

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 7 February 2017**

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 7 February 2017 at 2.00 pm

### **Present**

#### **Members:**

Alderman Nick Anstee (Chairman)  
Nigel Challis (Deputy Chairman)  
Henry Colthurst  
Hilary Daniels (External Member)  
Revd Dr Martin Dudley  
Deputy Jamie Ingham Clark  
Alderman Ian Luder  
Kenneth Ludlam (External Member)  
Caroline Mawhood (External Member)  
Jeremy Mayhew (Ex-Officio Member)  
Graeme Smith

#### **In attendance:**

Michael Welbank  
Ian Seaton

#### **Officers:**

Christopher Braithwaite	-	Town Clerk's Department
Neil Davies	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Paul Dudley	-	Chamberlain's Department
Pat Stothard	-	Head of Internal Audit and Risk Management
Chris Keesing	-	Internal Audit
Edward Wood	-	Comptroller and City Solicitor's Department
Sarah Fletcher	-	Head, City of London School
Charles Griffiths	-	City of London School
Nick Bennett	-	External Auditor, Moore Stephens
Leigh Lloyd-Thomas	-	External Auditor, BDO

### **1. APOLOGIES**

Apologies for absence were received Hilary Daniels, Sheriff and Alderman Peter Estlin and Hugh Morris.

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

There were no declarations of interests.

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

**RESOLVED** – That the public minutes of the meeting held on 8 November 2016 are approved as an accurate record.

**4. TERMS OF REFERENCE AND FREQUENCY OF MEETINGS**

The Committee considered a report of the Town Clerk which provided the Committee with the opportunity to conduct the annual review of its Terms of Reference and frequency of meetings.

The Committee discussed whether a term limit should apply to Members of the Court of Common Council serving on the Audit Committee. Members agreed that it would be appropriate for Members of the Court to be subject to similar term limits as those which applied to External Members. Therefore, the Committee agreed that Members of the Audit Committee should be limited to a maximum term of nine years. To enable this, all future appointments to the Audit Committee should be for terms of three years.

The Committee agreed that, in order to commence a new term of service on the Audit Committee, a Member must not serve on the Committee for a period of three years.

The Committee agreed that the term limit should not apply to the Chairman or Deputy Chairman of the Committee for the duration of their term (and, in the case of the Chairman, for the year immediately following the end of his term as Chairman). The Committee also agreed that the term limit should not apply to ex-officio Members.

**RESOLVED** – That the Committee:

- a) Approves the Terms of Reference of the Committee, subject to the amendment of Members of the Court of Common Council being appointed for three year terms, up to a maximum continuous term of nine years (such term limit does not apply to the Chairman, Deputy Chairman or ex-officio Members); in order to commence a new term of service, a Member must not serve on the Committee for a period of three years;
- b) Agrees that the Committee continue to meet six times a year.

**5. COMMITTEE WORK PROGRAMME**

The Committee considered a report of the Town Clerk which provided information of the Committee's Work Programme for 2017.

**RESOLVED** – That the Committee notes the report.

**6. CITY OF LONDON SCHOOL - DEEP DIVE RISK REVIEW**

The Committee considered a report of the Headteacher of the City of London School which provided an update of the risk management arrangements at the School.

The Head Teacher of the City of London School explained that there were now no red risks within the risk register. The Committee was informed of the establishment of Sub-Committees to the Board of Governors, the recent

increases in Fees, the investments in security and safeguarding (and the work still to be completed in this area) and the development of an asset register and a maintenance plan for these assets.

The Head Teacher expressed her thanks to the City Surveyor's Department and the Chamberlain's Department for their support and assistance to the School in recent months.

A Member asked whether recruitment of pupils and teachers was a significant risk. The Head Teacher explained that recruitment of pupils was very strong, with a large demand for places at the school. Performance of students continued to be excellent, with records being set for performance at GCSE and A-Levels in the previous year. Recruitment of teachers was similarly robust. However, the recruitment of non-teaching staff tended to be challenging.

A Member asked for further information regarding the risk management process used by the School and asked for information regarding risks which had recently been removed from the risk register. The Head Teacher explained that the Senior Management Team and the Board of Governors regularly reviewed the risk register. The Head Teacher agreed to provide the Member with the information which was requested regarding risks which had been removed from the register.

The Chairman asked whether the School's fees were in line with their competitors. The Head Teacher and Chairman of the Board of Governors explained that the School's fees were roughly £3k lower than their competitors and therefore the Board of Governors had signalled an intention to gradually increase fees over the coming years, to bring the School into line with its competitors. The Head Teacher explained that such a fee increase would fund vital investment in the infrastructure of the School.

The Chairman thanked the Head Teacher and Chairman of the Board of Governors for their attendance at the meeting and commented that there had been extremely positive progress in the School over the last 12 months.

**RESOLVED** – That the Committee notes the report.

## **7. RISK MANAGEMENT UPDATE**

The Committee considered a report of the Chamberlain which provided an update on the Corporate Risk Register, along with the top red Departmental risks, and the actions taken as a result of the external review of risk management, which had been reported to the Audit and Risk Management Committee in November 2016.

The Head of Audit and Risk Management explained that Officers were considering the removal of Corporate Risk 14 (Funding Reduction) from the risk register, due to the greater level of certainty around the Corporation's funding from Central Government. However, it was intended that this risk would be replaced with risks regarding funding for the City of London Police and ensuring value for money.

The Head of Audit and Risk Management also provided more information regarding the intention to add to the Corporate Risk Register a risk in relation to fire prevention at the Barbican Centre. The Chamberlain explained that it was intended to add this risk to the Corporate Risk Register for a period of a few months to ensure that it was addressed.

A Member asked whether Internal Audit ensured that their recommendations had been implemented by Departments. The Head of Internal Audit explained that this was tracked and information could be provided to the Committee's next meeting regarding the findings of the six-monthly review of Departmental implementation.

A Member commented that the majority of the risks within the Risk Register were unchanged and asked whether it would be beneficial to separate the Risk Register into dynamic risks and static risks, to ensure that there was appropriate movement to address risks. The Head of Audit and Risk Management explained that an external review had identified this as an area for improvement within the Risk Register, along with the development of a Risk Appetite statement. He explained that the Corporation was working with Zurich International to develop these changes. He explained that he hoped that an update regarding this could be provided to the Committee's May meeting, with the work planned to be implemented by June or July 2017.

**RESOLVED –** That the Committee:

- a) Confirms the addition of BBC H&S 001 Fire risk to the Corporate Risk Register.
- b) Notes the other changes to both the Corporate and top red departmental risk registers outlined in the report.
- c) Notes the progress on the risk management action plan.

## **8. INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report of the Head of Audit and Risk Management which provided an update on internal audit activity since the last report to the Committee. The report also set out the overall opinion of the Head of Internal Audit in relation to the adequacy and effectiveness of the control environment for those areas of internal audit work concluded since the last update report to Committee. The opinion was that the overall internal control environment is adequate and effective although some areas require strengthening.

The Chairman asked for confirmation that it would be possible to complete the Internal Audit Programme for the year. The Head of Internal Audit confirmed that he expected the programme to reach the target of 95% completion.

Members noted that the customer satisfaction rating for Internal Audit was 100% and asked whether this was an indication that Internal Audit was not being demanding enough. The Head of Internal Audit explained that he did not believe this to be the case and the rating was based on optional surveys which were completed and the rate of return of these was not high.

A Member commented that some items within the Audit Plan were deferred until 2017/18 and asked whether the 95% completion target would be reached by reducing the amount of work completed. The Head of Internal Audit explained that audits had been added in to the programme to replace those which had been deferred and the total number of audit days was similar to what had been planned.

**RESOLVED –** That the Committee notes the report.

**9. ANTI FRAUD INVESTIGATIONS UPDATE**

The Committee considered a report of the Chamberlain which provided an update on the anti-fraud and investigation activity since the last report to the Committee. The report also provided an analysis of the cases investigated during the 2016/17 reporting year.

A Member asked whether social housing tenancy fraud was an issue which was particularly prevalent within the City. The Chamberlain explained that this was an issue across London, largely due to the high levels of rent which could be achieved.

A Member asked whether there was any reward for accurate Whistleblowing disclosures. The Chamberlain explained that there had been a Government Scheme which rewarded such disclosures, but this had been discontinued. However, he explained that Officers could discuss whether it would be appropriate to continue such a scheme for the City Corporation. In response to a question from a Member, the Chamberlain confirmed that great efforts were taken to ensure all Whistleblowing disclosures were treated confidentially.

**RESOLVED –** That the Committee notes the report.

**10. CITY FUND AND PENSION FUND FINAL ACCOUNTS 2016/17 AND 2017/18 - UPDATE**

The Committee considered a report of the Chamberlain which highlighted the steps being taken to achieve faster closure to meet the new statutory deadlines for the City Fund and Pension Fund accounts which will apply from 2017/18 onwards requiring the draft accounts to be published by 31 May (a month earlier than currently required) and the audited accounts to be published by 31 July (two months earlier than currently required).

The report also provided an overview of the main changes to the local authority accounting framework for 2016/17 and outlined the anticipated impact of a change to the accounting treatment of local authority highways networks due to be implemented in 2017/18.

A Member commented that he welcomed the proposals to list expenditures by Committees, rather than Departments. However, he commented that the Corporation's governance structure could be confusing for members of the public.

**RESOLVED** – That the Committee notes the report and supports the goal of achieving the new condensed timetable for publication of the accounts.

**11. CITY OF LONDON - CITY FUND: GRANT CLAIMS AND RETURNS CERTIFICATION IN RESPECT OF CLAIMS AND RETURNS FOR THE YEAR ENDED MARCH 2016**

The Committee considered a report of BDO, the External Auditors which summarised the main issues which had arisen from BDO's certification of grant claims and returns for the financial year ended 31 March 2016.

**RESOLVED** – That the Committee notes the report.

**12. EXTERNAL AUDIT ARRANGEMENTS**

The Committee considered a report of the Chamberlain which provided information regarding the options available for the external audit arrangements for the Corporation. The report recommended that a single procurement process was undertaken to appoint the same external auditor for all funds. The report explained that, if Members approved this approach, it would be necessary to extend (via a waiver) the non-local authority audit contract with Moore Stephens LLP by a year to align it with the local authority audit contract, and establish an auditor panel to advise on the selection and appointment of the auditor.

**RESOLVED** – That the Committee:

- a) agrees the preferred option of a single procurement process to appoint the same external auditor for all funds;
- b) approves the re-establishment of an Independent Audit Appointment Panel (IAAP) to act as the auditor panel as required under the Local Audit and Accountability Act 2014;
- c) appoints Alderman Nick Anstee and Deputy Jamie Ingham Clark to the IAAP;
- d) authorises the Town Clerk to advertise for three independent Members for the IAAP;
- e) establishes a selection panel for the Independent Members of the IAAP, which is authorised to shortlist and interview applicants, comprising the Alderman Nick Anstee, Deputy Jamie Ingham Clark, the Chamberlain and the Town Clerk; and
- f) delegates authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman, to make a recommendation to the Court of Common Council on the appointment of independent Members to the IAAP.

**13. BRIDGE HOUSE ESTATES, CITY'S CASH, CITY'S CASH TRUSTS, THE CORPORATIONS SUNDRY TRUSTS & OTHER ACCOUNTS - EXTERNAL AUDIT STRATEGY & PLANNING REPORT ON THE 2016-17 FINANCIAL STATEMENTS**

The Committee considered a report of Moore Stephens, the External Auditors which provided the External Audit Strategy for the Bridge House Estates, City's

Cash, City's Cash Trusts, the Corporations Sundry Trusts & Other Accounts  
2016-17 Financial Statements.

**RESOLVED** – That the Committee notes the report.

14. **ANNUAL GOVERNANCE STATEMENT - METHODOLOGY**

The Committee considered a joint report of the Town Clerk and Chamberlain which set out the proposed process for the production of the Annual Governance Statement for 2016/17. The report proposed that the production of the Annual Governance for 2016/17 followed the process established in previous years.

The Town Clerk confirmed that the full draft of the Annual Governance Statement would be provided to the Committee's May 2017 meeting.

**RESOLVED** – That the Committee:

- a) approves the proposals set out in the report for the production and presentation of the Annual Governance Statement for 2016/17, and
- b) agrees that no additional areas should be added to Annual Governance Statement for 2016/17.

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

There were no questions.

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

There was one item of urgent business.

Internal Audit Update Report

The Committee considered a report of the Head of Audit and Risk Management which set out the initial proposed Internal Audit Annual Plan for 2017/18. The Head of Audit and Risk Management explained that the final Plan would be provided to the Committee in May 2017.

A Member asked for confirmation that the Audit Plan included all audits which had been deferred from 2016/17 and that audits of all red risks were included within the plan. The Head of Audit and Risk Management confirmed that this was the case, unless they had been recently audited, in which case any recommendations which had been made would be followed up.

**RESOLVED** – That the Committee notes the initial draft 2017/18 Internal Audit work plan.

17. **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**  
18-20

**Paragraph**  
3

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

The non-public minutes of the meeting held on 8 November 2016 were approved as an accurate record.

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

There was one comment.

**20. 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 3.50 pm**

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Chairman

**Contact Officer: Julie Mayer**  
**tel. no.: 020 7332 1410**  
**julie.mayer@cityoflondon.gov.uk**