

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 23 May 2017

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 23 May 2017 at 2.00 pm

Present

Members:

Randall Anderson
Alderman Nick Anstee
Hilary Daniels (External Member)
Sheriff & Alderman Peter Estlin
Alderman Ian Luder (in the Chair)
Kenneth Ludlam (External Member)
Paul Martinelli
Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-Officio Member)

Officers:

Peter Kane	-	Chamberlain
Michael Cogher	-	Comptroller and City Solicitor
Neil Davies	-	Town Clerk's Department
Julie Mayer	-	Town Clerk's Department
Pat Stothard	-	Head of Internal Audit and Risk Management

External Auditors:

Kerry Barnes	-	BDO
Tharshiha Thayabaran	-	Moore Stephens

1. APOLOGIES

Apologies were received from Alderman Charles Bowman, Christopher Boden, Henry Colthurst and Deputy Jamie Ingham Clark.

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

There were no declarations.

3. ORDER OF THE COURT

Members received the Order of the Court for the Audit and Risk Management Committee, dated 27 April 2017. Members suggested that, at the Committee's Annual Review of its Terms of Reference, later in the calendar year, consideration be given to making an ex-officio appointment to the Finance Committee.

4. ELECTION OF CHAIRMAN

Being the only Member willing to serve and in accordance with Standing Order 29, Alderman Ian Luder was elected as Chairman for the 2017/18.

5. **ELECTION OF DEPUTY CHAIRMAN**

In accordance with Standing Order 30, Alderman Nick Anstee exercised his right to be Deputy Chairman for 2017/18.

Vote of Thanks

It was Proposed by Alderman Ian Luder, Seconded by Randall Anderson and unanimously RESOLVED, that:

Members of the Audit and Risk Management Committee wish to place on record their sincere appreciation to:

ALDERMAN NICK ANSTEE

for the energetic, good humoured and tenacious manner in which he has chaired their Committee since 2014.

UNDER NICK'S CHAIRMANSHIP, The Committee has exercised a key oversight role in ensuring that the City of London Corporation's risk management framework and policies are operating effectively. They have strengthened considerably under the establishment of a new Chief Officer Risk Management Group, which was championed by the Audit and Risk Management Committee.

TO ENSURE ROBUST SCRUTINY OF RISK MANGEMENT, Nick introduced Chief Officer '*Risk Challenge*' sessions and continued with the Committee's '*Deep Dive*' reviews of individual corporate risks. The Committee have considered and debated a number of key corporate risks including air quality and road safety. In order to provide external challenge, an independent review of the City Corporation's risk management arrangements was commissioned in July 2016. The review received positive feedback from the Town Clerk, Chief Officers and Committee Members alike. A programme of improvements is now underway.

THE AUDIT AND RISK MANAGEMENT COMMITTEE also scrutinises the City Corporation's various financial statements, seeking assurances on significant financial reporting issues, estimates and judgements. Nick has actively encouraged attendance at Member briefing sessions and widened invitations to the entire court, to ensure that briefings on the City Corporation's Financial Statements are captured by the Member Development Programme.

DURING NICK'S TERM AS CHAIRMAN, the Committee supported a reshaping of the Internal Audit function; to meet service based review savings targets and ensure that audits focused on key objectives identified in business plans and key risks identified through the risk management system.

FINALLY, THE COMMITTEE WISHES TO PLACE ON RECORD its recognition of Nick's commitment to tackling housing and cyber fraud and raising awareness of data protection, striving for mandatory training for all staff. His Chairmanship has overseen several high profile fraud prosecutions, which have been widely publicised.

The Committee would like to thank Nick for significantly raising the profile of Audit and Risk Management in the City of London Corporation and wish him well in the future.

6. MINUTES OF THE PREVIOUS MEETING

The public minutes and non-public summary of the meeting held on 7 February 2017 were approved.

7. POLICE PERFORMANCE AND RESOURCES MANAGEMENT SUB COMMITTEE

Being the only Members willing to serve, Kenneth Ludlam and Caroline Mawhood were co-opted to the Police Performance and Resource Management Sub Committee.

8. COMMITTEE WORK PROGRAMME

Members received the latest update to the Committee's workplan.

9. HMIC - CITY OF LONDON POLICE INSPECTION -UPDATE

Members received a report of the Commissioner, City of London Police, in respect of the recent HMIC Inspection. Members noted that all areas of adverse comment had been addressed, a robust action plan was in place and there would be a further effectiveness inspection in the autumn this year.

During the discussion, the following points were raised/noted:

- The Police Performance and Resource Management Sub Committee was due to meet next week. The Sub Committee had received several drafts of the work force plan and was pleased to see it evolving. One of the Members of the subcommittee had accompanied officers on the beat this week and commended their work.
- The Chamberlain advised that Deloitte had been commissioned to review economy, effectiveness and the workforce plan and the results of this review would be provided to the Audit and Risk Management Committee in the Autumn.
- The Detective Chief Inspector, presenting the report, advised that all police workforces had resource implications but this was being addressed and good practices being shared.

RESOLVED, that – the report be noted.

10. **CARE QUALITY COMMISSION INSPECTION - REABLEMENT SERVICES**

Members received a report of the Director of Community and Children's Services in respect of the recent short notice reablement inspection, which had received a 'good' rating. Members commended a 'good' report and during the discussion, the following points were raised/noted:

- The last inspection, 2 years ago, had also received a good rating and Members suggested that previous results be included in future reports.
- It was very difficult to receive an 'outstanding' rating for such a small service and low number of service users.
- Whilst reablement co-ordinators dealt with all discharges, only a small percentage were assessed for reablement services and these service users were likely to be elderly, vulnerable and/or have mental health or physical disabilities.

RESOLVED, that – the report be noted.

11. **EXTERNAL QUALITY ASSESSMENT - AN EXTERNAL REVIEW OF INTERNAL AUDIT IN THE CITY OF LONDON CORPORATION**

Members considered a report of the Head of Internal Audit and Risk Management in respect of the recent External Quality Assessment of Internal Audit at the City of London Corporation.

In response to questions, Members noted that, whilst the current Head of Internal Audit and Risk Management is a member of Mazars, the Review was commissioned when he first came to work at the City of London Corporation and therefore he had a facilitator role. The Head of Internal Audit and Risk Management felt that the independence of the review had not been compromised and this view was shared by one of the External Members who had been interviewed.

During the discussion, the following points were noted:

- Members suggested that the action plan should distinguish low, medium and high priority risks and be more outward focussed.
- The in-house team were generally long serving officers and the review presented an opportunity to develop and work beyond compliance; directing resources toward key and long-term corporate and business plan objectives. Some changes within the team would be confirmed shortly and they were likely to include more support across risk management and anti-fraud work.
- There would be a large cohort of apprentices next year and they would be used widely in finance and business support roles. The Chamberlain was committed to ensuring they would be given balanced and fulfilling roles.
- The work of the team in encouraging departments to meet audit recommendations on time was recognised.

RESOLVED, that - the report and action plan be approved, with a further report back to the Audit and Risk Management Committee in 6 months' time on the delivery of the action points.

12. INTERNAL AUDIT CHARTER - UPDATE 2017

Members considered a report of the Head of Internal Audit in respect of the Internal Audit Charter.

Members asked for cyber awareness to be more visible in all internal audit reviews and suggested that this be more explicit in the Charter. Members noted that item 17 on today's agenda presented a deep dive review Information Security.

RESOLVED, that – the revised City of London Internal Audit Charter for 2017 be approved.

13. HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT 2016/17

Members received the Head of Internal Audit's Annual Opinion and Report and noted 3 areas of limited assurance in IT and the volume of work in response to this, as set out in item 16 on today's agenda. Members also noted 5 red risks but there were no significant issues and officers advised that they would receive an update at the July meeting of the Audit and Risk Management Committee.

During the discussion, the following points were noted:

- Members suggested that providing the numbers of greens, ambers and reds would give greater assurance than just stating the number of reds.
- The team was lighter than in previous years but was striving to become more efficient within current resources. The External Quality Assurance Review had sought more assurance on the direction of travel within current resources. Members noted that the team was still more resourced than other local authorities and the Head of Internal Audit and Risk Management's opinion was based on the current level of resources. Furthermore, 95% of the Audit Plan had been completed, despite some resourcing issues, and extra support had been provided by Mazars.
- Members suggested that future opinion reports include the quality of internal audit and coverage.

RESOLVED, That – the Head of Internal Opinion and Annual Report for 2016/17 be noted, with the comments as set out above.

14. INTERNAL AUDIT PLAN 2017/18

Members considered a report of the Head of Internal Audit and Risk Management, which set out the Internal Audit Plan. During the discussion, the following points were noted:

- Whilst noting Members' preference for 3-year audit plans, the Head of Internal Audit and Risk Management explained that very few teams would be able to predict a 3-year cycle. Members asked if there could be a review of significant areas every 3 years and for an indication of the type of work which would be covered over the course of the year.
- Members asked if future reviews could include an analysis of efficiency and include resources and training.
- In respect of Multi Academy Trusts and Academies, a governance review was underway and, once this had concluded, the Audit and Risk Management Committee would be asked to give an opinion as to whether further audits would be required. Members noted that there had been an Education Risk Challenge Session in February 2017.

RESOLVED, that – the Internal Audit Plan for 2017-18 be approved, incorporating the suggestions set out above.

15. **RISK UPDATE**

Members considered a report of the Chamberlain, which provided an update on Risk Management.

During the discussion, the following points were raised/noted:

- Members were reminded of the business rate premium last year which had been used to fund the new security arrangements at Guildhall. The Chairman of the Finance Committee expressed some frustration that internal processes had initially delayed this work.
- Members were reminded that the Managing Director of the Barbican Arts Centre had attended a Risk Challenge Session earlier in the day. This had been very timely in view of last night's terrorist attack on a cultural venue in Manchester. Members had been very satisfied with the Managing Director's candid responses and noted the Art Centre's heightened security installations and procedures.

In light of the recent cyber-attack on the NHS, Members urged all officers to remain vigilant.

RESOLVED, that:

CR23 – City of London Police Funding be added to the Risk Register.

The changes to both the corporate and top end departmental risk registers be noted.

16. **DEEP DIVE RISK REVIEW: CR09 - CORPORATE HEALTH AND SAFETY**

Members received a report of the Director of HR, which provided a Deep Dive review of Health and Safety. Members noted that, at the callover for this Committee, the Chairman had raised concerns about the operation of some road cleaning vehicles, which resulted in pedestrians having to step into the road to avoid them. Officers had reported this concern to the relevant department and, whilst street cleansing was carried out by a contractor, the Director fully accepted the City of London Corporation's responsibility for ensuring the safe and responsible operation of its contractors. Members asked for an update on this matter at the next meeting of the Committee.

In respect of the recent British Safety Council rating, officers explained that it was very difficult to achieve 5 stars and there had only been a couple of minor shortcomings reported by the Inspectors; i.e. the need to demonstrate a commitment by all Chief Officers. Members noted that the Town Clerk had included health and safety objectives in all Chief Officer appraisals.

Finally, Members noted that the City of London Corporation had not received any formal improvement or enforcement notices over the past 2 years and Members suggested that this be included in future reports.

RESOLVED, that – the report be noted.

17. **DEEP DIVE RISK REVIEW: CR16 - INFORMATION SECURITY**

Members received a report of the Chamberlain which provided a 'deep dive' risk review in respect of CR16 Information Security and commended a very good, detailed report.

Members agreed to exclude the public at this point, as the discussion was likely to include Exempt information as defined by Section 100 (A) Paragraph 4, of the Local Government Act 1972. Members then agreed to return to public session

Members asked for the percentages of officers trained in each department and for officers to be mindful of those staff with limited or less frequent IT access. In concluding, Members asked for the next deep dive review to cover resilience.

Resolved, that – the report be noted.

18. **EXTERNAL AUDIT PLANS FOR THE CITY FUND AND PENSION FUND FOR THE YEAR ENDED 2017**

Members noted this year's internal audit plans for the City and Pension Funds. The External Auditors advised that the key changes this year would be to materiality. Members also noted that certain conditions had to be met before the Crossrail commitment was paid and the Auditors would be checking for this. The Chamberlain advised that he was confident that they conditions would be.

RESOLVED, that – the report be noted.

19. DECISIONS TAKEN UNDER DELEGATED AUTHORITY SINCE THE LAST MEETING OF THE COMMITTEE

Members received a report of the Town Clerk in respect of a decision taken under delegated authority since the last meeting of the Committee, which appointed independent members to the Independent Auditor Appointment Panel.

20. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

21. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no items.

22. 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 of the Schedule 12A of the Local Government Act.

23. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

The non-public minutes of the meeting held on 7 February 2017 were approved.

24. WAIVER REPORT - NON-LOCAL AUTHORITY FUNDS EXTERNAL AUDIT SERVICES.

Members received a report of the Town Clerk in respect of a waiver request, which had been approved by the Finance Committee on 2 May 2017.

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

There were no questions.

26. 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 3.40pm

There was a closed session at the end of the meeting to enable Members to speak to the External Auditors in private.

Chairman

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