



Audit and Risk Management Committee

Date: MONDAY, 20 JULY 2015
Time: 1.45 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Alderman Nick Anstee (Chairman)
Nigel Challis (Deputy Chairman)
Alderman Charles Bowman
Roger Chadwick (Ex-Officio Member)
Hilary Daniels (External Member)
Revd Dr Martin Dudley
Deputy Jamie Ingham Clark
Oliver Lodge
Alderman Timothy Hailes
Alderman Ian Luder
Kenneth Ludlam (External Member)
Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-Officio Member)
Graeme Smith

Enquiries: Julie Mayer
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Lunch will be served in the Guildhall Club at 1pm
NB: Part of this meeting could be the subject of audio or video recording

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes of the meeting held on 2nd June 2015.
For Decision
(Pages 1 - 6)
4. **OUTSTANDING ACTIONS OF THE COMMITTEE**
Report of the Town Clerk.
For Information
(Pages 7 - 10)
5. **COMMITTEE WORK PROGRAMME**
Report of the Town Clerk.
For Information
(Pages 11 - 12)
6. **PEER REVIEW**
Chamberlain to be heard.
7. **AUDITED 2014/15 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS TOGETHER WITH DELOITTE'S REPORT THEREON**
Report of the Chamberlain – TO FOLLOW
8. **AUDITED 2014/15 BRIDGE HOUSE ESTATES AND SUNDRY TRUSTS FINANCIAL STATEMENTS TOGETHER WITH MOORE STEPHENS REPORT THEREON**
Report of the Chamberlain – TO FOLLOW
9. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY**
Town Clerk to be heard.
10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
12. **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.

For Decision

Part 2 - Non-Public Agenda

- 13. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
- 14. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 2 June 2015

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 2 June 2015 at 1.45 pm

Present

Members:

Alderman Nick Anstee (Chairman)
Nigel Challis (Deputy Chairman)
Alderman Charles Bowman
Deputy Jamie Ingham Clark
Henry Colthurst
Oliver Lodge
Kenneth Ludlam (External Member)
Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-Officio Member)
Graeme Smith

Officers:

Neil Davies	Town Clerk's Department
Julie Mayer	Town Clerk's Department
Peter Kane	Chamberlain
Michael Cogher	Comptroller and City Solicitor
Chris Keesing	Chamberlain's
Paul Dudley	Chamberlain's
Chris Harris	Internal Audit (Baker Tilly)
Anna Simmonds	Internal Audit (Baker Tilly)
Nirupa Gardener	Chamberlain's (IT Auditor)
Lucy Nutley	Moore Stephens
Angus Fish	Deloitte

1. APOLOGIES

Apologies were received from Alderman Tim Hailes, Alderman Ian Luder, Rev Dr Martin Dudley and Hilary Daniels.

Chairman's welcome

The Chairman welcomed new Member, Henry Colthurst and the Chief Commoner, who was visiting the Committee as part of his schedule of visits to all Grand Committee Meetings. The Chairman was confident that as the Chiefs visits progressed, he would become aware of the rising profile of risk management within the City of London Corporation.

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 minutes of the meeting held on 28 April 2015 be approved.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

- The Chairman was disappointed at the low attendance at today's earlier Risk Challenge Session and asked that, in future, if Members were unable to attend, they should give adequate notice to the Town Clerk, in order for the session to be re-scheduled. It was noted that two of the sessions had clashed with the Planning Committee and this would be taken into consideration when planning future sessions.
- In respect of the Director of the Built Environment's session, it was suggested that this be rescheduled for 20th July and that the Director's successor also be invited to attend. The Town Clerk would check the current Director's leaving date and the arrival date of the new one.

International Centre for Financial Regulation - Members noted that there would be a hearing tomorrow and they would receive an update from the Chamberlain at the next meeting.

5. **COMMITTEE WORK PROGRAMME**

- It was suggested that the corporate risk deep dives be re-introduced, in order to complement the Chief Officer risk challenge sessions and that it would be timely to plan these from September, once the new risk register was in place.
- The Town Clerk advised that the Audited City's Cash Financial Statements would be presented to the November Committee, not September.

6. **TO APPOINT A MEMBER TO THE PERFORMANCE AND RESOURCE MANAGEMENT (SUB) OF THE POLICE COMMITTEE**

RESOLVED, that:

Mr Ludlam continue as the Audit and Risk Management Committee's representative on the Performance and Resource Management (Sub Committee) of the Police Committee.

7. HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT (INCLUDING A PROGRESS REPORT)

The Committee received the Head of Internal Audit's Opinion and Annual report, including a progress report on internal audit work more generally.

Members were pleased to note that the City of London Corporation had adequate and effective systems of internal control in place to manage the achievement of its objectives.

During the discussion on this report, the following matters were raised/noted:

- An organisation could only achieve an 'adequate' or 'inadequate' opinion but the Head of Internal Audit could provide a more detailed overview, if required.
- The Senior Audit Manager explained that large, complex organisations would always have some small recommendations. For example, the recommendations on HR initiatives would show results in about 9-12 months. Also, Members were reminded that there had been a recommendation in a previous year about project management, which had since strengthened.
- Members felt that it would be helpful if future reports could provide a comparison with the previous years' performance and give greater visibility to improvements, such as the regular inclusion of risk management reports on all Grand Committee agendas and the implementation of the Risk Challenge sessions.

The Chief Commoner was in attendance, as part of his regular programme of attending various Committee meetings.

- As part of the agreed Service Based Review savings for the internal audit function, of £220,000 over the next 2 years, Members noted that there would be more focus on strategic audits, rather than lots of smaller ones and further streamlining of green recommendations. Members were assured that, should the Committee become concerned at the level of resources, they would be able to raise this with the Chamberlain.

RESOLVED, that:

The Head of Internal Audit's Annual Opinion be noted.

8. ANNUAL GOVERNANCE STATEMENT

The Committee received a report of the Town Clerk and the Chamberlain, setting out the Annual Governance Statement. Members found the format, showing track changes, very helpful. They suggested amending paragraphs 27 to 30 to reflect the City Corporation's and the City Police's continuous drive for efficiency improvements and the recently enhanced role of the Efficiency and Performance Sub Committee.

RESOLVED, that:

1. The Annual Governance Statement (AGS), be approved for signature by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive; subject to the amendments suggested by Members (as set out above).
2. The AGS be published alongside the 2014/15 City Fund and Pension Funds Statement of Accounts;
3. The future developments to improve the governance framework be noted; and
4. Authority be delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of this Committee, to amend the AGS for the matters raised by Members, and any significant events or developments, relating to the governance arrangements that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

9. **CORPORATE RISK REGISTER REVIEW**

The Committee received a report of the Chamberlain in respect of the Corporate Risk Register Review. Following the recent meeting of the Corporate Risk Management Group (CORMG) and the Summit Group, the report recommended that 7 risks be retained on the Corporate Register, 2 be de-escalated and one be removed.

The ownership of the Corporate Risk Register was raised and following discussion it was agreed there should be further clarification. The principle of the Review was welcomed and questions raised on the de-escalation of three risks relating to finance, reputation and workforce planning. CORMG would give further consideration to these risks as well as considering potential new corporate risks at its next meeting on 25 June.

RESOLVED, that;

1. Further clarification be received on the governance arrangements for the corporate risk register.
2. CORMG to consider further the issues raised on the 3 risks (reputation, finance and workforce).
3. CORMG to conduct a corporate risk identification session on 25 June 2015, with a view to recommending any new corporate risks to the Summit Group. Any changes to the corporate risk register, as a result of this review, would be reported in detail to the Committee in the next scheduled risk update report on 17 September 2015.
4. CORMG to consider re-introducing 'deep dive' reviews of individual corporate risks (as minuted under item 5).

5. CORMG to report back in September, in the next scheduled update (via Summit Group); on 1, 2, 3 and 4 above, including details of risks considered, but not recommended for inclusion on the revised corporate risk register.

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

There were no questions.

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

There were no items of urgent business.

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

Items
13 - 17

Para
3

13. **CYBER FRAUD**

Members received a report of the Chamberlain in respect of Cyber Fraud. This report had been deferred from the last meeting as the IT Auditor had not been in attendance. Members noted that the work was in a learning phase and a report would be presented to the Finance Committee, with an update to the Audit and Risk Management Committee later in the year.

Members noted that Baker Tilly's Head of IT Audit would provide external advice on cyber fraud to inform the assessment of the level and types of risk facing the Corporation and the Committee would receive a presentation on the outcome of this work. Members also noted that a master class on Cyber Fraud, for all staff, had been scheduled for 16 July. As Mr Graeme Smith had professional expertise in this area, he offered to assist with the project.

RESOLVED, that: The report be noted.

14. **DECISIONS TAKEN UNDER URGENCY SINCE THE LAST MEETING OF THE COMMITTEE**

The Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee had agreed to the appointment of a

Chartered Surveyor to act in lease renewal proceedings. Approval had also been granted by the Finance and Markets Committees in May 2015.

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

There were no questions.

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.

17. PRIVATE MEMBER MEETING WITH THE HEAD OF INTERNAL AUDIT

It was agreed to defer this matter to after the next meeting of the Committee on 20 July 2015.

The meeting ended at 16.40

Chairman

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- April 2015

	Item	Action	Officer responsible	Progress updates/target
1	International Centre for Financial Regulation (added Dec 2012)	Chamberlain advised Members to await the outcome of the police report, before taking a view about risk assurance implications.	Peter Kane	An individual has been charged, court hearing date has been re-scheduled to the 3 rd June 2015. The Committee will receive an update on the outcome of the Trial at the July Meeting
2	Committee Satisfaction Survey (added 4.11.14)	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.	Neil Davies	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 in November 2015.
3	Risk Challenge Sessions/deep dive reviews (added 2.6.15)	It was suggested that the corporate risk deep dives be re-introduced, in order to complement the Chief Officer risk challenge sessions and it would be timely to plan these from September, once the new risk register was in place.	Paul Dudley/ Julie Mayer	
4	Head of Internal Audit – Annual Opinion (added 2.6.15)	Members asked if future reports could provide a comparison with the previous years' performance and give greater visibility to improvements, - ie the regular inclusion of risk management reports on all Grand Committee agendas and the implementation of the Risk Challenge sessions.	Chris Harris/ Anna Simmonds	
5	Annual Governance Statement (added 2.6.15)	Members suggested amending paragraphs 27 to 30 to reflect the City Corporation's and the City Police's continuous drive for efficiency improvements and the recently enhanced role of the Efficiency and Performance Sub Committee.	Neil Davies	

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- April 2015

	Item	Action	Officer responsible	Progress updates/target
		<p>Authority delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of this Committee, to amend the AGS for the matters raised by Members, and any significant events or developments, relating to the governance arrangements that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.</p>		
<p>6 Page 8</p>	<p>Corporate Risk Register Review (added 2.6.15)</p>	<ol style="list-style-type: none"> 1. Further clarification be received on the governance arrangements for the corporate risk register. 2. CORMG to consider further the issues raised on reputation, finance and workforce. 3. CORMG to conduct a corporate risk identification session on 25 June 2015, with a view to recommending any new corporate risks to the Summit Group. Any changes to the corporate risk register, as a result of this review, to be reported in detail to the Committee in the next scheduled risk update report on 17 September 2015. 4. CORMG to consider re-introducing 'deep dive' reviews of individual corporate risks. 5. CORMG to report back in September, in the next scheduled update (via Summit Group); on 1, 2, 3 and 4 above, including details of risks considered, but not recommended for inclusion on the revised corporate risk register. 		

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- April 2015

	Item	Action	Officer responsible	Progress updates/target
7	Cyber Fraud (added 2.6.15)	Baker Tilly's Head of IT Audit would provide external advice on cyber fraud to inform the assessment of the level and types of risk facing the Corporation and the Committee would receive a presentation on the outcome of this work. The Committee would receive an update report later in the year	Chris Keesing Nirupa Gardener	

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Audit and Risk Management Work Programme 2015 *(Updates are shown in italics)*

Date	Items
17 September	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Risk Management • <i>HMIC Police Inspections Summary report</i> <p>Risk Challenge Session: City Surveyors</p>
3 November	<ul style="list-style-type: none"> • <i>BDO – annual audit plans for the City Fund and Pension Fund</i> • Internal Audit Planning 2016/17 • Audited 2014/15 City's Cash Financial Statements together with Moore Stephens report thereon • Deloitte's Annual Audit Letter on the City Fund and Pension Fund Financial Statements • Investigations Update Report <i>(to include an update on Cyber Fraud)</i> • Committee Effectiveness Survey – method and style of questionnaire <p>Risk Challenge Session: Comptroller and City Solicitor</p>
26 January 2016	<ul style="list-style-type: none"> • <i>Moore Stephens - annual audit plan for the Non Local Authority Funds</i> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Risk Management Update <p>Risk Challenge Sessions:</p> <ul style="list-style-type: none"> • Boys' School • Girls' School • City of London Freemens' School

8 th March 2016	Investigations update report Results of Committee Effectiveness Survey Annual Governance Statement Methodology Risk Challenge Session: <ul style="list-style-type: none">• Culture, Heritage and Libraries• Mansion House
14 th June 2016	Risk Challenge Session: <ul style="list-style-type: none">• Chamberlain