

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 12 March 2019

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

Present

Members:

Alderman Ian Luder (Chairman)	Marianne Fredericks
Alexander Barr (Deputy Chairman)	Alderman John Garbutt
Hilary Daniels (Deputy Chairman)	Kenneth Ludlam (External Member)
Randall Anderson	Caroline Mawhood (External Member)
Alderman Nick Anstee	Jeremy Mayhew (Ex-Officio Member)
Deputy Jamie Ingham Clark (Ex-Officio Member)	Andrien Meyers
Anne Fairweather	John Petrie

Officers:

John Barradell	- Town Clerk and Chief Executive
Tom Conniffe	- Town Clerk's Department
Simon Latham	- Town Clerk's Department
Chloe Rew	- Town Clerk's Department
Kate Smith	- Town Clerk's Department
Caroline Al-Beyerty	- Chamberlain's Department
Christopher Bell	- Chamberlain's Department
Paul Dudley	- Chamberlain's Department
Philip Gregory	- Chamberlain's Department
Colin Tharby	- Chamberlain's Department
Pat Stothard	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Damian Nussbaum	- Director of Economic Development
Marion Afoakwa	- Department of Human Resources
Justin Tyas	- Department of Human Resources
Andrew Carter	- Director of Community and Children's Services
David Drane	- City of London Police
Alistair Sutherland	- City of London Police

Also in attendance:

Fiona Condron	- BDO LLP
Leigh Lloyd-Thomas	- BDO LLP
Francesca Palmer	- BDO LLP

1. **APOLOGIES**

Apologies were received from Chris Boden and Paul Martinelli.

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 public minutes of the previous meeting held 15 January 2019 be agreed as a correct record.

Matters Arising:

Regarding the catering contract, the City Solicitors are close to signing, and the caterers have continued to operate the service under the contractual arrangements of the previous contract. The Comptroller and City Solicitor advised that the contracts were delayed due to issues related to insurance.

The Chairman requested a joint report of the City Solicitors and Procurement, as this is a cross-departmental issue and the Committee needs to understand the risks that the issue exposes the City to. The Committee will assume the contract is unsigned until the Comptroller advises the Committee Clerk via email that it has been signed, and the Clerk will inform Members. Members echoed this statement and requested the report also be brought to the Procurement Subcommittee.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received the Outstanding Actions of the Committee report.

RESOLVED – That the report be received and its contents noted.

5. **COMMITTEE WORK PROGRAMME**

Members received the Audit & Risk Management Committee's work programme. Members were asked to note the following amendments:

- The Draft City Fund and Pension Fund Account has been moved from 7 May 2019 to 16 July 2019;
- The Annual Private meeting of Members with External Auditors will take place after the Committee meeting on 16 July 2019;
- The Internal Audit Charter Review has been moved from 12 March 2019 to 7 May 2019;
- The Annual Private Meeting of Members with the Head of Internal Audit will take place after the Committee meeting on 24 September 2019.

In reference to the Deep Dives and Informal Risk Challenge Sessions, Members asked if there was a sequence to when these items are scheduled. The Chamberlain responded that the Informal Risk Challenges follow a seven-meeting cycle. For the Deep Dives, these are planned in advance, however

when a new risk is added, or a risk needs to be reviewed, the schedule is adjusted.

The CR17 Safeguarding Deep Dive scheduled for 7 May 2019 should cover the Department of Community and Children's Services and touch on independent schools. Although safeguarding is the prime responsibility of the schools, as the schools are under the umbrella of the City of London Corporation, they must be addressed in the Safeguarding deep dive. The Corporate Risk Advisor clarified that the exact risk title is 'Failure to deliver actions under the City of London Safeguarding Policy'.

RESOLVED – That the work programme be received and its contents noted.

6. **2019-20 TO 2021-22 INITIAL DRAFT INTERNAL AUDIT PLAN**

The Committee considered a report of the Head of Audit and Risk Management relative to the 2019-20 to 2021-2022 Initial Draft Internal Audit Plan. The Committee was advised that the report had been to Summit Group prior to being presented to the Committee.

The following discussion ensued:

The Chairman asked if the Head of Audit and Risk Management would deliver his annual statement of assurance on internal control for 2020/21. The Head of Audit and Risk Management confirmed that they would.

Following the Chairman's suggestion, the CoLP Fleet Management audit date will be changed due to the material change in composition of the fleet in the coming months. Members suggested moving the audit dates forward for the Declaration of Interest and City of London Police Project Management, as they are rated red and amber, respectively. However, the Head of Audit and Risk Management advised that these ratings were the results of recent audits (2017/18 for Declarations of Interest and 2016/17 for City of London Police).

Members questioned whether London Councils are recharged for the cost of the Internal Audit days provided to them. The Head of Audit and Risk Management confirmed that they were under an SLA, but did not know whether they were recharged the full cost. The Deputy Chamberlain said that details of recharges could be provided if required.

Regarding Declarations of Interest, the Chairman was advised that a letter to Members regarding updating declarations and non-compliance was being addressed, and the Chairman requested an overview of responses indicating how many people responded.

Members expressed concern that there had not been a Green audit in the past two years, and proposed that it be demonstrated what mitigating measures are undertaken following audits and to assess whether these measures are effective.

In response to questions regarding deprioritised items, the Head of Audit and Risk Management advised that these items are moved to the next year, but are monitored in the interim should they need to be addressed again.

RESOLVED – That the Committee approve, with the amendments above, the initial draft Internal Audit Plan for 2019-20 and the Strategic Audit Plan for 2019-20 to 2021-22.

7. **INTERNAL AUDIT UPDATE REPORT**

The Committee received a report of the Head of Audit and Risk Management relative to the internal audit activity since the previous Internal Audit Update Report went to the Committee in November 2018. The report advised that work on the 2017-18 Internal Audit Plan had been completed, and that work on the 2018-19 Internal Audit Plan was progressing. The report further detailed the Head of Audit and Risk Management's opinion in relation to the adequacy and effectiveness of the control environment.

In response to Members' concerns regarding delays in completing the work, the Head of Audit and Risk Management advised that they are working with Mazars to get resources to complete by the end of the financial year. Under the current contract, there is no financial penalty for Mazars should the work be late, however they would consider including this in a future contract.

Regarding the Multi Academy Trust (MAT), the Head of Internal Audit reported that he had been unable to agree with the MAT dates for either the timing or the nature of the work and had been told that he had no locus. The Chairman advised that although the MAT is a separate legal entity, it was controlled by the Corporation, and the Court had specifically extended the area of responsibility of the ARM Committee to reflect the reputational risk held by the Corporation in respect of the MAT and all the academies. The Committee agreed that the Chief Executive of the MAT, the Director of Education, and the Chairman of the MAT should be invited to the Committee meeting in May to discuss the issue.

Members expressed concern that a target date of 31 March 2019 to give an opinion is too soon, however the Head of Audit and Risk Management advised that the work does not need to be complete for an opinion to be given.

The Deputy Chairman (External) was pleased to see a performance index included in the report and would like to see this sustained and in the future, also address trends.

Members asked what arrangements are in place should recommendations not be agreed or implemented? Members were informed that when Red or Amber recommendations were not implemented, this is brought to Committee to give Members the opportunity to challenge managers' decisions. Green recommendations are not brought to Committee.

RESOLVED – That the report be received and its contents noted.

8. **INTERNAL AUDIT OF CITY OF LONDON POLICE ACCOMMODATION PROGRAMME - RESOLUTION FOR CONSIDERATION**

Members received a resolution of the Performance and Resource Management Sub (Police) Committee from 23 November 2018 relative to the internal audit of the City of London Police Accommodation Programme.

RESOLVED – That the resolution be noted.

9. **DEEP DIVE RISK REVIEWS**

a) **CR02: Loss of Business Support for the City**

Members received a Deep Dive report of the Director of Economic Development relative to Corporate Risk CR02: Loss of Business Support for the City and the activities of the Economic Development Office (EDO) to mitigate this risk.

The Director advised that the EDO focused on addressing the short transition to Brexit; the need to continue to attract talent to London; and the importance of mutual recognition of trade rules between London and its trading partners. The Director emphasised that CR02 was not solely focused on Brexit, and that Brexit was only one element of the risk of loss of business support. The EDO is focusing on innovation and green finance in order to strengthen activities in the UK, and working to strengthen relationships outside of the EU, such as with the United States.

RESOLVED – That Members note the actions taken and the activities underway to mitigate Corporate Risk 02: Loss of Business Support for the City.

b) **CR26: Brexit - Organisational Impact**

Members received a Deep Dive report of the Town Clerk & Chief Executive relative to Corporate Risk CR26: Brexit – Organisational Impact and the actions taken across the City of London Corporation to mitigate this risk.

The Town Clerk advised that there is still speculation regarding the impact that Brexit will have on the City. The outcome of Brexit negotiations could disrupt the City's ability to deliver services. The risk is assessed in the weekly Brexit Planning Meeting and in Summit Group

RESOLVED – That the report be received and its contents noted.

10. **ORGANISATIONAL CHANGE MANAGEMENT RISK**

Members received a joint report of the Director of Human Resources and Head of Corporate Strategy & Performance relative to the Organisational Change Management Risk which was approved to be included on the Corporate Risk Register by the Committee on 15 January 2019.

In the autumn of 2018, Officers completed a survey where 51% of respondents indicated that they had no opinion of how the City Corporation managed

change, 29% thought change was managed well, and 20% thought change was not managed well, demonstrating that there are areas of improvement.

The Deputy Chairman (External) noted the importance of communication during times of change; and advised that the risk rating should be higher considering the potential impact on the organisation should change go wrong. The Head of Corporate Strategy & Performance agreed that the rating would be re-assessed. Members further advised that contractors should also be surveyed.

RESOLVED – That the report be received and its contents noted.

11. HEALTH AND SAFETY ACCIDENT/ INCIDENT DATA REPORT

Members received a report of the Director of Human Resources which provided an update on health and safety accident and incident data from 2016-2018, as requested by the Committee at the meeting in November 2018. The report stated that all accidents, incidents and near misses in the workplace must be recorded. By encouraging a culture of reporting, the City Corporation can learn lessons from accidents, incidents and near-misses to be taken forward to the future.

RESOLVED – That the report be received and its contents noted.

12. ANNUAL GOVERNANCE STATEMENT - METHODOLOGY

Members considered a joint report of the Town Clerk and the Chamberlain relative to the Annual Governance Statement (AGS) methodology. The report proposed that the production of the AGS for 2018/19 follow the process established in previous years, drafted jointly by the Town Clerk's and Chamberlain's departments.

Members were advised that the AGS for 2018/19 will be submitted as part of the City Fund Accounts for 2018/19 in July 2019. The draft AGS will be brought to the May 2019 meeting of the Committee.

RESOLVED – That the Committee approve the methodology set out in this report for the production and presentation of the Annual Governance Statement for 2018/19.

13. GENERAL DATA PROTECTION REGULATION (GDPR/ DATA PROTECTION ACT 2018 (DPA))

General Data Protection Regulation (GDPR)/ Data Protection Act (DPA) 2018 which provided Members with an update on the progress of phase 2 of the GDPR/DPA Implementation Project and the planned outcomes for the final phase of the work to embed GDPR/DPA implementation into the Corporation.

The Deputy Chairman (Member) expressed concern over phishing attacks, as the Members, Officers and employees of the City Corporation may be vulnerable to such attacks.

Members expressed concern with data protection policies and schools under the City of London Corporation, as schools may have different data protection

and retention policies. The Comptroller & City Solicitor advised that the data protection officer can only advise, not direct, on how policies are followed; furthermore, there is no data protection officer for John Cass and the Academies.

RESOLVED – That Members:

- 1) note the report; and,
- 2) agree that GDPR/DPA monitoring reports in particular in relation to data breaches take place three times per year.

14. MID-YEAR TREASURY MANAGEMENT REVIEW 2018-19

Members received a report of the Chamberlain relative to the Mid-Year Treasury Management Review 2018-19, which was postponed from the January 2019 agenda.

RESOLVED – That the report be received and its contents noted.

15. AUDIT PLANNING: YEAR ENDING 31 MARCH 2019

Members received the BDO LLP Audit Planning for the year ending 31 March 2019. The audit strategy addressed financial statements of the City Fund, Pension Fund, Bridge House Estates, City's Cash, Guildhall School of Music and Drama, City's Cash Trusts, other Sundry Trusts, and the Lord Mayor's Show. The scope of the work was determined by the National Audit Office (NAO).

Members were concerned with the ten-year rotation, however Members were informed that as the City of London Corporation is not a public entity, it can fall under the ten year cycle, however this can be further discussed at the private annual meeting in July.

RESOLVED – That the report be received and its contents noted.

16. OFSTED FOCUSED VISIT ON CARE LEAVERS

Members received a report of the Director of Community & Children's Services relative to the Ofsted Focused Visit on Care Leavers which looked at the City of London's offer for care leavers. The Director advised that it was a positive visit, resulting in three notable areas of improvement: risk assessment should more clearly articulate measures to address and minimise risk; the demonstration of young people's involvement in preparing their pathway plans should be more explicit and consistent; social workers should receive consistently reflective, analytical supervision and clear management oversight.

Members were informed that the Ofsted report was postponed from the January 2019 agenda due to the Bridge House Estates reports, as there would not have been sufficient time to discuss the report.

RESOLVED – That the report be received and its contents noted.

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

There were no other questions.

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

There was one item of other business.

Members considered a report of the Chamberlain relative to an update to the Risk Register. This report included two appendices published in the non-public section.

RESOLVED – That Members,

1. note that CR16 Information Security risk has been reduced in score from a red 16 to an amber 8; and,
2. endorse the decision of the Summit Group that CR16 Information Security risk be de-escalated to the Chamberlain’s departmental risk register for it to be monitored on a regular basis by the Chief Officer Risk Management Group (CORMG); and,
3. endorse the decision of Summit Group on 27 February 2019 to include the Action Fraud Risk on to the Corporate Risk register (see appendix 1, available in non-public reports).

19. **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.

Item:	Paragraph:
20	3
21	3&5

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

RESOLVED – that the non-public minutes of the previous meeting held 15 January 2019 be approved as a correct record.

21. **APPENDICES FOR CORPORATE RISK REGISTER - UPDATE (FROM PUBLIC SESSION A.O.B.)**

Members received the appendices for Agenda Item 18 in the public agenda.

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

There were no other questions.

23. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There was one item of other business.

The meeting closed at 4.45 pm

Chairman

**Contact Officer: Chloe Rew
tel. no.: 020 7332 1427
chloe.rew@cityoflondon.gov.uk**