

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 28 November 2017

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 28 November 2017 at 2.00 pm

Present

Members:

Randall Anderson
Alexander Barr
Chris Boden
Henry Colthurst
Hilary Daniels (External Member)
Deputy Jamie Ingham Clark (Ex-Officio Member)
Alderman Ian Luder (Chairman)
Paul Martinelli
Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-Officio Member)
Hugh Morris (Ex-Officio Member)

Officers:

Michael Cogher	-	Comptroller and City Solicitor
Neil Davies	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Paul Dudley	-	Chamberlain's Department
Sean Green	-	Chamberlain's Department
Chris Keesing	-	Chamberlain's Department
Leigh Lloyd-Thomas	-	External Auditor, BDO
Julie Mayer	-	Town Clerk's Department
Pat Stothard	-	Head of Internal Audit and Risk Management
Alan Bubbear	-	City of London School for Girls

1. APOLOGIES

Apologies were received from Alderman Nick Anstee (Deputy Chairman), the Rt. Hon. The Lord Mayor, Alderman Charles Bowman, Alderman Peter Estlin, and Mr Kenneth Ludlam.

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

- Alderman Luder declared a general pecuniary interest in respect of agenda item 4, which included an update on Fire Safety, by his status as a leaseholder of a City of London Property.

- Mr Randall Anderson declared a general pecuniary interest in respect of agenda item 4, which included an update on Fire Safety, by his status as a tenant of a City of London Property.

3. **MINUTES OF THE PREVIOUS MEETING**

The public minutes and non-public summary of the meeting held on 10th October 2017 were approved, subject to the following amendments:

- Mr Anderson had declared a general pecuniary interest by virtue of being a tenant of a City of London property (not a leaseholder).
- An External Member felt that a query raised about safeguarding training had not been answered fully and asked for an action point to be added, providing Members with details of both Member and Governor training, including where central records were held, whether the training was compulsory or non-compulsory and which Members/Governors had attended.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members noted the Committee's outstanding actions list and those points which would be discharged on today's agenda and could therefore be removed.

In respect of Fire Safety, Members had received an update following the receipt of Counsel's opinion and asked for a further report, covering how the risk was being managed, in 6 months. The Chairman of the Housing Management and Almshouses Committee, also a Member of this Committee, advised that the Community and Children's Services Committee were due to receive a full update in March 2018 and therefore it would be timely for the Audit and Risk Management Committee to receive a risk update report at their meeting in May 2018.

5. **COMMITTEE WORK PROGRAMME**

Members received the Committee's work programme.

6. **INTERNAL AUDIT UPDATE**

Members received a report of the Head of Internal Audit and Risk Management, which provided an update on internal audit activity since the last meeting of the Committee.

Members noted that, since the publication of the agenda, and following the receipt of additional information, 'City Police Programme Management' had reduced to amber. Members noted the Police's proposal in respect of the City of London Corporation's Gateway Process would be raised with the Town Clerk. In receiving this report, Members stressed they were not recommending that the Gateway process be by-passed but recognised the desire to expedite projects when essential. Members would receive a deep dive risk review report on police funding at their next meeting.

In respect of statutory obligations relating to seized goods, which included cash, the External Member offered to raise this at the forthcoming Police Performance and Resource Management Sub Committee.

The Head of Internal Audit and Risk Management confirmed that all recommendations from 2016-17 had expected completion dates of March 2018 and this work would not impact on delivery of the audit programme in 2017-18. Members noted that the Committee's cross-departmental focus on implementation was improving both delivery and the quality of responses.

In respect of a query about the Guildhall School of Music and Drama's (GSMD) Strategic Review, Members noted that this had been postponed as it was being developed after the new Principal took up her post. The Head of Audit and Risk Management confirmed that the review was due to be completed soon and would then be audited.

RESOLVED, that – the report be noted.

7. UPDATE ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS BY THE CITY OF LONDON SCHOOL FOR GIRLS

Members received a report of the Headmistress, City of London School for Girls, in respect of progress in implementing its audit recommendations. The Bursar opened his presentation by apologising for the delayed response.

Members were pleased to note that, of 6 recommendations; 2 had been closed; satisfactory progress had been made on 2; 1 had been stalled due to staff shortages and 1 remained partially complete, due to a combination of issues including multi-departmental responsibility and a high turnover of staff. The remaining recommendations would be completed shortly.

Members were pleased to note the progress set out in the report and asked for the Town Clerk to maintain a centrally held record of governor training records, to be readily accessible every time a new member joined a Board.

Members agreed to defer the School's Risk Challenge session to the March 2018 meeting of the Audit and Risk Management Committee, as this would provide a more realistic timescale to implement the remaining recommendations.

Finally, Members noted that the discovery of a body in the grounds of the school, the previous day, had not been linked to anyone involved with the School. The Bursar advised that the School's Crisis Plan had been implemented, very successfully, and the school had been closed. No pupils had attended, and only a couple of members of staff, and the School had reopened this morning. Members noted that the Senior Leadership Team had held a debriefing and there were a couple of lessons learnt in respect of IT systems and the provision of telephone numbers. The Chairman and Members thanked the School for their professional and timely response to this incident.

RESOLVED, that – the report be noted.

8. **EXTERNAL QUALITY ASSESSMENT UPDATE**

Members received a report of the Head of Internal Audit and Risk Management, which outlined progress against identified actions following the findings of the external and independent review of the City of London Corporation's Internal Audit, Risk Management and anti-fraud function undertaken by Mazars LLP.

In response to a question about the transfer of a resource from the Anti-fraud team to the Department of Community and Children's Services, Members noted that this post would be funded by the Housing Revenue Account (HRA) but the Anti-Fraud Manager would still have oversight of this officer's work. The Head of Internal Audit and Risk Management advised that this was one of many initiatives aimed at directing audit resources towards anti-fraud activity and the next Internal Audit Update report would provide a further update.

RESOLVED, that – the report be noted.

9. **ANTI FRAUD INVESTIGATIONS**

Members received a report of the Chamberlain in respect of anti-fraud and investigation activity since the last meeting of the Committee in February 2017.

During the discussion, the following points were noted:

- Enhancements in Right to Buy investigations, which might highlight other potentially fraudulent activity.
- Members asked if future reports could differentiate between the verification activity we undertake for Right to Buy and App Check, against the more detailed fraud investigation cases.
- A new dedicated Tenancy Fraud Officer, based in the Community and Children's Services Department, would enable greater participation in London-wide initiatives such as the London Fraud Hub (data sharing). There would be no reduction in time allocated to this post and the officer would report to the Anti-Fraud Manager.
- There was no statutory requirement in respect of the amount of fraud focus required; this was left to the discretion of each local authority.

RESOLVED, that:

1. The anti-fraud and investigations activity as set out in the report be noted.
2. The changes to the Anti-Fraud and Corruption Strategy and the changes to the Social Housing Tenancy Fraud – Anti-Fraud and Prosecution Policy be approved.

10. **OUTTURN OF THE RISK APPETITE SURVEY 2017**

Members received a report of the Chamberlain which informed Members of the key findings of the recent on-line Senior Manager and Risk Appetite Survey.

During the discussion on this item, the following points were raised/noted:

- There had been a very good response rate (77.4%), one of Zurich's highest, and a strong similarity between the views of Members and Officers.
- Determining risk appetite for specific risks will allow members to question reasons why a risk may be above or below appetite and whether to agree if a risk should remain above appetite even after mitigation.
- More clarity on those risks which could not be mitigated further would be helpful; i.e. if a risk had reached its appetite it might need less frequent monitoring.
- If a risk was accepted, could the benefits be clearer.
- A high appetite for innovation would also need a shift from any possible 'blame culture' and the ability to cancel failed projects without penalty.

In concluding, Members noted that the report had been to the Summit Group, who had asked for similar additional information. Subsequently, there would be further work with Chief Officers as to whether they could do more to mitigate some of their risks and take them below appetite.

RESOLVED, that – the report be noted.

11. **DEEP DIVE RISK REVIEW: IT SERVICE PROVISION - CR19**

Members received a report of the Chamberlain in respect of IT Service provision and were pleased to note the significant turnaround in the City of London Corporation's IT provision and the progress of the transformation programme.

The Chamberlain commended the support of Members in terms of the considerable investment in the IT Transformation Programme, the IT Leadership Team and the work of the IT Sub Committee, chaired by Deputy Jamie Ingham Clark. The Chamberlain was confident that this risk would go to amber early next year.

The IT Director also reported a better understanding, from both IT and FM providers, in respect of electrical safety and regular 6 monthly checks had been scheduled. The Chairman had been particularly concerned at the pictures in the appendix to this report and was pleased to note the remedial action and hoped there would be no recurrence. In concluding, Members welcomed this report and the focus it demonstrated on improved service delivery.

RESOLVED, that – the report be noted.

12. COMMITTEE'S TERMS OF REFERENCE

Members received a report of the Town Clerk, which set out the Committee's Terms of Reference for their annual review.

Further to the discussion under agenda item 13, Members agreed that the Committee's Terms of Reference should include an annual report to the Court of Common Council.

RESOLVED, that –

1. The Committee's Terms of Reference be approved, with an additional item including an Annual Report to the Court of Common Council on the work of the Committee. (*See next item on the agenda*)
2. The Committee continues to meet 6 times a year

13. SURVEY OF COMMITTEE EFFECTIVENESS

Members received a report of the Town Clerk, which presented proposals from the last survey of the Audit and Risk Management Committee Members.

Members agreed that, going forward, they would receive some extensive survey every 3 years, with light touch reviews in the interim 2 years. Members suggested that the surveys could incorporate a facilitated workshop and favoured 1-4 scoring, with the opportunity to add comments. Members agreed to receive the first extensive survey in 2018.

In respect of adding an Annual Report to the Court on the Committee's effectiveness, referred to above in 'Terms of Reference', Members noted that this was best practice but asked officers to be mindful of it being too formulaic. Members suggested that the report be concise and give assurance. The Town Clerk advised that this report would complement the Annual Governance Statement (AGS) and some sections of the AGS might be better placed in an annual report on the Committee's effectiveness.

RESOLVED, that:

1. The Committee Effectiveness Survey continue on a 3-yearly basis, with the next Survey in 2018 and the intermittent years (2019 and 2020) having a more 'light touch' review.
2. That the Court of Common Council receive an Annual Report on the work of the Committee.

14. **GENERAL DATA PROTECTION REGULATIONS 2018**

Members received a report of the Comptroller and City Solicitor in respect of the requirements of the General Data Protection Regulation (GDPR) and the work required to secure compliance by 25th May 2018, including the appointment of a Data Protection Officer. The GDPR strengthened privacy and other rights and increased penalties for breaches.

Members noted that the report had been approved by the Policy and Resources and Establishment Committees; the Comptroller and City Solicitor had been appointed as the Data Protection Officer (DPO) and the project plan for compliance had been audited by Mazars, showing that the City Corporation was in a good place and noting that further detail would emerge in guidance from the Information Commissioner.

The Comptroller and City Solicitor advised that he would be running 2 training sessions for Members in January 2018 and it was likely that compulsory on-line sessions would be introduced for staff and possibly Members. Furthermore, it was likely that use of non-City of London Corporation email addresses would cease.

RESOLVED, that – the report be noted.

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

There were no questions.

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

There were no items.

17. **EXCLUSION OF THE PUBLIC**

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

The non-public minutes of the meeting held on 10th October were approved.

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

There were no questions.

20. **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 3.55 pm

Chairman