

## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 29 May 2018

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 at 2.00 pm

### Present

#### Members:

Alderman Ian Luder - Chairman  
Alexander Barr – Deputy Chairman  
Hilary Daniels (External Member) – Deputy Chairman  
Randall Anderson  
Alderman Nick Anstee - *in the Chair to item 5*  
Chris Boden  
Anne Fairweather  
Marianne Fredericks  
Alderman John Garbutt  
Deputy Jamie Ingham Clark (Ex-Officio Member)  
Kenneth Ludlam (External Member)  
Paul Martinelli  
Jeremy Mayhew (Ex-Officio Member)  
Andrien Meyers

#### Officers:

Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Deputy Chamberlain
Michael Cogher	- Comptroller and City Solicitor
Paul Dudley	- Chamberlain's Department
Philip Gregory	- Chamberlain's Department
Peter Kane	- Chamberlain
Chris Keesing	- Internal Audit
Leigh Lloyd-Thomas	- External Auditor, BDO
Julie Mayer	- Town Clerk's Department
Pat Stothard	- Head of Internal Audit and Risk Management
Ian Simmons	- Department of the Built Environment

#### 1. APOLOGIES

It was proposed by Jeremy Mayhew, seconded by Jamie Ingham Clark and agreed that Alderman Nick Anstee take the Chair.

Apologies were received from Caroline Mawhood and John Petrie.

#### 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**

The minutes of the meeting held on 6 March 2018 were approved.

4. **ORDER OF THE COURT**

Members received the Order of the Court dated 19 April 2018.

5. **ELECTION OF CHAIRMAN**

Members elected a Chairman in accordance with Standing Order 29.

RESOLVED, that – being the only Member willing to serve, Alderman Ian Luder be elected as Chairman for 2018/19.

6. **TO ELECT TWO DEPUTY CHAIRMEN**

Members elected 2 Deputy Chairmen (one from the External Members) in accordance with Standing Order 30 and their Terms of Reference.

RESOLVED, that – being the only Members willing to serve, Mr Alexander Barr (Court of Common Council Member) and Ms Hilary Daniels (external Member) be elected as Deputy Chairmen for 2018/19.

7. **APPOINTMENTS TO SUB COMMITTEES**

Members considered a report of the Town Clerk which sought to elect 3-4 Members to serve on its new Nominations Sub Committee, one of which being an External Member, and to co-opt 2 Members to serve on the Police Performance and Resource Management Sub Committee.

RESOLVED, that:

1. Being the only Members being willing to serve, Mr Kenneth Ludlam and Ms Caroline Mawhood be co-opted to the Police Performance and Resource Management Sub Committee for 2018/19.
2. Being the only Members willing to serve, Mr Kenneth Ludlam, Ms Caroline Mawhood and Mr Randall Anderson be appointed to the Nominations Sub Committee for 2018/19. *NB Members agreed to 2 External Members (Mr Ludlam and Ms Mawhood) being appointed to this Sub Committee in the absence of any other expressions of interest.*

8. **COMMITTEE WORK PROGRAMME**

Members received the Committee's Work Programme and noted the following updates since the agenda had been despatched:

- MAT/Academies Risk Challenge Session – September 2018
- Road Safety and Fire Safety Deep Dives – September 2018
- Operational Security and Resilience Deep Dives – July 2018
- Markets and Consumer Protection Risk Challenge Session - July 2018
- Update report on GDPR – September
- Special Educational Needs and Disability (SEND) City of London Local Area Inspection Outcome – July 2018.

9. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Committee's Outstanding Actions list, noting the items discharged on this agenda and that new items may be added as the meeting progressed.

10. **CROSSRAIL REINSTATEMENT PROJECTS: GATEWAY 6 - PROGRESS REPORT**

Members received a report of the Director of the Built Environment which provided an update on the Crossrail reinstatement projects in respect of Farringdon East, Liverpool Street and Moorgate.

Members noted that the urban realm schemes, set out in the report, had been discussed at today's Planning and Transportation Committee and the key areas of work underway; ie engagement with the Eastern City Cluster community, the technical work in respect of crowded footways, the management of pedestrian safety and safe deliveries. The Assistant Director advised that the new Transport Strategy would focus on radical and significant change and was working to a very fast timetable of Spring 2019. Members noted that bollards were part of the Crossrail Act and would be installed at all new stations and transport infrastructure in the City but in a sympathetic design.

The Assistant Director advised that Crossrail would provide 20% extra capacity on the streets and this would assist those commuters who currently feel they need to travel very early or late for a less congested journey. Members noted that the Planning and Transportation Committee had approved a pedestrian model for the City, for 2018 – 2026, and this information would enable officers to measure and monitor numbers on the street around the Crossrail developments, and to introduce measures such as phasing of traffic signals. Members noted that officers in the Built Environment had been working with Transport for London on the Transport Strategy, and the Chairman and Deputy Chairman of the Planning and Transportation Committee were making representations to the GLA.

The Deputy Chairman (Court) asked the Assistant Director whether the use of 'smart pavement' technology had been considered in the pedestrian model of the City and also whether that might provide certain revenue generation opportunities. The Assistant Director noted that officer work streams had considered a number of ways of monitoring footfall, and that a recent trial indicated that the City had too much footfall in some areas. A member asked for clarification on revenue opportunities and smart pavements. The Deputy Chairman (Court) responded, noting that aggregated data on footfall from embedded sensors in smart pavements might have some commercial application.

RESOLVED, that – the report be noted and that the Committee receive an update later in the year on pedestrian data.

11. **CITY FUND AND PENSION FUND FINANCIAL STATEMENTS UPDATE 2017/18**

Members received a report of the Chamberlain which provided an update on the production of the Financial Statements for the City Fund and Pension Fund for 2017/18. Members noted that they would receive the statements at their next meeting in July, in order to recommend them to the Finance Committee, which also meets in July 2018.

In respect of a query about contingent assets in Appendix 1 – the Director of Finance agreed to provide more information to Members about increases in valuations. The Chamberlain confirmed that the accounts were on schedule, for sign off later this week. Finally, Members noted that depreciation would be included in the notes to the accounts but not in the policy.

The Chairman and Members asked for their thanks to go on record to the Chamberlain and his staff for meeting the new targets, despite the extra work this had entailed.

RESOLVED, that – the report be noted.

12. **HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT 2017/18**

Members received the Head of Internal Audit's Annual Report and Opinion, as follows:

*"I am satisfied that sufficient quantity and coverage of internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes.*

*In my opinion, **the City has adequate and effective systems of internal control in place to manage the achievement of its objectives.** In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.*

*Notwithstanding the overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures which are documented in each individual audit report."*

Members noted that a number of draft reports were still to be finalised and would be included in next year's opinion. Members were reminded that they would have an opportunity to meet with the Head of Internal Audit, in a closed session, at the end of this meeting.

In response to questions, the Head of Internal Audit advised that his team's structure had moved from a full in-house team, to using more external resource from our Audit Partner, Mazars, in order to provide a better mix of skills and expertise. In response to a question about the large percentage of red risks (ie 13%), the Head of Internal Audit advised Members that it was difficult to provide year on year comparisons, as the nature of the work differed. Members also

noted that the percentage of amber risks had increased, as part of a more focussed approach to internal audit, and the issues had been listed in the report. The Head of Internal Audit agreed to check the percentages on page 61 of the report, in respect of direction of travel, and recirculate them.

RESOLVED, that – the report be noted.

**13. INTERNAL AUDIT RECOMMENDATION FOLLOW UP**

Members 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 focussed on red and amber priority recommendations due for implementation by 30 April 2018.

Members noted that the City of London Police has agreed to accept two of the risks in respect of seized goods and therefore asked to look at this matter again, in September 2019, with the Commissioner in attendance. Members accepted that seizures subject to the Proceeds of Crime Act might take longer.

The Deputy Chairman (external Member) commended a helpful report and reiterated the importance of target dates being realistic and without repeat requests for extensions. The Head of Internal Audit confirmed that he had made Members expectations very clear in this respect, and there had been a reduction in carry forwards in some cases but more significant projects, such as the IT Transformation Programme, might take longer.

RESOLVED, that – the report be noted.

**14. CITY OF LONDON POLICE PROGRAMME/PROJECT MANAGEMENT AUDIT**

Members received a presentation from the Commissioner, in respect of the City of London Police's Programme/Project Management Audit, which had been discussed by Members at the last meeting of the Committee.

During the discussion and questions, the following points were noted:

- An Information Sharing Protocol was being established, noting that some items may have to remain within the Police. The usual commercial information, generally exempt under the Local Government Act, would not be affected and the Protocol would allow as much transparency as possible. Members asked to see the Protocol once it had been finalised.
- Whilst Members commended a good summary on the follow-up of internal recommendations, and particularly the improved governance and financial information, some concerns were expressed about the previous lack of communication, between the COLP and the City Surveyor, which had impacted on the accommodation project. Whilst Member accepted that the new Capital Buildings Committee would provide them with some assurance, they stressed the importance of lessons being learnt across the City Corporation.

- A Member suggested that streamlining (as depicted in the final slide) should come first, setting the context for the other 9 recommendations. The Assistant Commissioner advised that the new procedures were not overly bureaucratic and would continue to work with the Town Clerk to streamline further.
- Members also noted that the Projects Sub Committee was keen to develop a City Corporation Project Management Academy and the Assistant Commissioner welcomed this opportunity to work with the City Corporation on best practice. A Member suggested that the Gateway 7 (Outcome) reports were often too late to look at 'lessons learnt' in detail.
- The Police's Change Board sets governance processes internally and this allows for the appropriate levels of authority to be applied. A survey of fleet vehicles had been completed, linked to the accommodation programme. There would be a Member of the Finance Team on the Police Programme Board and there was now a full establishment of finance officers to dedicate to the change programmes.

The Chairman thanked the Assistant Commissioner for a helpful presentation and the improvements in hand.

#### 15. **ANNUAL GOVERNANCE STATEMENT (AGS)**

Members received a report of the Town Clerk seeking approval to the Annual Governance Statement. The Chairman asked Members to contact the report author directly in respect of any minor grammatical errors.

During the discussion, the following amendments were suggested:

- Future work programme – declarations of interest are reviewed annually, not just in 2017.
- Information Management - to include cyber security.
- Health and Wellbeing – include a reference to the City of London Corporation's timely responses following the Grenfell Tower fire; noting the 2 reports which the Audit and Risk Management Committee had received.
- Mandatory Risk Management training for the top 120 managers – include the courses which are run monthly for all staff throughout the year

RESOLVED, that:

- The AGS, as set out in Appendix 1 to the report, be approved for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive, subject to the above comments.
- The AGS to be published alongside the 2017/18 City Fund and Pension Funds Statement of Accounts;

- The future work programme in paragraph 80 of the AGS, to improve the governance framework, be noted; and
- Authority be delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairmen of the Audit and Risk Management Committee, to amend the AGS for 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.

## 16. **RISK UPDATE**

Members received 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 21 March 2018 and Summit Group on 25 April 2018. A Member, who had served on a number of other Local Authority Audit Committees, commended the City Corporation for having the most robust risk management framework of those he had been sighted on.

Members noted that GDPR had been added to the Corporate Risk Register in January but, following the Mazars Audit, it was likely to come off the Register later this year. Members suggested that, once the target had been achieved, it should continue to be monitored under the Corporate Information Security Risk. Members also asked to receive information as and when target ratings were achieved.

In response to further queries about the risk rating for Air Quality and Health and Safety; Members were reminded that the Directors of Markets and Consumer Protection and Human Resources were due to attend the Committee shortly and they would have an opportunity to challenge their risk ratings.

RESOLVED, that – the report be noted.

## 17. **ANTI FRAUD AND INVESTIGATIONS ANNUAL REPORT**

Members received a report of the Chamberlain which provided the Anti-Fraud and Investigations Annual Report for 2017/18.

During the discussion, the following points were noted:

Whilst Members found the Case Studies impressive, there was some concern expressed about a housing tenancy fraud case having gone on for several years. Members noted that a current audit, by the Community and Children's Services Department, of all of the City's social housing units, was expected to highlight fraudulent tenancies. The Officer explained how the impact of successful prosecutions often encouraged tenants to come forward via confidential whistleblowing.

In respect of the case at Tower Bridge, a Member advised that she had first raised concerns about this matter some 2 and a half years ago and was told by a former City Corporation Director that it was not an issue. The officer agreed to check whether there had been any earlier referrals but assured Members

that, once the matter had been referred to Internal Audit, prompt action was taken.

In response to a question about prosecutions, Members were reminded that once a case had been referred to the Police, the CPS then took the decision as to whether or not to prosecute. The City Corporation also consulted with the City Solicitor on the likelihood of successful prosecutions and, if unlikely, might decide not to take a case beyond dismissal. Members noted that, if they would like more detailed information on the cases coming through from Whistleblowing, this would need to be a part 2 discussion. Finally, Members noted that the proposed new Monument Visitor centre was being encouraged to be as cashless as possible.

RESOLVED, that – the report be noted.

**18. REPORT OF ACTION TAKEN**

Members received a report of the Town Clerk which provided an update on the following decision, taken under urgency, since the last meeting of the Committee:

**Action Taken:**

The Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, the Education Board and the Policy and Resources Committee agreed to recommend, to the Court of Common Council, that the Terms of Reference of the Audit and Risk Management Committee be widened to include oversight of the audit, risk and anti-fraud approaches in respect of:

1. The two stand-alone Academies; City Academy - Hackney and City of London Academy - Islington, of which the City of London Corporation are co-sponsors, and those schools which fall under the City of London Academies Trust (currently 8).
2. The Terms of Reference of the Audit and Risk Management Committee be amended to include: *“To undertake periodic reviews of the risk management procedures, financial capabilities, controls, and safeguarding procedures of the City of London School, the City of London School for Girls, the City of London Freeman’s’ School, the City of London Academies Trust (including its embedded academies) and the City Academies which are free-standing entities.”*

RESOLVED, that – the report be noted.

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

There were no questions.

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

There were no items

21. **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**

22-24

**Para Nos**

3

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

The non-public minutes of the meeting held on 6<sup>th</sup> March were approved.

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

There were no questions.

24. **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.

**The meeting ended at 3.45 pm and Members then met with the Head of Internal Audit in a closed session.**

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Chairman

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