

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 16 January 2018**

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

### **Present**

#### **Members:**

Alderman Ian Luder (Chairman)  
Alderman Nick Anstee (Deputy Chairman)  
Randall Anderson  
Alexander Barr  
Henry Colthurst  
Hilary Daniels (External Member)  
Alderman Peter Estlin  
Deputy Jamie Ingham Clark (Ex-Officio Member)  
Kenneth Ludlam (External Member)  
Caroline Mawhood (External Member)  
Paul Martinelli  
Jeremy Mayhew (Ex-Officio Member)

#### **Officers:**

Julie Mayer	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Assistant Commissioner Alistair Sutherland	-	Assistant Commissioner, City of London Police
Caroline Al-Beyerty	-	Deputy Chamberlain
Paul Dudley	-	Chamberlain's Department
Philip Gregory	-	Chamberlain's Department
Richard Jeffrey	-	Comptroller and City Solicitor's Department
Philip Saunders	-	Remembrancer's Department
Damian Nussbaum	-	Director of Economic Development
Gerald Mehrtens	-	Director of Academy Development
Leigh Lloyd-Thomas	-	BDO (External Auditors)

### **1. APOLOGIES**

Apologies were received from The Rt. Hon. The Lord Mayor, Alderman Charles Bowman, Hugh Morris and Chris Boden.

### **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 minutes of the meeting held on 28 November 2017 be approved.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Committee's Outstanding Actions List, including those items which would be discharged on this agenda and those which were scheduled for later meetings.

5. **COMMITTEE WORK PROGRAMME**

Members received the Committee's Work Programme and noted that meetings for Members to meet with the External Auditors (with no officers present) and the Head of Internal Audit and Risk Management (also with no officers present) had been scheduled for 6 March and 29<sup>th</sup> May.

6. **DATA PROTECTION BILL 2017**

Members considered a report of the Remembrancer in respect of the Data Protection Bill 2017. Members noted that this report provided an overview of the political debate and supplementary details on the Bill, further to the report of the Comptroller and City Solicitor, which Members received at their last meeting of the Audit and Risk Management Committee and which dealt with the City's approach to implementing forthcoming data protection rules. The regulations would be in force by May 2018.

Members noted that, for their constituency work, each Common Councilman would be the 'data controller' and further noted the Comptroller was running a Development Session on 30 January which would cover the mechanics of the City's compliance with the new rules. All members have been invited and, so far, 20 Members had signed up.

The capacities of the City of London Corporation's activities would be covered during the training session. Members noted that Departments were very aware of the City Corporation's dual roles and where they might overlap, and that the legislation would apply differently to the City Corporation's public and private business.

RESOLVED, that – the report be noted.

7. **POSITION OF DEPUTY CHAIRMAN OF THE AUDIT AND RISK MANAGEMENT COMMITTEE: STANDING ORDER 29 (3)**

Members considered a report of the Town Clerk in respect of the position of the Deputy Chairman of the Audit and Risk Management which, for the time being, was restricted (under Standing Order 29 (3)) from standing as Chairman of any other Committee. Members were reminded that, with only a few exceptions, Chairman could not chair more than one Grand Committee at the same time.

Members noted that, as the Committee had experienced difficulties in recruiting to a vacancy and, last year, in the appointment of a Chairman, the report suggested that lifting this restriction might raise interest in serving on the Committee and improve succession planning generally. However, there was a

consensus amongst Members for retaining the independence of the roles of both Chairman and Deputy Chairman and the restriction reflected CIPFA good practice.

There was a further discussion about the restrictions on External Members serving as Chairman or Deputy Chairman of the Audit and Risk Management Committee, as was often the case in other local authorities. Members were reminded that, as non-Court Members could not speak in the Court of Common Council, this restriction could not be lifted. Members were also reminded of the provisions of the Local Government and Housing Act 1989 which stated that External Members of a Committee, who were not Members of the Authority, would have no voting rights.

Given the valued role of the Committee's External Members, as evidenced by the Court's approval to their serving second and third terms, Members felt that their hard work and contribution should be reflected by allowing the Audit and Risk Management Committee to elect a second Deputy Chairman from its External Membership. Members also thought it timely to extend the Membership of the Committee by 1 Member, to widen the pool of Members who might be interested in serving as Deputy Chairman and Chairman. Meanwhile, Members were encouraged to continue to promote the good work of the Committee and the opportunities to serve on it.

RESOLVED, That:

The Policy and Resources Committee be asked to recommend, to the Court of Common Council that the Terms of Reference of the Audit and Risk Management Committee be amended to include:

1. A second Deputy Chairman, appointed from the External Membership of the Committee.
2. An additional Member to the Audit and Risk Management Committee.

8. **SUCCESSION PLANNING FOR EXTERNAL MEMBERS: TO APPOINT A NOMINATIONS SUB COMMITTEE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

Members considered a report of the Town Clerk in respect of succession planning for External Members, which sought to appoint a Nominations Sub Committee of the Audit and Risk Management Committee.

RESOLVED, that

1. A Nominations Sub Committee, of the Audit and Risk Management Committee, be established and the number and composition of its membership be agreed.
2. The Draft Terms of Reference at Appendix 1 be considered and approved.

3. Members of the Sub Committee be appointed at the first meeting of the Audit and Risk Management Committee, following the Annual Court of Common Council in April 2018.
4. The first meeting of the Sub Committee be convened for June 2018 at which Members will be asked to recommend, to the Grand Committee, the frequency of future meetings.

**9. RISK MANAGEMENT UPDATE**

The Committee considered a report of the Chamberlain, which provided Members with an update on the corporate and top red departmental risk registers, following review by the Chief Officer Risk Management Group (CORMG) and the Summit Group.

Members suggested that, for future reports, a new appendix be included identifying new risks, risks which where target dates had been missed (or worsened) or removed from the corporate risk register. However, Members were also mindful of risks staying red for too long and officers agreed to feed this back to CORMG.

Members agreed that the Committee's role in determining the inclusion of risks on to the corporate risk register was to "endorse" and not to "confirm" the decision of the Summit Group.

In respect of an issue raised during today's Risk Challenge Session, the Chairman reminded Members that the City Surveyor would be invited back to a further session, focussing on operational buildings and his desk top audit, rather than property investment (which had been the subject of his last session).

RESOLVED, That:

1. The addition of CR25 (GDPR Project Risk) be added to the Corporate Risk Register.
2. The other changes to both the corporate and top red departmental risk registers, as outlined in the report, be noted.

**10. DEEP DIVE RISK REVIEWS:**

**11. LOSS OF BUSINESS SUPPORT FOR THE CITY - CR02**

The Committee received a report of the Economic Development Director in respect of Corporate Risk CRO2 (Loss of Business Support for the City).

The Director of Economic Development advised that, whilst there would always be some flow of jobs away from the City, his team were focussed on balancing this with inward flow, ensuring losses were minimal and potential new markets

were being developed. Members accepted that there would be a 'slower burn' internationally and an immediate focus on European business.

Following an uplift of the Economic Development Team's resources after Brexit, a special Advisor for Asia had been appointed and the team were now able to focus more on preparing for overseas visits and ensuring that opportunities were followed up.

Members noted the challenges in respect of how the City might look in 20 years' time and the ways in which we might be doing business by then; i.e. robotics, artificial intelligence and the uncertainty as to which technologies and businesses would be driving the transformation. Future Immigration Policy was also key in terms of the expectations of future workforces in respect of salaries and career plans.

In response to a question about how Members of the Audit and Risk Management Committee might gain assurance of need v allocation; the Deputy Chamberlain advised that the Resource Allocation Sub and Policy and Resources Committees would shortly be asked to approve £570k for the Brussels Office and £2.7m for promoting the City. Members noted that future regulations were likely to be at a global, not European level and this would indicate where we need to direct resources to ensure strong relationships with key markets. The Trump Administration's Policy on Taxation was also likely to affect the City.

Members commended a very good report and agreed that the red risk rating gave assurance that it was being managed at the right level. Members also asked whether the 18<sup>th</sup> March 2018 target was too ambitious and how the likelihood and impact ratings had been arrived at? The Director advised that they had arisen following a debate at the Chief Officers' Risk Management Group (CORMG) and in response to the key dates for trade negotiations by the end of April this year. Members noted that, by this date, businesses should be confident about revisiting their investments. Furthermore, on-going work outside of Brexit would help with business planning and the wider global impact and might dictate a different target date. The Director accepted that this risk could have been rated red earlier and the mitigations could have been more visible in the appendix to the report. Members were further assured that the City Corporation were working in partnership with various UK industries and this collaboration would intensify over the next 2-3 years. Members agreed that this risk would always be deep amber, if not red, for the time being.

Members agreed that the City had always been able to reinvent itself and, with robust risk management, challenges were approached as opportunities. Members noted that despite the predicted 10,000 jobs moving out of London, they were not relocating to just any one or two locations and this was good news for the City.

RESOLVED, that - the report be noted.

## 12. POLICE FUNDING- CR23

The Committee received a report of the Chamberlain in respect of Corporate Risk CR23 (Police Funding). Members noted that the budget had been balanced, through the use of reserves, until 2018/19. Furthermore, whilst a £17m capital investment had relieved some pressures, a deficit of £4-5m would remain. The Assistant Commissioner (City of London Police (COLP)) asked Members to note particularly the efficiency strategies set out at paragraphs 9 and 10 in the report, following the Deloitte Review and Transformation Programme.

The Deputy Chamberlain advised that, working closely with the Commissioner, the budget for 2018/19 had been balanced, through the use of reserves, and this gave time to focus on 2019/20 and beyond. The Deputy Chamberlain had been to the first meeting of the Transformation Programme and commended the agenda content and the Police's commitment to the change programme and recognition of new ways of working.

Members noted how the nature of police work was changing, with more focus on cyber-crime and crime prevention and, whilst the Mayor of London's decision on Council Tax precepts for the Metropolitan Police did not apply to the City, decisions would be required at some stage on the business rate premium. The Commissioner advised that the COLP was seen as a leader in cyber-crime (which was overtaking conventional crime) and counter terrorism and investment would be required to maintain this status. In respect of strategic policing, aimed at national threats, the COLP had made a head start in providing an evidence base for directing funds in the future.

In response to a challenge to the speed of progress, the Assistant Commissioner advised that Deloitte's report had been received at the end of July 2017 and immediate steps had been taken to deliver quick wins and balance this year's budget. Members suggested that the balance of reserves was lower than desirable and the risk rating for the Medium Term Financial Strategy should reflect this. As far as possible, Members would also like to see evidence of efficiencies before taking decisions to redirect funds. The Assistant Commissioner accepted these comments and advised that certain priorities; i.e. security, could not always wait for formal approval and this was likely to be a moving target for some years. The Deputy Chamberlain advised Members that Home Office Policy supported the use of reserves in balancing Police Force budgets. The Deputy Chamberlain agreed that the risk ought to be reframed as a threat to medium term financial stability.

In respect of the target Police staff reduction to 410, the Assistant Commissioner advised that 12 posts had been deleted as part of the Transformation Programme and, whilst the target was reliant on IT changes, the Assistant Commissioner was confident of further reductions in staff numbers over the next few years. Members noted that, of the current 442 posts, 332 were engaged in front-line police support roles and not back-office administration.

RESOLVED, that:

1. The report be noted.
2. Members receive a further report, in July this year, focussed on the medium-term risks.

**13. INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP**

The Committee received a report of the Head of Internal Audit and Risk Management which provided an update on progress with internal audit recommendations. Members noted that updates were now sought more frequently, only evidenced recommendations were accepted as implemented and the expectation of implementation by agreed target dates was being reinforced.

RESOLVED, that – the report be noted.

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

There were no questions

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

There were no items.

**16. 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 No**

18 – re Item 9 above

**Paragraph No**

3

*At 3.50pm Members agreed to waive standing orders to continue with the business on the agenda until 4.15pm*

**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.

A discussion in respect of agenda item 9 (Risk Management Update) was held in non-public session.

**The meeting ended at 4.05 pm**

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Chairman

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