

AUDIT AND RISK MANAGEMENT COMMITTEE

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Tuesday, 8 November 2016 at 2.00 pm

Present

Members:

Alderman Nick Anstee (Chairman)	Deputy Jamie Ingham Clark
Nigel Challis (Deputy Chairman)	Alderman Ian Luder
Alderman Charles Bowman	Kenneth Ludlam (External Member)
Henry Colthurst	Caroline Mawhood (External Member)
Hilary Daniels (External Member)	Jeremy Mayhew (Ex-Officio Member)
Sheriff & Alderman Peter Estlin	Graeme Smith

In Attendance

Mark Boleat	Chairman of Policy and Resources Committee
Carl Dunkley	Gallagher Basset

Officers:

Neil Davies	-	Town Clerk's Department
Julie Mayer	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Paul Dudley	-	Chamberlain's Department
John James	-	Chamberlain's Department
Caroline Al-Beyerty	-	Chamberlain's Department
Steven Reynolds	-	Chamberlain's Department
Damian Nussbaum	-	Director of Economic Development
Leigh Lloyd-Thomas	-	External Auditor, BDO
Nick Bennett	-	External Auditor, Moore Stephens
Lucy Nutley	-	External Auditor, Moore Stephens
Pat Stothard	-	Head of Internal Audit and Risk Management
Karen Atkinson	-	Head of Charity & Social Investment Finance
Neal Hounsell	-	Community and Children's Services
Chris Pelham	-	Community and Children's Services
Alistair Sutherland	-	Assistant Commissioner, City of London Police
Paul Adams	-	City of London Police

1. APOLOGIES

Apologies were received from Deputy Dr Martin Dudley, Deputy Roger Chadwick and Hugh Morris.

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

There were no declarations.

3. **MINUTES**

The minutes of the meeting held on 13 September 2016 were approved.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received its' Outstanding Actions list, which would be discharged during the course of this agenda.

5. **COMMITTEE WORK PROGRAMME**

The Committee received its' Work Programme and noted an amendment in that the External Audit Plans for Moore Stephens would be received in February 2017 and not May 2017.

6. **DEEP DIVE RISK REVIEW:CR02 - LOSS OF BUSINESS SUPPORT FOR THE CITY**

RESOLVED, That - Under Section 100(a) of the Local Government Act 1972, the public be excluded from the following item on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3, Part 1 of Schedule 12a of the Local Government Act.

The Committee received a report of the Director of Economic Development.

After this item, the Committee moved back into public session.

7. **CITY OF LONDON CORPORATION - OFSTED REPORTS**

The Committee received a set of reports of the Director of Community and Children's Services in respect of the recent Ofsted Inspections. Members were very pleased to note that Children's Services had been judged as 'Good' with a number of 'Outstanding' features; the City and Hackney Safeguarding Children Board had been rated 'Outstanding' and the Adult Skills and Education Service had been rated as 'Good'.

The Director was also pleased to advised that only 6 out of 110 local authorities had received 'Outstanding' judgements in leadership, management and governance; the Board's rating as 'Outstanding' had been the only one in the UK and Adult Skills had been rated in the top 30% of London local authorities. Whilst officers would continue to strive to achieve outstanding ratings across the board, Members noted that the only authorities who had received 'Outstanding' for Adult Skills and Education Services were looking after other authorities as well as their own. Members noted there had been 6 recommendations and an action plan had been produced.

RESOLVED, that - the Ofsted ratings for the City of London's Children and Adult Skills and Education Services and the City and Hackney Safeguarding Children Board be noted.

8. **HMIC INSPECTION UPDATE**

The Committee received a report of the Commissioner, City of London Police, which provided an overview of the City of London Police's response to the HM Inspectorate of Constabulary's continuing programme of inspections and

published reports. It also provided assurance that the Force was addressing the recommendations from reports.

During the discussion, the following points were noted:

- In 2015-16, only 5 Police Forces in the UK were rated as outstanding and therefore a rating of 'Good' was reasonable. The Assistant Commissioner also advised that the concept of 'one size fits all' was not relevant to the City of London Police.
- The City of London Police had been working with the West Midlands Police, who had received an 'Outstanding' rating. This work had produced recommendations in respect of evidence presentation and an action plan had been put in place, which including bringing back a Chief Inspector who had been on secondment to HMIC.
- The two Members of the Committee, who also served on the Police Performance and Resource Management Sub Committee, confirmed that all HMIC recommendations were subject to thorough scrutiny and governance. The Assistant Commissioner advised that 1-1 scrutiny sessions were held with action point owners and both the Commissioner and Assistant Commissioner were held to account at the Sub Committee meetings.

RESOLVED, that – the report be noted.

9. **2015/16 NON-LOCAL AUTHORITY FINANCIAL STATEMENTS (CITY'S CASH, BRIDGE HOUSE ESTATES, CITY'S CASH TRUST FUNDS AND THE SUNDRY TRUSTS) TOGETHER WITH MOORE STEPHENS REPORT THEREON**

The Committee considered a report of the Chamberlain and the External Auditors in respect of the Non-Local Authority Statements for 2015-16.

Members were reminded that 2 briefing sessions had been arranged for all Members of the Court and the notes from these sessions had been circulated to Members of the Audit and Risk Management Committee. The Deputy Chamberlain highlighted the points raised before handing over to the External Auditor.

The External Auditor was pleased to advise that he would be providing an unqualified opinion on all 30 sets of the non-local authority accounts, with some minor recommendations for which an action plan had been produced.

During the discussion and some further questions on the accounts, the following points were noted:

- All organisations had found the new regulations in respect of the Charities SORP and FRS102 challenging, as there were no best practice comparators. The Chamberlain's officers and the External Auditors had

worked collaboratively but this did not affect the independence and scrutiny required to comply with ethical guidance.

- The Financial Investment Board considered the longer term (5 year) position on investments and over the past 18 months, 2 non-performing funds had been replaced.
- It was suggested that, when the accounts were presented to the Finance Committee the underlying income expenditure position be highlighted. The Deputy Chamberlain drew Members' attention to the new line in the accounts in respect of Operating Surplus/Deficit before fair value.

RESOLVED, that :

1. The contents of Moore Stephens LLP's Audit Management Report be noted.
2. The Finance Committee be recommended to approve the City's Cash Financial Statements for the year ended 31 March 2016.
3. The Finance Committee be recommend to approve the Annual Reports and Financial Statements for Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds for the year ended 31 March 2016.

10. **CITY FUND AND PENSION FUNDS FINANCIAL STATEMENTS ACTION PLAN**

Members received a report of the Chamberlain in respect of the changes to the City Fund Balance sheet as at 31 March 2016 and in response to Members' requests at the last meeting.

RESOLVED, that – the report be noted.

11. **RISK MANAGEMENT UPDATE**

The Committee considered a report of the Chamberlain, which provided an update on the Corporate and Top Red Departmental Risk registers following the review by the Chief Officer Risk Management Group (CORMG) on 27 September 2016 and Summit Group on 20 October 2016.

In considering this report, Members were asked whether they would like to continue to receive the new reports at appendices 2 and 3; 'Corporate Risk and Actions Progress' and 'Top Red Departmental Risk and Actions Progress', as well as the Corporate Risk Register. Whilst welcoming the new appendices for being helpful in providing further assurance, Members agreed that it would be useful to receive them twice yearly and not at every meeting.

RESOLVED, that –

1. The changes to the Corporate and Top Red Departmental Risk Registers be noted.

2. The Corporate Risk and Actions Progress and Top Red Departmental Risk and Actions Progress report, be presented to the Committee on a bi-annual basis in order to provide Members with additional assurance.

12. **EXTERNAL REVIEW OF RISK MANAGEMENT**

The Committee received a report of the Chamberlain, which outlined the key findings in respect of an external review of Risk Management in the City of London Corporation (CoLC). Members commended an interesting report and agreed with the 6 areas for potential improvement identified in the health check report.

The Consultant was invited to present the key findings as follows:

- The Consultant had enjoyed a good level of engagement and found officers to be honest, open and candid; a good reflection of the CoLC's approach to Risk Management.
- Members highlighted the need to develop an understanding of the CoLC's risk appetite and suggested that it should be encouraging a more risk talking culture. The Chamberlain indicated that this would be fed into the discussions at the Summit Group, as part of wider consideration of the culture of the organisation. He also suggested that risk appetite needs to be considered in the context of individual services and departments; i.e. safeguarding would have a low risk appetite but it could be higher in areas where there might be opportunities for income generation.
- There was some disappointment expressed at the level of response to the on-line survey, of 48.5%, but Members noted that this had been limited by several factors; including the time of year, the lead in time and the fact that it had not been mandatory. However, the Chairman reiterated and Members agreed, that there should be an expectation on staff to participate in such surveys and the Committee had pushed for this to be mandatory in some cases; i.e. fraud awareness. The Chamberlain agreed that this would be taken into account and the level of expectation would be raised for the next survey. However, the Chamberlain would not want this to detract from the positive aspects of the report.

RESOLVED, that:

1. The contents of the report and Members comments from this meeting be noted.
2. The Committee receive an action plan for approval, based upon the recommendations in the report, in February 2017.

13. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP**

The Committee received a report of the Head of Internal Audit and Risk Management which provided an update on the outcome of a recent follow-up

exercise, which had focussed on red and amber priority recommendations due for implementation by 30th September 2016.

In respect of a red report on the Police's Uniform Management Services, the Assistant Commissioner advised that the stock take and audit were now complete and a meeting with procurement had been planned for later today. The Assistant Commissioner advised that a new contract would be in place by April 2017 but, due to staff shortages, it had not been possible to action this quicker.

In response to some further queries raised by the Police Performance and Resource Management Sub Committee, Members noted that the issues in respect of seized cash and goods had been resolved and there would be an update on IT and disaster recovery in the next Internal Audit Update report.

In respect of slippage of implementation of recommendations by agreed target dates, the Chairman reiterated and Members agreed that all slippages required a robust explanation and, should the slippage continue, the responsible Chief Officer would be accountable to the Audit and Risk Management Committee.

RESOLVED, that – the report be noted.

14. **RESULTS OF 2016 SURVEY OF COMMITTEE MEMBERS**

The Committee considered a report of the Town Clerk in respect of the latest survey of Members of the Audit and Risk Management Committee. Members noted that, following further discussions, a full set of responses to Member's comments would be presented at the next meeting. The next report would also respond to a question raised at a previous meeting in respect of the frequency of the surveys.

Members noted a suggestion that they be invited to comment on the effectiveness of the Committee on a regular basis and not just wait for survey invitations. It was suggested that an induction in Audit and Risk Management be offered to all Members, post the 2017 Elections. In respect of term limits for Common Council Members on this Committee, given the nature of the work of the Audit and Risk Management Committee, Members agreed that this be considered when the Committee's Terms of Reference were next due for review.

RESOLVED, that:

1. The report be noted.
2. The proposals for further work to address the issues raised by the Survey be approved.

15. **APPOINTMENT OF EXTERNAL MEMBERS**

The three External Members left the room when this report was discussed and the decision taken

The Committee considered a report of the Town Clerk in respect of the re-appointment of one of the External Members, possibly for a further term. Mr Ludlam had consented to this report being considered in public and his full CV had been emailed to Members and laid around the tables.

Members strongly agreed that Mr Ludlam was an extremely valued External Member, who also served on the Police Performance and Resource Management Sub Committee. Members were very pleased that Mr Ludlam was keen to serve for a third term and noted that this was within the UK Corporate Governance Code (Guidance on Audit Committees). Members were also mindful of the terms of the other External Members, who were equally valued and would therefore consider similar requests to serve for a third term.

In the Interim, the Town Clerk would prepare for the longer term appointment of new External Members and follow the good practice of other City of London Committees, which also employed External Members; i.e. the introduction of a Nominations Sub Committee and a portfolio of potential External Members.

RESOLVED, That – the Court of Common Council be recommended to approve the appointment of Mr Kenneth Ludlam, for a third term of three years, as an External Member of the Audit and Risk Management Committee, with that term expiring in 2020.

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 were no items.

18. EXCLUSION OF THE PUBLIC

RESOLVED, THAT – Under Section 100(a) of the Local Government Act 1972, the public be excluded from the following item on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3, Part 1 of Schedule 12a of the Local Government Act

Item no 21

para 3

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

The Committee considered 1 item whilst the public were excluded.

The meeting ended at 4pm

Chairman

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