

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 24 February 2015**

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Tuesday, 24 February 2015 at 1.45 pm

### **Present**

#### **Members:**

Alderman Nick Anstee (Chairman)	Caroline Mawhood (External Member)
Nigel Challis (Deputy Chairman)	Jeremy Mayhew (Ex-Officio Member)
Alderman Charles Bowman	Hugh Morris (Ex-Officio Member)
Alderman Tim Hailes	Graeme Smith
Kenneth Ludlam (External Member)	

### **In Attendance**

#### **Officers:**

Peter Kane	Chamberlain
Neil Davies	Town Clerk's Department
Julie Mayer	Town Clerk's Department
Simon Murrells	Town Clerk's Department
Paul Dudley	Chamberlain's Department
Caroline Al-Beyerty	Chamberlain's Department
Michael Cogher	Comptroller and City Solicitor
Heather Bygrave	External Auditor, Deloitte
Chris Harris	Head of Internal Audit and Risk Management
Chris Keesing	Chamberlain's Department
Nick Bennett	External Auditor, Moore Stephens

#### **1. APOLOGIES**

Apologies were received from Roger Chadwick, Rev. Dr. Martin Dudley, Jamie Ingham Clark, Oliver Lodge, Hilary Daniels and Alderman Ian Luder.

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

Mr Jeremy Mayhew declared a general, non-pecuniary interest in respect of Agenda Item 10 (Deloitte's Annual Audit Plan for City Fund) as he is a Trustee of Crossrail (nominated by the City of London Corporation).

#### **3. MINUTES OF THE PREVIOUS MEETING**

The minutes and non-public summary of the meeting held on 8<sup>th</sup> December 2014 were approved.

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

The Committee received its outstanding actions list and noted the following updates:

##### **Hampstead Heath**

The Planning Application was approved in January and the project was progressing well. The Chamberlain advised that, as this project was an example of good risk management practice, Members would receive a case study report at a future meeting.

##### **CR18 – Workforce Planning**

The Director of HR had confirmed that the recent flexible retirement of a Chief Officer had been at zero cost to the City of London Corporation as the officer had reached pensionable age and was entitled to take a full pension. As he would be working for 3 days a week in the interim, in the short term there would be a saving. Members also noted that, in the future, if there were additional cost, then the case would automatically be referred to the Establishment Committee. Members agreed that this item could be removed from the outstanding actions list.

##### **CR16 – Information Security**

A league table of departmental compliance in respect of completion of the on-line information security courses would be tabled at the next meeting.

##### **Committee Satisfaction Survey**

The next survey would take place next at the beginning of 2016 and the Committee would receive a further report on the method and style of the questionnaire.

##### **Overtime and Holiday pay**

- The Financial Services Director advised that officers were not proposing to make a provision in the accounts for 2014/15. Members noted that, under EU law, workers were entitled to four weeks' holiday pay a year but there were no details as to how it should be calculated. Up until now, the UK government interpreted the EU Working Time Directive as stating that holiday pay should be at an employee's basic rate of pay, which means any additional payments for regular overtime were not included. As a result, most employers have not included regular overtime in their calculation of holiday pay. The tribunal ruling suggested that the government and UK companies have been interpreting the EU directive wrongly.
- The Comptroller and City Solicitor advised that the Government would introduce the regulations from 1<sup>st</sup> July 2015 and would limit the timescale for making claims and arrears payments. It was expected that essential and voluntary overtime would be treated differently. With the assurance that the Chamberlain and Comptroller and City Solicitor would keep the matter under review, Members were content that this could be removed from the outstanding actions list.

### **Terms of Reference**

The Chamberlain advised that a Chief Officer Risk Management Group had been established by the Summit Group. Its terms of reference would be to challenge and scrutinise corporate and top departmental risks, in detail, before they were reported to the Audit & Risk Management Committee.

Members were reminded that the Committee's Terms of Reference gave them 'monitoring and oversight' of the items on the Corporate Risk Register. The new Head of Internal Audit, who is very experienced in the workings of other local authorities, advised Members that, in practice, Audit and Risk Management Committees worked with Chief Officers to resolve any differences of opinion but Members retained the right to hold officers to account, if necessary. Given this clarity and the extra assurance of the new Chief Officer Risk Management Group, the Chairman and Members were content for this item to be removed from the outstanding actions list.

### **RESOLVED, that:**

The Committees outstanding actions list and the updates set out above be noted.

#### **5. ANTI-FRAUD AWARENESS TRAINING UPDATE**

The Committee received a report of the Chamberlain, which provided an update in respect of anti-fraud awareness training. Members were concerned at the low performance in some areas and expected 100% compliance by the time the Committee met again on 28<sup>th</sup> April 2015. Members were reminded of some of the reasons as to why 100% might not be consistently achieved.

### **RESOLVED, that:**

In the event of non-compliance, i.e. failure to achieve full completion for the on-line anti-fraud training course by 28<sup>th</sup> April 2015, the Chief Officers concerned attend the Committee in order to account for their performance.

#### **6. PRO-ACTIVE ANTI-FRAUD PLANS, AND BENCHMARKING: CIPFA CODE OF PRACTICE; MANAGING THE RISK OF FRAUD & CORRUPTION**

The Committee received a report of the Chamberlain in respect of the Pro-Active Anti-Fraud Plans. In response to a question about cyber fraud, the Head of Internal Audit advised that he would review available guidance on best practice from the Internal Audit Industry and would adjust the programme as necessary. Members also noted the new skills requirement across both IS and Internal Audit teams, which had not been required historically and were pleased at the pro-active approach set out in the report. The Chairman and Members agreed that this matter was worthy of further exploration as part of the next Anti-fraud report to the Committee.

### **RESOLVED, that:**

1. The pro-active anti-fraud plans for 2015/16, 2016/17 and 2017/18 be approved.
2. Benchmarking against the CIPFA code of practice 'Managing the Risk of Fraud & Corruption' be noted.

3. The proposed statement for inclusion in the Annual Governance report, with regard to the City's response to fraud & corruption (as detailed in the CIPFA code of practice 'Managing the Risk of Fraud & Corruption') be agreed.
4. The next iteration of this report explore pro-active anti-cyber fraud plans in greater detail.

7. **RISK MANAGEMENT UPDATE**

The Committee received the regular Risk Management update report of the Chamberlain. Members noted that CR14 – Financial Viability, would be green once the Court of Common Council had set the Budget in March. Since the agenda had been published, CR9 – Health and Safety, had also turned green.

In order to provide clarity about 'gross' and 'net' risks; the Chamberlain explained that all risks were now presented as net (after current mitigation) and no longer referred to as gross. Further reports would also show target risk dates.

The Chairman and Members confirmed that it had not been their intention to put Risk Registers on every Service Committee meeting agenda and those robust quarterly reports would suffice, with the red risks highlighted. The Chairman also encouraged Members of the Audit and Risk Management Committee to be vigilant when attending other Committees and facilitate debate about the risk registers, when necessary. The Chairman also accepted that there was a possibility of risk management reports being 'nodded through', if they appeared too frequently. The Chairman suggested that they should be early on public agendas; i.e. after the minutes.

**RESOLVED, that:**

The progress on risk management and the arrangements for reviewing risk registers at Grand Committees, as set out above, be noted.

8. **ANNUAL GOVERNANCE STATEMENT - METHODOLOGY**

The Committee considered a joint report of the Town Clerk and the Chamberlain in respect of the methodology of the Annual Governance Statement (AGS). Members discussed whether two copies would be required when the Committee approved the AGS in June. It was generally agreed that provided the copy presented to the Committee showed last year's approved AGS, with the updates and amendments for 2014/15 shown clearly in track changes, this would suffice. The track changes would then be accepted and the final agreed version would be published as a 'final' and not 'final showing mark-up'. Members did not make any suggestions for additional areas to be included in the AGS.

**RESOLVED, that:**

1. The proposals in this report for the production and presentation of the Annual Governance Statement for 2014/15 be agreed.

2. The Committee receive one copy of the AGS in June; i.e., last year's approved AGS, with the updates and amendments for 2014/15 shown clearly in track changes.

9. **2015/16 INTERNAL AUDIT PLAN**

The Committee considered a report of the Head of Internal Audit and Risk Management, which set out the 2015/16 Internal Audit Plan. In response to questions about the changes to management arrangements, following the year-long internal secondment of the previous Head of Internal Audit and Risk Management, the new Head of Service explained that, he would be responsible for fulfilling all the functions of the role and would be available to members and officers, as needed, supported by a new Senior Audit Manager.

Members noted that local authorities worked well with this level of resource and the City of London Corporation would benefit from the New Head of Internal Audit and Risk Management's wide experience of good practice elsewhere. The new Senior Audit Manager was also highly experienced and would be responsible for operational and frontline service delivery. The Chamberlain would retain the overall management responsibility for internal audit and confirmed that the arrangements were working extremely well.

The Head of Internal Audit then set out his perception of the service, following his first two months in post. Mr Harris was pleased to be working with a strong team, with a high skill level, who enjoyed good working relationships with senior managers. He was very happy with quality assurance, the service was meeting professional standards and there was scope for even higher performance by sharpening delivery, directing more focus to green recommendations (which might be overlooked) and more timely completion of audit reports. The new Head of Internal Audit and his Senior Manager would be providing extra support to the team for emerging risks. The Committee were satisfied and thanked the Head of Internal Audit and Risk Management for his explanation.

Members suggested that the report before them, whilst very detailed at the top level, could benefit from more background information and the Head of Internal Audit and Risk Management agreed to provide a briefing to Members, showing how the previous programme reported to Members, mapped to the current programme.

**RESOLVED, that:**

1. The 2015/6 Audit Plan be agreed.
2. Future reports take the format as requested above; i.e. with more background information, aligned to the top level detail.

10. **DELOITTE'S ANNUAL AUDIT PLAN FOR CITY FUND**

The Committee received Deloitte's Annual Audit Plan for City Fund. The External Auditor was in attendance and Members noted that the funding gap for the City Police was likely to be concluded before the summer recess but it might be after the Audit and Risk Management Committee meeting in July,

which recommended the sign off of the accounts. Members noted that the disclosure of the Crossrail commitment was still under review.

**RESOLVED, that:**

Deloitte's Annual Audit Plan for City Fund (Year ending 31 March 2015) be noted.

**11. DELOITTE'S ANNUAL AUDIT PLAN FOR THE PENSION FUND**

The Committee received Deloitte's Annual Audit Plan for the Pension Fund. Members noted that the Audit Commission appoint Auditors to our local authority functions/statements, i.e., City Fund and the Pension Fund. The 2014/15 Audit would be the final one undertaken by Deloitte before the move to BDO, under the final two years of the Audit Commission regime.

**RESOLVED, that:**

Deloitte's Annual Audit Plan for the Pension fund (year ending 31 March 2015) be noted.

**12. COMMITTEE WORK PROGRAMME**

The Committee received its workplan for 2015/16 and asked if it could be moved higher up on future agendas, i.e. directly after the minutes and outstanding actions list.

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

There were no questions.

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

The Chamberlain was heard in respect of the Oracle upgrade. Members noted that this was progressing well, despite a small glitch, which required an amendment to the programme code. Officers advised that the current system would run in tandem until May and there were two back up plans in the event of failure.

**15. 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.

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

The non-public minutes of the meeting held on 8<sup>th</sup> December 2014 were approved.

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

There were no questions.

**18. 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.

**The meeting ended at 3.15 pm**

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Chairman

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Deputy Chairman Neil Challis (Deputy Chairman)	Jeremy Mayhew (Ex-Officio Member)
Chairman Charles Bowman	Hugh Morris (Ex-Officio Member)
Member Nath Ludlam (External Member)	Graeme Smith

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