

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 6 March 2018

Minutes of the meeting of the Audit and Risk Management Committee held at
Guildhall, EC2 at 2pm

Present

Members:

Alderman Ian Luder (Chairman)
Alderman Nick Anstee (Deputy Chairman)
Randall Anderson
Henry Colthurst
Hilary Daniels (External Member)
Alderman Peter Estlin
Deputy Jamie Ingham Clark (Ex-Officio Member)
Kenneth Ludlam (External Member)
Paul Martinelli
Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-Officio Member)

Officers:

Peter Kane	-	Chamberlain
Paul Dudley	-	Chamberlain's
Philip Gregory	-	Chamberlain's
Sean Green	-	Chamberlain's
Gary Brailsford-Hart	-	Chamberlain's
Pat Stothard	-	Head of Internal Audit and Risk Management
Leigh Lloyd-Thomas	-	External Auditor, BDO
Nick Bennett	-	External Auditor, Moore Stephens
Kate Smith	-	Town Clerk's
Tom Conniffe	-	Town Clerk's
Julie Mayer	-	Town Clerk's

1. APOLOGIES

Apologies were received from Alexander Barr, Chris Boden, Alderman Nick Anstee and Hugh Morris.

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

The Chairman, Alderman Ian Luder, declared a general non-pecuniary interest in respect of the Fire Safety Report, at agenda item 7 (for information only) by virtue of being a long leaseholder on the Barbican estate.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED, that – the minutes of the meeting held on 16th January 2018 be approved.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Committee's outstanding actions list and noted those items which would be discharged on today's agenda.

The Town Clerk advised that the recommendations in respect of the Committee's Terms of Reference would be presented to the Policy and Resources Committee for approval. Members noted that the Audit and Risk Management Committee did not need Policy and Resources' approval to elect an additional Deputy Chairman from its External Members.

5. **COMMITTEE WORK PROGRAMME**

Members received the Committee's Work Programme and noted the following additions:

- The Treasury Management Strategy would be presented to the Committee at the July meeting.
- The final Audit Opinion from BDO on the Pension Fund would be presented to the LGPS Board for information, at their first meeting after recess.

6. **DEEP DIVE RISK REVIEWS**

6.1 **CR10 Adverse Political Consequences**

Members received a report of the Remembrancer in respect of Corporate Risk 10: Adverse Political Developments. During the discussion the following points were noted:

- The possibility of considerable changes to the political composition of councils in London's forthcoming local elections.
- The current poor perception of the financial services sector and business generally.
- Whilst there were no current statements of an intention to move against the City of London Corporation, with the exception of the Green Party Manifesto, it was likely that it could become an issue if a Labour Government were elected.
- In concluding, Members noted that the above messages helped to inform the risk rating of '8 – Amber'.

RESOLVED, that – the report be noted.

6.2 CR16 Information Security

Members received a report of the Chamberlain in respect of Corporate Risk 16 (CR16) – Information Security. During the discussion the following points were noted:

- The City Corporation had been working in accordance with GCHQ procedures, which included ISO2701 compliance (as defined by the National Audit Office).
- The transformation agenda was increasing the take-up of mobile and home working. Following last week's adverse weather, the IT Sub Committee on 26 March would receive a report on The Personal Access Device Policy, which would include the take-up and success of home working. Furthermore, the IT Sub Committee were having their own operational 'Deep Dive' in respect of information security at their next meeting on 26 March.
- The officers' People Security Board were delivering on policy management and training. The IT Director advised that staff road shows were planned, along with a 'Master Class'.
- Information security generally would be covered in a forthcoming Members Survey, which would also include GDPR and data protection.
- Members asked for another Deep Dive review into IT Security, in about 6 months' time, once the current improvements had embedded further.

RESOLVED, that – the report be noted.

7. FIRE SAFETY UPDATE

Members received a report of the Director of Community and Children's Services in respect of fire safety matters, since the last update to Members in October 2017. Whilst this report concentrated on the Barbican Estate, the Assistant Director advised that the report was representative of measures in place across the City's social housing estates. Members noted that a 'waking watch' was in place at Great Arthur House.

Members noted that one of the issues in the aftermath of the Grenfell had been the local authority's lack of knowledge about some of its residents. The Assistant Director advised that the City Corporation had embarked on a 6-month project to visit all the City's social housing estates; to undertake fire risk assessments and gather intelligence on any potential safeguarding and housing tenancy fraud/subletting issues. Members noted that local authorities had been tasked with gathering information on private residential blocks, above a certain height, and landowners were obliged to work with the Fire Brigade and the local authority. The Comptroller and City Solicitor confirmed this and

advised Members that the Secretary of State had implemented a risk assessment scheme and, if a rating was above a certain level, remedial powers could be imposed on a local authority.

Members noted that, due to a national backlog of fire door testing, the City Corporation's doors were being tested by contractors. The Assistant Director accepted there had been some initial confusion as to the Fire Brigade's 'stay put' advice, as this might not be applicable to all blocks, and the fire risk assessments were clarifying this. Members noted that the fire risk assessments were due back at the end of this month and their findings would be communicated widely.

In response to a question about sprinklers, the Assistant Director advised that they could be retro fitted but this would be very expensive and have HRA implications. Members noted that, following Counsel's opinion, improvements would not be chargeable to leaseholders, and this was likely to include sprinklers.

In concluding, the Chairman and Members thanked the Assistant Director for a clear and helpful report and asked for an update to the Autumn meeting of the Committee. The Chairman asked for the next update to provide Members with assurance on the recommendations and action plans arising from the risk assessments, on an estate by estate basis, with the focus on amber and red risks.

RESOLVED, that – the report be noted.

8. INTERNAL AUDIT UPDATE

Members received a report of the Head of Internal Audit and Risk Management which provided an update on internal audit activity since the last report to the Committee in November 2017.

The Head of Internal Audit advised that he was confident of clearing the backlog. Members noted that audit managers and Mazars had been assisting, with draft reports expected by mid-April. With regard to the audit of business travel, there had been some issues, but internal controls had improved, and Town Clerks had provided a positive response to address the recommendations. The audit focussed on compliance issues rather than VFM, but some consideration was given to this in sample testing.

Members were concerned about retrospective waivers and challenged whether the £50,000 threshold was too high. The Chairman of Finance endorsed this view and the number of retrospective waivers had dropped in response to the Finance Committee's zero tolerance. Members commended the work of the Procurement Team in working with officers to reduce the number of waivers. The Chamberlain confirmed that the terminology would be changed from procurement 'waiver' to 'breach', with disciplinary sanctions. The Chamberlain thanked the Chairman and Members for their strong support in this matter.

RESOLVED, that – the report be noted.

9. **2018/19 TO 2020/21 - DRAFT INTERNAL AUDIT PLAN**

Members considered a report of the Head of Internal Audit and Risk Management which provided an initial draft of the 2018-19 internal audit work plan and the strategic audit plan for 2018-19 to 2020-21.

RESOLVED, that – the report be noted.

10. **INTERNAL AUDIT CHARTER - UPDATE 2018**

Members considered a report of the Head of Internal Audit and Risk Management in respect of the Internal Audit Charter Update for 2018. Members noted that the Charter had been subject to review following the External Quality Assessment undertaken by Mazars and subsequent ongoing review by the Head of Internal Audit and Risk Management.

RESOLVED, that – the update City of London Corporation Internal Audit Charter for 2018 be approved.

11. **ANNUAL GOVERNANCE STATEMENT - METHODOLOGY**

Members considered a report of the Town Clerk in respect of methodology for the 2017/18 Annual Governance Statement. Members were reminded of their request to include an annual report on the work of the Committee, in addition to the Annual Governance Statement and Head of Internal Audit's Annual Opinion Report. Members suggested that an annual report on the work of the committee would complement the existing reports.

The Town Clerk suggested that this report could showcase the risk challenge sessions; deep dive risk reviews, the valued work of our external members and the focus on key areas of risk assessment; i.e. cyber security, adverse political developments, safeguarding and anti-terrorism. The report could also identify whether any significant issues; i.e. the Billingsgate cash fraud a few years ago, were one-offs or an indication of systemic weaknesses. Members agreed that it was important for the Court to recognise this work.

RESOLVED, that:

1. The methodology as set out in the report, for the production and presentation of the Annual Governance Statement for 2017/18, be approved.
2. The Audit and Risk Management Committee submit an annual report to the Court of Common Council, in accordance with the suggestions set out above.

12. BRIDGE HOUSE ESTATES, CITY'S CASH, CITY'S CASH TRUSTS, THE CORPORATIONS SUNDRY TRUSTS & OTHER ACCOUNTS EXTERNAL AUDIT STRATEGY & PLANNING REPORT ON THE 2017-18 FINANCIAL STATEMENTS

Members received the External Auditor's planning report in respect of Bridge House Estates, City's Cash, City's Cash Trusts, the Corporation's Sundry Trusts & Other Accounts. Members noted the same significant risks as set out in previous reports; particularly in respect of investments, but income flow in the short term was reasonably well protected.

RESOLVED, that – the report be noted.

13. CITY FUND AND PENSION FUND ACCOUNTS EXTERNAL AUDIT STRATEGY & PLANNING REPORT ON THE 2017-18 FINANCIAL STATEMENTS AND GRANTS CERTIFICATION

Members received the External Auditor's planning report in respect of the City Fund and Pension Fund and the Grant Claims and Returns Certification. The External Auditor confirmed that the significant risks were the same as those highlighted by Moore Stephens in the previous report. Members noted that there would always be an element of risk with land and buildings and management overrides.

In response to a question about the Pension Fund, the Chamberlain confirmed that all City Corporation data had been tested and the Pensions Board had written to all overseas pensioners.

In respect of Grants Claims Certification, the External Auditor was pleased to report only minor errors and no qualified housing benefit opinion. Members were pleased to note that such a high level of accuracy was very uncommon.

RESOLVED, that – the report be noted

14 QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

15 ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

The Chairman agreed to the submission of the following item of urgent business:

DATA PROTECTION POLICY

Members considered a report of the Comptroller and City Solicitor which sought approval to a revised Data Protection Policy for the Corporation (excluding the Police), in place of the current policy, and in preparation

for the implementation of the General Data Protection Regulations (GDPR) on 25th May this year.

RESOLVED, that - the revised Data Protection Policy set out in Appendix 1 to the report be adopted, with effect from 7 days after its approval by the City of London Corporation's Policy and Resources Committee.

16. 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 12 (a) of the Local Government Act.

Item Nos	Para Nos
17- 18	3
20	3, 5

17. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

RESOLVED, That - the non-public minutes of the meeting held on 16th January 2018 be approved.

Matters arising

Members noted that the London Borough of Islington had approved the COLPAI Planning Application, which would go to the City Corporation's Planning Committee later this month.

18. CITY OF LONDON POLICE PROGRAMME MANAGEMENT AUDIT

Members received a report of the City of London Police

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 Chairman agreed to admit an item of urgent business:

Members considered and approved a report of the Comptroller and City Solicitor.

The meeting ended at 4pm

Chairman

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