

## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 22 July 2014

**Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 22 July 2014 at 11.00 am.**

### **Present**

#### **Members:**

Alderman Nick Anstee (Chairman)  
Nigel Challis (Deputy Chairman)  
Alderman Charles Bowman  
Alderman Timothy Hailes  
Alderman Ian Luder  
Jamie Ingham Clark  
Hilary Daniels (External Member)  
Kenneth Ludlam (External Member)  
Caroline Mawhood (External Member)  
Roger Chadwick (Ex-Officio Member)  
Jeremy Mayhew (Ex-Officio Member)  
Hugh Morris (Ex-Officio Member)

#### **In Attendance:**

#### **Officers:**

Simon Murrells	Town Clerk's Department
Neil Davies	Town Clerk's Department
Julie Mayer	Town Clerk's Department
Dr Peter Kane	Chamberlain
Caroline Al-Beyerty	Chamberlain's Department
Paul Nagle	Chamberlain's Department
Steve Telling	Chamberlain's Department
Michael Cogher	Comptroller and City Solicitor
Paul Beckett	City Surveyor
	Director of the Department of the Built Environment
	Department of the Built Environment
Heather Bygrave	External Auditor, Deloitte
Angus Fish	External Auditor, Deloitte
Nick Bennett	External Auditor, Moore Stephens
Lucy Nutley	External Auditor, Moore Stephens

### **1. APOLOGIES**

Apologies were received from Rev Dr Martin Dudley, Oliver Lodge and Graeme Smith.

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 and non-public summary of the meeting held on 13 May 2014 be approved.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received its outstanding actions list and noted the following updates and additions:

**Internal Audit Peer Review**

The Head of Internal Audit and Risk Management advised that the outcomes of four other Peer Reviews would become available during the next six months and, therefore, the benchmarking exercise would be reported to the Committee in either March or June 2015.

**Strategic risk Review SR5 – Flooding in the City**

- The Committee had received a briefing note from the Director of the Built Environment, which concluded that the flood resistance and resilience measures applied to buildings and infrastructure, in the surface water flood risk areas, represents the most cost effective response to the surface water/sewer flood risks the City faces.
- In respect of the Dams at Hampstead Heath and further to a query from a Member about an alleged conflict of interest, which had been reported in the press, the Director of the Built Environment assured Members that such a conflict did not exist.

Members agreed that the above action points could now be closed.

**Risk Management Update (new arrangements for meetings with Chief Officers on Risk Management)**

The Assistant Town Clerk was heard in respect of proposed new arrangements for holding informal discussions with Chief Officers about their top departmental risks. It was suggested that these discussions take place in a '*workshop*' format at the end of formal Committee Meetings. Members noted that the meetings would be minuted and, should anything significant come to light, it would be reported formally at the next meeting of the Grand Committee. Depending on the content of these discussions, they would be placed in either the public or non-public part of the agenda.

Whilst welcoming the suggestion in principle, Members were committed to keeping the business of the Audit and Risk Management Committee as transparent as possible. However, they were reminded that any decisions to go into closed session would need to be defensible under Local Government Act Exemptions. Members were further reminded that, in accordance with CIPFA Guidelines, they were entitled to meet in private with the Head of Internal Audit,

with no other officers present. Furthermore, the Local Government Act and the City of London's own governance arrangements made provision for Committees to break into informal working groups or parties to discuss operational matters. There was a general agreement that, in the interest of broadening risk mitigation within the City of London Corporation, the workshop sessions with Chief Officers follow a similar format, for a trial period.

#### **Annual Governance Statement**

As this had been approved under Delegated Authority (Agenda Item 11), it could be closed.

#### **BHE Trustee Responsibility**

This was covered under agenda item 15 on today's agenda and could therefore be closed.

#### **CR2 and CR16 – Supporting the Business City and Information Security**

As further updates were expected at the September Meeting, these items could be closed.

#### **Anti-Fraud and Investigation Update**

A recent meeting with the DWP regarding the Single Investigation Service had been productive, although much depended on receipt of the national service level agreement and draft joint working protocols. Members noted that an update on the issue would be provided within the September Fraud Investigation Update report, so this item could be closed.

#### **Replacement Whistleblowing Policy**

As the Whistleblowing Policy had been approved by the Establishment Committee on 10<sup>th</sup> July 2014, this item could be closed. Further detail on this item was also provided under Agenda Item 11 – Decisions taken Under Delegated Authority.

#### **RESOLVED, that:**

1. A new programme of inviting Chief Officers into Audit and Risk Management Committee Risk 'Workshops', on the rising of the main Committees, commence in September 2014. (*The Town Clerk to circulate a schedule for the ensuing year*).
  2. The Outstanding Actions list be noted.
5. **AUDITED 2013/14 CITY FUND AND PENSION FUNDS FINANCIAL STATEMENTS TOGETHER WITH DELOITTE'S REPORT THEREON**
- The Committee considered a report of the Chamberlain, which presented the Financial Statements in respect of the Audited City Fund and Pension Fund Financial Statements, together with the External Auditors' Report. The Chairman was pleased to advise that all Members present had attended the briefing sessions and thanked the Chamberlain for being very accommodating and also providing 1-1 sessions for Members, where necessary.

During the discussion and debate on this item, the following issues were raised/noted:

- In respect of the treatment of the Crossrail commitment of £200m, Members noted that, since this was an Executory Contract and the obligation to pay would not materialise until the ticket halls had been built, it was shown as a commitment in the notes to the financial statements rather than as a provision on the balance sheet. The External Auditor endorsed this treatment. Members were advised that accounting for this commitment in any other way would be treated as an error in the financial statements and this advice would only change if the Crossrail commitment was no longer an Executory Contract. Whilst not all Members concurred with this treatment, it was accepted that it was in accordance with generally accepted accountancy practices. The Chamberlain advised that, in future years, a note could be added to the Financial Statements to demonstrate how the balance sheet would differ if the Crossrail funding was provided for within the Accounts.
- The Value for Money Conclusion had been more detailed than previously, due to the Audit Commission's requirement for auditors to challenge local authorities robustly on their plans for dealing with the continuing reductions in Government grants.
- Testing was largely complete, including investment holdings.
- In respect of adjustments, Members noted that provision for appeals against rateable values would not impact significantly on the statements.
- In respect of the Pension Fund, the Actuaries had confirmed that the assumptions were at the prudent end of acceptable and a Member of the Finance Committee, who is also an Actuary, shared this view.

In respect of the Risk Management section of the Explanatory Foreword to the Statement of Accounts and further to queries raised by a Member, the following amendments had been tabled and were agreed:

30. *The City of London has established a robust programme of risk management as a key element of its strategy to preserve its assets, enhance efficiency for service users and members of the public and protect its employees.*
31. *The Audit and Risk Management Committee monitors and oversees the City's Risk Management Strategy and undertakes a systematic programme of detailed reviews of each of the risks on the City's Corporate Risk Register. Following the independent review of the City's Risk Management arrangements (by Zurich Municipal) in the summer 2013, the Committee has overseen and supported officers in the development and agreement of a new Risk Management Strategy.*

32. *The Corporate Risk Register codifies key strategic risks and assigns responsibility for taking action to mitigate each risk to a named Chief Officer.*
33. *The Officer Risk Management Group has a remit to ensure that risk management policies are applied, that there is an on-going review of risk management activity and that appropriate advice and support is provided to Members and officers.*
34. *A Governance Statement is reviewed and updated annually. The Annual Governance Statement is considered and approved by the Audit and Risk Management Committee, based on its evaluation of the effectiveness of the risk and governance framework, and will be available at [www.cityoflondon.gov.uk](http://www.cityoflondon.gov.uk).”*

**RESOLVED, that:**

1. The contents of Deloitte’s Management letters be noted.
  2. The City Fund and Pension Funds Financial Statements for the year ended 31 March 2014 be recommended to the Finance Committee.
  3. The amendments to paragraphs 30 – 34 of the Explanatory Foreword to the Statement of Accounts, as set out above, be approved.
  4. Authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, to approve any material changes to the financial statements required before signing the audit opinion, by Deloitte, which is expected to be by the end of August or early September 2014.
  5. That (4) above be subject to the full Committee being consulted where, in the view of the Chairman and Deputy Chairman, it is appropriate to do so.
6. **AUDITED 2013/14 ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR BRIDGE HOUSE ESTATES (BHE), CITY’S CASH TRUST FUNDS AND SUNDRY TRUSTS TOGETHER WITH MOORE STEPHENS REPORT THEREON**

The Committee considered a report of the Chamberlain in respect of the Audited Bridge House Estates and Sundry Trusts Financial Statements, together with the External Auditors’ report.

Members noted that, at one of the briefing sessions, a query had been raised about the reserves policy. Officers advised that, as BHE was income generating, its surpluses were added to reserves and could be drawn down for further BHE activities. Members noted that the first call on BHE was for maintenance of the bridges and thereafter for allocation to the City Bridge Trust.

It was also suggested that that the note on the related party transactions within the City Fund should be given greater prominence by also including it within the Trustees annual report. This was accepted by the Chamberlain and the External Auditor.

**RESOLVED, that:**

1. The contents of the Moore Stephens Management Letter be noted.
2. Approval of 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 2014 be recommended to the Finance Committee.

**7. 2013/14 AUDIT PLAN COMPLETION**

The Committee received a report of the Chamberlain, which provided a short update regarding the completion of the 2013/14 Audit Plan, which was currently at 96%.

**RESOLVED, that:**

The status of the 2013/14 Internal Audit Plan be noted.

**8. HMIC INSPECTIONS (ANNUAL UPDATE) 2013/14**

The Committee considered a report of the Commissioner of Police, which provided an update on the City of London Police's response to Her Majesty's Inspectorate of Constabulary (HMIC) Inspection Reports for the Financial Year 2013/14.

**RESOLVED, that:**

The HMIC Annual Update 2013/14 be noted.

**9. RESOLUTION FROM THE PERFORMANCE AND RESOURCE MANAGEMENT SUB (POLICE) COMMITTEE**

The Committee received a Resolution from the Performance and Resource Management Sub (Police) Committee in respect of a report which had provided an update on the internal audit reviews undertaken, on behalf of the City of London Police, between February and April 2014. The Head of Internal Audit and Risk Management had responded to the Resolution and briefed the Chairman and Members prior to the meeting. Members noted that, as an outcome, the Police Commissioner would field requests for delays in audit reviews prior to their submission to Internal Audit. The External Member, who is also a Member of the Performance and Resource Management Sub (Police) Committee was satisfied with the response.

**RESOLVED, that:**

The Resolution from the Performance and Resource Management Sub (Police) Committee and the response of the Head of Internal Audit and Risk Management be noted.

10. **COMMITTEE WORK PROGRAMME**

Members received the Committee's Workplan and noted that the September meeting of the Audit and Risk Management Committee would receive a full 12-month plan. The City's Cash accounts would be presented to the Audit and Risk Management and Finance Committees in November, in accordance with last year's timetable.

**RESOLVED, that:**

The Committee's work plan be noted.

11. **DECISIONS TAKEN UNDER URGENCY/DELEGATED AUTHORITY**

The Committee received a report of the Town Clerk, which set out the following decisions, which had been taken under delegated authority and in accordance with Standing Order 41, since the Committee last met on 13 May 2014.

**Annual Governance Statement**

At the last meeting on 13 May 2014, the Audit and Risk Management Committee considered the Annual Governance Statement for 2013/14 in the formats agreed by the Audit and Risk Management Committee in March 2014. The Annual Governance Statement had been revised, taking into account the changes requested by the Audit & Risk Management Committee on 13 May 2013.

**Whistleblowing Policy**

At the last meeting on 13 May 2014, the Audit and Risk Management Committee resolved that the proposed replacement Whistleblowing Policy be endorsed, subject to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, being satisfied with the clarity of the '*public interest*' test. This had now been provided and the Establishment Committee approved the revised Whistleblowing Policy on 10 July 2014.

**RESOLVED, that:**

The decisions taken under delegated authority, as set out above and since the last meeting of the Audit and Risk Management Committee, be noted.

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

In response to a question on the anti-fraud on line training course, which currently had a 90% completion rate, the Head of Internal Audit and Risk Management advised that a refresher Policy would be agreed with HR and presented to the Audit and Risk Management Committee in January 2015, as part of the update report on the Fraud Awareness Training..

13. **ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT**

There were no items of urgent business.

14. **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 that involve the likely disclosure of exempt information, as defined in Part 1 of the Schedule 12A of the Local Government Act.

<b>Item No</b>	<b>Paragraph No (s)</b>
15	3

15. **BHE TRUSTEE RESPONSIBILITY AND APPLICATION TO PROJECT BE**

The Committee received a joint report of the Comptroller and City Solicitor, in respect of the Trustee responsibilities for Bridge House Estates, in response to queries raised by Members at the last meeting.

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

There were no questions.

17. **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 12.30 pm**

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Chairman

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