

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 4 November 2014**

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Tuesday, 4 November 2014 at 1.45 pm

### **Present**

#### **Members:**

Alderman Nick Anstee (Chairman)	Alderman Ian Luder
Nigel Challis (Deputy Chairman)	Kenneth Ludlam (External Member)
Alderman Charles Bowman	Caroline Mawhood (External Member)
Roger Chadwick (Ex-Officio Member)	Jeremy Mayhew (Ex-Officio Member)
Hilary Daniels (External Member)	Hugh Morris (Ex-Officio Member)
Alderman Timothy Hailes	Graeme Smith

### **In Attendance**

#### **Officers:**

Simon Murrells	Assistant Town Clerk
Neil Davies	Town Clerk's Department
Julie Mayer	Town Clerk's Department
Peter Kane	Chamberlain
Michael Cogher	Comptroller and City Solicitor
Caroline Al-Beyerty	Chamberlain's Department
Paul Nagle	Chamberlain's Department
Paul Dudley	Chamberlain's Department
Angus Fish	External Auditor, Deloitte
Nick Bennett	External Auditor, Moore Stephens
Lucy Nutley	External Auditor, Moore Stephens

#### **1. APOLOGIES**

Apologies were received from Rev Dr Martin Dudley, Jamie Ingham Clark and Oliver Lodge.

#### **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 minutes of the meeting held on 9<sup>th</sup> September 2014 be approved.

#### 4. **CITY'S CASH FINANCIAL STATEMENTS**

The Committee considered a report of the Chamberlain in respect of the City's Cash Financial Statements for 2013/14. Three briefing sessions had been arranged; they had been well attended and Members had found the sessions very helpful. The Chamberlain was pleased to report that the Financial Statements were unqualified and that the Audit Review Panel was also content.

During the discussion and questions on this item, the following were noted/clarified:

- The possible contribution to Crossrail of £50m from City's Cash had been disclosed in the Financial Statements as a contingent liability. Members noted that this treatment differed from the treatment of the £200m to be provided from City Fund, which is shown as a capital commitment, due to it being an executory contract. In response to further questions on Crossrail, Members noted that the £50m possible contribution from City's Cash had been reported to Policy and Resources Committee last December and the report had indicated that any contributions would be subject to further discussions. As the position was unclear, an update was requested for a future meeting.
- In view of the uncertainty, Members considered that the wording of the contingent liability note and the associated point in Moore Stephens' representation letter should have the word 'possible' inserted before the word 'contribution'.
- As a consequence of moving to pooled investment vehicles, recognised but unrealised gains or losses on non-property investments were now included in the Income and Expenditure Account rather than the Statement of Recognised Gains and Losses. This treatment would increase volatility and obscure the underlying income and expenditure position. The full year effect of this change would be seen from 2014/15 and the financial overview, in the annual report section of the financial statements, would need to provide an explanation.
- The City of London Pension Fund deficit had been apportioned between the City's three main funds and shown on the face of the balance sheets.
- The City Corporation's governance arrangements were common to all three funds: only one Annual Governance Statement was produced and this was reviewed by the Audit and Risk Management Committee.
- With regard to related party transactions, the Chamberlain agreed to check the disclosures for accuracy, particularly with regard to the number of Members declared in relation to certain organisations and to make corrections, as required. The Chamberlain also undertook to review the £10,000 de-minimis threshold for next year's related parties but such a review would need to consider the threshold in the context of

both organisations involved. For the City Corporation, £10,000 was not material but this sum might be significant for the transacting party.

**RESOLVED, that:**

Having considered Moore Stephens LLP's Management Letter, the Finance Committee be recommended to approve the City's Cash Financial Statements for the year ended 31 March 2014, subject to consideration of the comments of the Audit and Risk Management Committee, as set out above.

**5. DELOITTE'S FINAL REPORTS ON THE AUDIT OF THE CITY FUND AND PENSION FUND**

The Committee received a report of the Chamberlain in respect of Deloitte's final reports on the Audit of the City Fund and Pension Fund.

**RESOLVED, that:**

Deloitte's final Audit Reports be noted.

**6. INTERNAL AUDIT CHARTER - REVIEW AND UPDATE**

The Committee received a report of the Chamberlain in respect of the Internal Audit Charter. Members noted that two minor amendments had been made, in response to recommendations arising from the Peer Review earlier in the year, relating to consultancy work and the provision of assurance to other bodies. The Charter had also been updated to reflect the current role of internal audit in relation to value for money and efficiency savings.

**RESOLVED, that:**

The revised Audit Charter be approved.

**7. 2015/16 INTERNAL AUDIT PLANNING**

The Committee received a report of the Chamberlain, which presented the Internal Audit Plan for 2015/16. The Head of Internal Audit and Risk Management encouraged feedback from Members prior to the detailed audit planning stage commencing and the final version of the 2015/16 audit plan being presented to the Committee in February 2015.

During the discussion and questions, the following matters were raised/noted:

- There was a mature dialogue on risk exposure with all Chief Officers, in order to seek their perspectives when the plan is drawn up.
- The Fraud Investigation resource was extremely valuable to the City and, following the successful outcomes of recent tenancy fraud cases, housing has now been freed up for social needs. There had been other successful outcomes in internal cases; i.e. as discussed in the next report on the agenda (Cash Handling and Banking Audit).

- The statistics showing sickness also covered other absences such as jury service, volunteering and compassionate leave. Members asked if the differences could be identified in future reports.

**RESOLVED, that:**

The Internal Audit Planning Report be noted, subject to the items raised above.

**8. CASH HANDLING AND BANKING AUDIT - INTERNAL AUDIT FOLLOW UP REPORT**

The Committee received a report of the Head of Internal Audit, which provided a follow up on the Cash Handling and Banking Audit undertaken last year. Members were assured that the incident of cash loss at Billingsgate Market was an unfortunate, one-off and not part of any systematic weakness.

**RESOLVED, that:**

The Cash Handling and Banking Audit Report be noted.

**9. AUDIT AND RISK MANAGEMENT COMMITTEE SURVEY**

The Committee considered a report of the Town Clerk, which set out the results of the Audit and Risk Management Committee Survey. Members noted that the response rate had fallen on the survey conducted in 2013 but noted that the Chamberlain would be conducting a customer survey for their entire service.

Whilst keen to maintain some continuity and in order to show trends, the Town Clerk advised that the scoring had changed in order to give the survey more depth. One of the Members offered to provide a pro-forma used within their place of business and Members agreed that input into future questions would be helpful.

**RESOLVED, that:**

1. The Audit and Risk Management Committee Survey be noted.
2. The Committee continue to run the effectiveness surveys, which is considered best practice in local authorities.
3. The Committee be given the opportunity to review future questions, noting the assistance offered by one of the Members in respect of a pro forma survey.

**10. OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee reviewed its outstanding actions list and the following amendments were made:

- Agenda Management could now be removed.
- An update on the Anti-Fraud on-line training courses would be presented to the February Committee.

- An update on CR18 (Workforce Planning) and CR16 (Information Governance) would be included as part of the Risk Management Update Report, to be presented to the December Committee. As requested at the previous meeting, Members had been emailed further details on the breaches reported in September, and an update on training numbers would be included in the next report.

It was agreed to add the following items:

**Internal Audit Planning**

The statistics showing sickness also covered other absences such as jury service, volunteering and compassionate leave. Members asked if the differences could be identified in future reports.

**Committee Survey**

One of the Members offered to provide a pro-forma used within their place of business and Members agreed that input into future questions would be helpful.

**Overtime and Holiday Pay**

Currently indeterminate but this would be kept under review by the Audit and Risk Management Committee as the outcome might need to go before the Finance Committee and the Court of Common Council.

**RESOLVED, that:**

The Committee's Outstanding Actions list be noted.

**11. COMMITTEE WORK PROGRAMME**

The Committee received its work programme and asked if any changes since the last meeting could be shown in italics. However, on this occasion there had been no updates.

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

There were no questions.

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

There were no items of urgent business.

**14. 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 1 of Schedule 12A of the Local Government Act.

Item No	Para
15 – 16	-
17 - 18	1, 3

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

In respect of the current on-going High Court Decision on holiday pay and the inclusion of regular overtime in setting the amount to be paid, Members noted that the matter was currently indeterminate but it would be kept under review as the outcome might need to go before the Finance Committee and the Court of Common Council.

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

There were no items of urgent business.

**17. SERVICE BASED REVIEW PROPOSALS - CHAMBERLAIN'S DEPARTMENT**

The Committee received and noted a report of the Chamberlain in respect of the Service Based Review Proposals for the Chamberlain's Department.

**18. INTERNAL AUDIT - SERVICE BASED REVIEW**

The Committee considered and partially agreed a report of the Chamberlain in respect of Service Based Review proposals for the Internal Audit Division.

**The meeting ended at 3.40 pm**

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Chairman

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