek direction on unresolved issues. He also recommended that the summaries could be circulated to the relevant service committee chairs to enhance visibility and encourage feedback.

A Member highlighted the importance of improving the visibility of audit findings and funding matters to relevant service committees. They emphasised that without clear visibility, the work of the internal audit team would have less impact, and the oversight could be weakened. In response, the Head of Internal Audit proposed circulating final audit reports to the Chair and Deputy Chair of the relevant service committees at the same time that they are issued to Chief Officers as this would help ensure key stakeholders are informed and are able to respond appropriately. Alternatively, another Member suggested that this circulation should extend to all committee members, as every member should be aware of the audit findings. The Chamberlain suggested that findings relating to physical controls or value for money should be incorporated by the Finance Business Partner into the regular reports to service committees. This would ensure that committee members are aware of the risks they are managing and the timeframes for implementation. She requested that the Finance Business Partner explore this approach with the Finance Leadership

Group to ensure that audit points are picked up and reflected in committee reporting. This approach was welcomed by the Member who had made the original request.

The Head of Internal Audit moved on and provided an update on the second line of defence, explaining that work was ongoing and was being informed by live projects. He planned to issue a report to the Town Clerk's senior leadership team and present it at one of their meetings. The findings would be incorporated into his annual report, which will include conclusions on systemic and operational issues affecting the effectiveness of the second line of defence. The Chair welcomed this and expressed interest in seeing the conclusions once they were available.

#### 4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Committee's list of outstanding actions.

The Town Clerk provided an update on the remaining action regarding the recruitment of an external Member. Three applications had been received from the advert, and interviews for all three candidates were scheduled for October.

A Member raised a concern that the original intent of the action – reviewing the induction process for new Members – was at risk of getting lost. Clarification was sought on whether this referred to induction for the Audit and Risk Management Committee or the wider Court of Common Council. The Town Clerk confirmed that the wider induction process was being reviewed by the Member Development and Standards Sub-Committee following the 2025 elections.

Further discussion clarified that the original action had three components: induction for all Members of the Court of Common Council, induction specific to Audit and Risk Management responsibilities, and induction for external Members of the Audit and Risk Management Committee. The Chief Strategy Officer confirmed that these elements are being addressed through various governance channels, and that outputs from the review would be publicly available. She offered to report back with a timeline and signpost relevant papers to ensure that Members remained informed.

**RESOLVED** – That, Members received the action tracker and noted its content.

#### 5. **COMMITTEE WORK PROGRAMME**

Members received the Committee's work programme.

The Head of Internal Audit said that the proposed 2026 meetings in the programme were difficult to align with Internal Audit operational activity. He proposed reviewing the meeting schedule to better align with operational cycles.

**RESOLVED** – That, the report be noted.

## 6. **RISK MANAGEMENT UPDATE**

Members received a report of the Chief Strategy Officer, who described the status of the risk management work as continuously evolving. It was highlighted that service committees are setting risk appetite against corporate risks. The key updates were as follows:

- Corporate Risks CR2 and CR10: Following discussion, it was determined that these risks should remain separate. CR2 (Loss of Business Support) is being reframed to better reflect the Corporation's strategic concerns and will be reviewed at the next Chief Officer Risk Management Group (CORMG) meeting in October.
- CR33 (Major Projects) and CR29 (Information Management): These risks were going to be revised with the Chamberlain to ensure that they are reframed as risks rather than issues.
- CR39 (Recruitment and Retention): This risk was considered outdated and work has been underway with HR to assess whether any people-related risks should be elevated to corporate level. An invitation had been extended to the interim Chief People Officer to attend the next committee meeting to discuss this further.
- Likelihood and impact: Following questions raised at call over, the team had analysed the 13 corporate risks, and it was found that 12 aim to reduce their scores: 8 by lowering likelihood, 3 by reducing impact, and 1 by addressing both. Only CR36 (Protective Security) is not aiming to reduce its score but is actively managed.
- Mitigation Themes and Timeframes: Common mitigation themes included funding, resourcing, stakeholder engagement, strategic planning, and emergency preparedness, with timeframes ranging from six months to long-term targets in 2027 and 2029. Three risks (CR29, CR33, CR39) were overdue but are undergoing revision.
- Data Protection and GDPR: Clarification was provided on GDPR-related risks, which were split between CR16 (external breaches) and CR29 (internal data handling) to reflect the different aspects of data protection.

The Chair thanked the team for their work and asked the team to ensure that the reconsideration of CR29 is clearly included in the risk description, so that Members and others do not have any confusion at a later stage.

### **RESOLVED** - That,

- Members are content to invite the interim head of HR to the next Risk Management committee meeting.
- Members received the report and noted its content.

7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions raised.

8. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

Apart from the City Fund and Pension Fund Accounts circulated as a late item, no other business was raised.

8.1 **City Fund and Pension Fund - Statement of Accounts, Audit Findings and external auditor's Annual Audit Report 2024-25**

Members received a report of the Chamberlain concerning the City Fund and Pension Fund Statement of Accounts.

The Town Clerk noted that late papers had been circulated at the end of the previous week, including the City Fund and Pension Fund financial statements under Item 8A. With Members' agreement, the Chair opted to take this item ahead of the Risk Management Update. The Chair acknowledged her appreciation to officers and external auditors but expressed her concern that Members had only received papers late on Friday before a Monday morning meeting; this left Members with limited time to digest and review the information. She requested that future papers be circulated earlier to allow proper consideration. The Financial Services Director explained that the delay was due to efforts to include the most up-to-date information and auditor feedback, noting that the statutory deadline for publishing the final accounts is 30 September. She agreed to work with the Town Clerk to explore moving future September committee meetings to later in the month to better accommodate this timetable.

The Chamberlain and the external auditors took the Committee through the highlights in the Statement of Accounts. The highlights included:

- Out of the 13 audit recommendations from previous years, five remained outstanding and were being addressed in the 2025/26 accounts.
- Out of the 25 improvement recommendations from the auditor's findings report, 16 have been addressed and four superseded. Attention was drawn to a key recommendation on page 34 of Appendix 5 regarding HRA pressures and reserves.
- On related party disclosures, she noted that 43 remain outstanding, including 18 from ex-Members which had been progressed through the Chamberlain, and if they remained unresolved within a week, the issue may be brought to the Committee for further escalation.

An officer from the Chamberlain's Department presented the key changes in the updated accounts, directing Members to Appendix 1 (updated statement of accounts) and Appendix 2 (audit findings report). He highlighted that three material adjustments had been made since the draft accounts were presented in July:

- City Fund's Net Pension Liability – The City Fund did not apply the accounting standard IFRIC 14. The Local Government Pension Scheme (LGPS) was in surplus for the first time in recent memory, but an asset ceiling needed to be applied, limiting the recognition of the surplus. This oversight led to a material adjustment in the accounts; the net pension liability increased by £90 million and a corresponding adjustment was made to the remeasurement of the net pension liability.
- Reclassification of Rents in Advance – A £1.3 million reclassification between long-term and short-term rents in advance, affecting the presentation on the balance sheet.
- Assets Under Construction – A correction to the classification of £19.2 million previously listed under property, plant, and equipment. This amount comprised £13 million of investment properties and £6.2 million of intangible assets, requiring reclassification. A prior period adjustment will also be made in consultation with Grant Thornton.

The Officer clarified that none of the adjustments effected the general fund balance. He added that discussions had taken place with Grant Thornton to arrange additional training for the finance team to prevent similar issues in future. The External Auditor (Grant Thornton) and the Chamberlain reassured Members that the City Corporation remains on track with its six-year recovery plan for the pensions deficit.

The External Auditor for the City Fund audit noted that work was nearing completion and summarised the findings from the audit. Recommendations included the approval of journals under 100k and the prompt removal of people who had left the City Corporation from the Oracle system. The audit team noted that they had two weeks to close the audit and proposed to work with the finance team after the committee meeting to close the remaining items. It was noted that there were no additional significant issues anticipated from finalising and closing the audit, but the External Auditor reassured Members that if additional findings were found, they would be reported and flagged.

The Deputy Chair queried the timeline for progressing the HRA programme. The Chamberlain confirmed that funding plans for improvement works were due to return to the Finance Committee and the Policy and Resources Committee in October. It was highlighted that the financial health of the HRA remained critical, with reserves in a fragile state and a 10-year recovery plan was put in place, aligned with a 30-year asset management strategy. The Chamberlain reassured Members that work was on-going, with close budget monitoring and potential engagement with Government for additional flexibility.

A Member highlighted the importance of cross-committee collaboration, noting that housing issues, though financial in nature, had direct implications for health and social care, particularly for City residents. They asked how Members would be kept informed to ensure coordinated oversight. The Chamberlain agreed that housing issues were a key consideration and confirmed that officer-level

coordination was on-going, particularly with Adult Social Care, to ensure legislative requirements (e.g. housing standards, black mould) were met. It was also highlighted that the relevant committees will receive the financial plans for scrutiny.

A discussion took place regarding former staff access to the Oracle system, prompted by the audit findings. The Chair raised concerns regarding the delays in removing access for leavers and the potential risks that this posed, such as if a disgruntled former employee retained access to financial systems. The Head of Internal Audit explained that account closures involved multiple teams but committed to make further inquiries to clarify responsibilities. He noted that if a user's network account was correctly closed, retaining access to the Oracle system was unlikely and suggested that the issue was about ensuring consistent housekeeping rather than a systemic control weakness. The Head of Finance further clarified that the upcoming implementation of the new SAP system would help streamline the process of deactivating user access across systems.

A Member sought clarification from Grant Thornton on Improvement Recommendation 2 and questioned whether Members were receiving City Fund performance information effectively. The auditor explained that the recommendation aimed to streamline reporting by focusing on key performance indicators to avoid information overload and highlight relevant metrics.

The External Auditor (Grant Thornton) provided an overview on the Auditors Annual Report for Members.

The External Auditor (Grant Thornton) provided an overview of the Pension Fund audit and reported that it had gone well.

The Chair queried whether the new SAP system would also assist with the entries under 100k for the Pension Fund, and the Head of Finance confirmed that it would. The Chair also referred to the internal audit of the Pension Fund and asked whether internal audit work was included in the new audit cycle. The Head of Internal Audit confirmed that it was included in the internal audit plan and revealed that scoping work had already begun.

The Chair went on to question why the assurance rating for effective controls was amber rather than green, specifically regarding complaints monitoring data. The Chamberlain suggested reviewing the management response to ensure that it provides sufficient assurance and reflects the Corporation's commitment to addressing the issue.

**RESOLVED** – That,

- Members consent to agree to the recommendation approval of the 2024/25 Statement of Accounts for both the City Fund and the Pension Fund to the Finance Committee.

- Members consent to agree to the amendment to the substantive recommendation report and agree to change the wording to: delegate authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman and wider membership of the Audit and Risk Management Committee in a period of 24 hours, to approve of any material changes to the financial statements required before the signing of the audit opinion by Grant Thornton, which is expected by 30<sup>th</sup> September 2025.
- Members considered the audit findings report for the City Fund and Pension Fund 2024/25 and noted its content.
- Members consent to approve the management representation letter for the City Fund and the management representation letter for the Pension Fund.
- Members received the Auditors' Annual Audit Report 2024/25 and noted its content.

9. **EXCLUSION OF THE PUBLIC**

**RESOLVED**, That – under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

10. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** - That, the non-public minutes of the previous meeting held on 14 July 2025 be approved as an accurate record, as amended.

11. **NON-PUBLIC APPENDIX**

Members received a report from the Chief Strategy Officer providing an update on the non-public appendix for Risk Management.

12. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions raised.

13. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

No other urgent business was raised.

13.1 **City Fund and City's Estate auditor procurement process**

Members received a report from the Chamberlain providing an update on the External Auditor Appointment – City Fund and City's Estate paper.



**The meeting ended at 12.36 pm**

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Chairman

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