

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Monday, 24 July 2017**

Minutes of the meeting of the Audit and Risk Management Committee held at  
Guildhall on Monday, 24 July 2017 at 2.00 pm

### **Present**

#### **Members:**

Randall Anderson	Alderman Ian Luder (Chairman)
Chris Boden	Kenneth Ludlam (External Member)
Hilary Daniels (External Member)	Paul Martinelli
Sheriff & Alderman Peter Estlin	Caroline Mawhood (External Member)
Deputy Jamie Ingham Clark (Ex-Officio Member)	Jeremy Mayhew (Ex-Officio Member)

### **In Attendance**

#### **Officers:**

John Barradell	-	Town Clerk
Peter Lisley	-	Assistant Town Clerk/Cultural Hub Director
Gary Locker	-	Town Clerks
Neil Davies	-	Town Clerks
Julie Mayer	-	Town Clerks
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Deputy Chamberlain
Philip Gregory	-	Chamberlain's
Pam Raphael	-	Chamberlain's
Karen Atkinson	-	Chamberlain's
Kate Limna	-	Chamberlain's
Pat Stothard	-	Head of Internal Audit and Risk Management
Andrew Carter	-	Community and Children's Services
Jacquie Campbell	-	Community and Children's Services
Paul Murtagh	-	Community and Children's Services
Leigh Lloyd-Thomas	-	External Auditor, BDO
Nick Bennett	-	External Auditor, Moore Stephens
Deputy Catherine McGuinness	-	Chairman of Policy and Resources – items 5&6
Susan Pearson	-	Deputy Chairman Barbican Residential
	-	Committee – items 5&6
Graham Wallace	-	Chairman of Barbican RCC – items 5&6
	-	(Residents Consultation Committee)

### **1. APOLOGIES**

Apologies were received from Alderman Charles Bowman, Alderman Nick Anstee, Henry Colthurst, and Hugh Morris.

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 public minutes and summary of the meeting held on 23 May 2017 were approved.

Members noted that, following the appointment of Deputy Jamie Ingham Clark as Deputy Chairman of the Finance Committee, he was automatically appointed as an ex-officio Member of the Audit and Risk Management Committee and, therefore, the Committee was carrying a vacancy. The vacancy had been advertised at the last 2 Court meetings but no nominations had been forthcoming.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members noted the Committee's outstanding actions list and updates since the last meeting of the Committee.

5. **DEEP DIVE: CR01 RESILIENCE - EVENT OR SITUATION RELATED TO TERRORISM OR OTHER SERIOUS EVENT/MAJOR INCIDENT**

The Committee received a report of the Town Clerk in respect of Corporate Risk CR01 (Resilience), which identified issues for which the City of London Corporation had primary responsibility and control. The report concentrated on the preparedness of the City of London Corporation to respond effectively to an emergency situation related to a major incident, particularly in light of the recent terrorist attacks and the Grenfell Tower block fire, to which a number of City of London Corporation staff had been seconded. The Town Clerk advised that, in light of the recent terrorist attacks, the Police advised that current response levels were the 'new normal'. Members noted there would be a number of de-briefs during August.

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

- The Royal Borough of Kensington and Chelsea has very active community groups, which had set up 5 reception centres, offering support and respite and immediate aftercare.
- The management of expectations in respect of temporary housing had been an issue for Kensington and Chelsea. The City of London Corporation would offer emergency accommodation in local hotels and longer term accommodation but not always in the immediate locality. Members noted that a significant number of Grenfell residents in local hotels had not accepted longer term offers of accommodation. Members suggested that the City of London Corporation should publicise how they would respond and what would be offered, in order to manage expectations. The Town Clerk explained that, whilst alternative housing could be provided, the impact on local health and social care services was likely to be an issue in the alternative areas, as had been the case with Kensington and Chelsea.

- Whilst Grenfell's communications had been very strong and immediate there were local political issues, particularly the negative public perception of Kensington and Chelsea's response.
- The pictures of Grenfell Tower, during and immediately after the incident, had caused residents in tower blocks to lack confidence in the advice to 'stay put'. However, this advice had been reiterated by the Fire Brigade, unless residents were in immediate danger. Furthermore, the Fire Brigade would manage orderly containment and evacuation, avoiding the use of loud speakers and alarms.
- Members noted that there was no cladding, like that used on Grenfell Tower, in any of the City Corporation tower blocks.
- The City Corporation had printed and published a fire safety leaflet for all City residents and officers would demonstrate exit routes, if residents were unsure.

The Chairman thanked officers for this comprehensive report and the excellent work of City Corporation officers in assisting in the recent tragedies.

RESOLVED, that – the report be noted.

#### 6. **FIRE SAFETY IN THE CITY'S RESIDENTIAL BLOCKS**

The Committee received a report of the Director of Community and Children's Services in respect of Fire Safety in the City's residential blocks, following the fire at Grenfell Tower. Members noted that the report had been prepared soon after the incident and presented to the Community and Children's Services and Housing Management and Almshouses Sub Committee. The Audit and Risk Management Committee had asked to see the report to seek assurance that the risk was being managed effectively.

The Director of Community and Children's Services updated Members on developments since the report had been drafted in respect of sprinklers, alarms and fire doors. Members noted that the Department was taking a measured and strategic approach, which included testing fire doors from each block, silent alarms to a call centre and fire risk assessments, which had strongly endorsed a 'stay put' policy. The work had also included signage, exits, clearing exit routes and a series of drop in sessions at all estates, attended by the Fire Brigade.

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

- A full, independent fire inspection had taken place in August/September 2016 and would continue annually. Frankham Risk Assessments Ltd had been selected from a pool of specialists, in consultation with the Fire Brigade, and officers were very confident of their expertise.

- Members welcomed the swift action of officers in producing a report which was measured and proportionate.
- Officers would take Counsel's opinion as to whether some of the additional safety works could be recharged to Leaseholders.
- Blocks have 1 or 2 exits and this had been taken into consideration as part of the Risk Assessments. Some fire doors in the City of London Corporation's estates gave up to 1 hour of protection but 60-minute fire doors were also very heavy. Members suggested that future reports would benefit from showing the siting and number of exits from each block.

In concluding, the Chairman thanked officers for providing assurance to Members of the Audit and Risk Management Committee and would welcome a further update as work progressed.

RESOLVED, that - the report be noted.

#### 7. **ANNUAL GOVERNANCE STATEMENT 2016/17**

The Committee considered a report of the Town Clerk in respect of the Annual Governance Statement.

Members asked for the following items to be added:

- Reference to the lessons learnt from recent cyber security breaches; eg the NHS earlier in the year.
- The frequency of Business Continuity Plan testing.

In respect of attendance details of Committee Members, the Town Clerk agreed to check whether this was general practice.

The Chamberlain confirmed that the Department of Communities and Local Government had not changed the agreement to maintain medium term funding in response to the City of London Corporation's Efficiency and Sustainability Plan.

RESOLVED, that:

1. Subject to amendments reflecting the comments above, the Annual Governance Statement, 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.
2. The AGS be published alongside the 2016/17 City Fund and Pension Funds Statement of Accounts.
3. The future developments in paragraph 74 of the AGS, to improve the governance framework, be noted.

4. Authority be delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of this Committee, to amend the AGS for any significant events or developments relating to the governance arrangements which might occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

8. **CITY FUND AND PENSION FUNDS AND BRIDGE HOUSE ESTATES FINANCIAL STATEMENTS 2016/17**

The Committee considered a report of the Chamberlain in respect of the City Fund and Pension Fund Financial Statements for 2016/17. Members noted that the audit work on these accounts was almost complete and a clean opinion on the accounts was anticipated, with just a couple of minor, non-significant adjustments.

The External Auditors, BDO, were in attendance and confirmed that the risks highlighted in the reports were very standard. BDO also confirmed they expected to give an independent and objective opinion, on a set of true and fair accounts, in respect of the City Fund and Pension Fund. BDO further highlighted that the letter of representation appended to their report was similar to last year and included items in the estimate methodology.

The Chamberlain commended the excellent work of the team in bringing the accounts in early, in preparation for the new timetables to be introduced next year and on the closure of all recommendations from last year's action plan.

The Chamberlain had held 2 Member briefings the previous week in respect of the City Fund, Pension Fund and Bridge House Estates Financial Statements and the notes taken at those sessions had been circulated to Members. The Chamberlain advised that, should any material changes be required for the final sign off of the accounts, under the delegated authority recommended, they would be circulated to all Members of the Finance and Audit and Risk Management Committees.

During the discussion on the accounts, the following points were noted:

- The two sets of auditors had disagreed on treatment of deferred income but, during the meeting, BDO confirmed that they would accept 'receipts in advance' if they were shown as 'deferred income'.
- The Finance Committee had agreed to increase the employer's pension contribution from 17.5% to 21% and to set the deficit recovery period at 17 years (from 2017/18). Three Members of the Finance Committee, along with the Chamberlain, Deputy Chamberlain and Corporate Treasurer had reviewed and challenged the assumptions used by the Actuary and reached the same conclusion in that the City of London Corporation was acting prudently.
- The Auditors had not insisted on 'segment reporting' this year as they felt that enough information was present in the notes to the accounts for a user to understand the nature of the organisation. Furthermore, the auditors and the Chamberlain were working with CIPFA to 'de-clutter' Local Government

Accounts and it was felt this was a good example of whether further requirements did not necessarily add value.

- The favourable outturn position (£9.3m) was noted and the Chamberlain advised that, whilst this was largely due to the over-achievement of income targets, it was being closely monitored. However, the 2% efficiency savings required from 2018/19 would provide an opportunity to tighten the position.

RESOLVED, that:

1. The contents of BDO's reports on the City Fund and Pension Fund be noted and the City Fund and Pension Fund Financial Statements for the year ended 31 March 2017 be recommended for approval to the Finance Committee.
2. Authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by BDO - which is expected to be by the end of August or early September. *(NB. Any material changes will be circulated to Members of the Audit and Risk Management and Finance Committees)*

#### **BRIDGE HOUSE ESTATES ANNUAL REPORT AND FINANCIAL STATEMENTS (Item of Urgent Business)**

The Committee considered a report of the Chamberlain in respect of the Bridge House Estates (BHE) Annual Report and Financial Statements for the year ended 31 March 2017. The Chamberlain was pleased to advise Members that these accounts had been prepared 2-3 months earlier than expected and commended staff and auditors on their excellent work in bringing the accounts in so early. The Chairman had therefore agreed to accept this set of accounts and the report under 'Urgent Business'.

Members noted that the accounts were almost complete, with a couple of minor queries and an unqualified opinion was expected, with no errors identified and no accountancy presentation changes. The auditors had made 5 recommendations in respect of governance but none relating to the accounts. Members noted that Governance and the Trustees' role were under review and recommendations would be made on the latest guidance, following release by the Charities Commission of a new Governance Code. The External Auditors, Moore Stephens, were in attendance and confirmed this position.

Members noted the improved narratives and streamlined format of this report, with an overview, and noted that BHE was the 7th largest charity in the UK, by asset value, as at 31 March 2016.

During the discussion, the following points were noted:

- The Sundry Trusts list would be included in the final report.

- All patching reports were due to complete this week.
- Given that BHE Accounts were prepared in accordance with the Charities SORP2015, FRS102, it was unlikely that the value of the bridges would need to be included in the accounts in the near future. However, the bridges were valued for insurance purposes.
- Could the 3 Trusts within COLAT be identified.

In concluding, the Chairman commended both the Chamberlain's staff and the Auditors for their excellent work in presenting such good quality accounts, earlier than expected.

RESOLVED, that :

1. The contents of Moore Stephens reports on Bridge House Estates be noted and the Bridge House Estates Financial Statements for the year ended 31 March 2017 be recommended for approval to the Finance Committee.

2. Authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by Moore Stephens - which is expected to be in mid- September. *(NB. Any material changes will be circulated to Members of the Audit and Risk Management and Finance Committees)*

9. **EXTERNAL RISK REVIEW - RISK APPETITE**

The Committee received a report of the Chamberlain in respect of the external review into risk appetite. The Chamberlain advised that he would shortly contact Members and invite them to take part in a survey, along with Chairmen of Grand Committees and Senior and Chief Officers, the results of which would be reported back in the autumn. The Chamberlain advised that refresher training in risk management/appetite for all senior managers was also underway.

RESOLVED, that – the report be noted.

10. **INTERNAL AUDIT UPDATE**

The Committee received a report of the Head of Internal Audit and Risk Management which provided an update on Internal Audit work. Members noted that, for the 3 outstanding audits for 2016/17, the fieldwork was complete and reports would be ready shortly. The Head of Internal Audit and Risk Management advised that the reviews had taken a little longer than expected, whilst ownership of some of the recommendations had been determined across corporate issues.

RESOLVED, that – the report be noted.

**11. INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT**

The Committee received a report of the Head of Internal Audit and Risk Management in respect of the follow up on Internal Audit recommendations. In respect of Appendix 2 to the report, which showed recommendations which had either been partially or not implemented, Members noted that this had been due to time-sensitive work on contracts and agreeing the ownership of some corporate recommendations.

During the discussion, the following points were noted:

- Whilst there may be good reasons for some slippages, they should not be repeated as it might present a risk to the organisation. Members were particularly concerned that some recommendations dated back to 2015/16 and would like more assurance in respect of the 39% of high priority recommendations awaiting implementation. The Chairman noted that 8 of these had implementation dates before the next meeting of the Audit and Risk Management Committee and asked for them to be added to the outstanding actions list.
- The Chairman of the IT Sub Committee, who is also a Member of the Audit and Risk Management Committee, agreed that the IT Sub Committee would follow up on the IT issues – i.e. IT asset management and the disposal policy.
- The number of audit days for next year's plan would be provided with the next Internal Audit Plan report but this information could be provided to Members separately, before the next Committee meeting.

RESOLVED, that – the report be noted.

**12. COMMITTEE WORK PROGRAMME**

Members noted the Committee's Work Programme.

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

There were no questions

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

The Chairman agreed to accept an item of urgent business in respect of the early production of the Bridge House Estates Accounts, which were considered under Agenda Item 8.



15. **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 12A of the Local Government Act.

Item no	Para
16	3,7
16 – 18	3

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

The non-public minutes of the meeting held on 23 May 2017 were approved.

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

There were no questions.

18. **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 15.40**

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Chairman

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