

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 4 March 2014**

**Minutes of the meeting of the Audit and Risk Management Committee held at the Guildhall EC2 at 1.45pm**

### **Present**

#### **Members:**

Alderman Nick Anstee	Hilary Daniels (External Member)
Nigel Challis	Kenneth Ludlam (External Member)
Revd Dr Martin Dudley	Caroline Mawhood (External Member)
Jamie Ingham Clark	Roger Chadwick (Ex-Officio Member)
Oliver Lodge	Jeremy Mayhew (Ex-Officio Member)
Jeremy Simons	Hugh Morris (Ex-Officio Member)

#### **Officers:**

Simon Murrells	- Assistant Town Clerk
Neil Davies	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Chris Bilsland	- Chamberlain
Michael Cogher	- Comptroller and City Solicitor
Sue Ireland	- Director of Open Spaces
Huw Lewis	- City Surveyor's Department
Caroline Al-Beyerty	- Chamberlain's Department
Suzanne Jones	- Chamberlain's Department
Paul Nagle	- Chamberlain's Department
Chris Keesing	- Chamberlain's Department
Chris Pelham	- Community and Children's Services
Heather Bygrave	- External Auditor, Deloitte
Angus Fish	- External Auditor, Deloitte
Lucy Nutley	- Moore Stephens
Adrian Brook	- Moore Stephens
Simon Maddocks	- London Borough of Croydon

### **1. APOLOGIES**

Apologies were received from Jeremy Mayhew and Oliver Lodge for late arrival.

### **Announcement by Chairman**

Before commencing the business on the agenda, the Chairman paid tribute to Chris Bilsland, Chamberlain, who would be retiring shortly. Members asked for their thanks to Mr Bilsland to be recorded and particularly noted the following achievements under his stewardship:

- Establishing the first independent audit appointment panel; appointing Moore Stephens to audit the Corporation's non-local authority functions.

- Three external members appointed to the Audit and Risk Management Committee.
- Publishing the full set of City's Cash Accounts.
- The City Corporation's social investment fund.
- The 'PP2P' project and outsourcing of the City of London's IS Service.
- Local Government Chronicle's Finance Officer of the year, in recognition of the City of London's top performing Pension Fund.

The Chairman welcomed Mr Simon Maddocks (Head of Governance at the London Borough of Croydon) to the meeting. Mr Maddocks had conducted the Peer Review of the Internal Audit service and the outcome would be reported to the Audit and Risk Management Committee on 13 May 2014.

**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 non-public summary of the meeting held on 28 January 2014 were approved as a correct record, subject to an amendment recording Mr Jamie Ingham Clark's name in full.

**4. OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received the outstanding actions list and noted those items which would be discharged on today's agenda, along with the updates and additional items.

Members agreed that 'anti-fraud investigations' could be removed from the list. However, the Director of Business Services advised that the Establishment Committee had received a 'lessons learnt' report on the anti-fraud on line course and this would be presented to the Audit and Risk Management Committee in May.

The Chairman suggested and members agreed, that report authors should avoid repeating background detail contained in previous reports on the same subject, for example, in the Strategic Risk reports. As an alternative, it would be more helpful to keep this information in an appendix. It would also be helpful to summarise key changes since the previous reports, under a separate heading, after 'background' on the report template.

**RESOLVED, that:**

The current status of the outstanding actions list be approved.

**5. NEW STRATEGIC RISK SR17 - SAFEGUARDING**

The Committee considered a report of the Director of Community and Children's Services in respect of the new Safeguarding Strategic Risk (SR17). The report covered the protection of children and vulnerable adults who might be at risk of significant harm.

In response to a question about training, the Assistant Director for Community and Children's Services advised that safeguarding 'champions' would ensure that this is directed at the appropriate level. The Director agreed to consider rolling this out further, possibly beyond the department where necessary, and would update the Committee in due course. In respect of a further question about risk management, the Director also agreed to add the names of the control owners.

**RESOLVED, that:**

1. The new Strategic Risk (SR17) be added to the Strategic Risk Register.
2. The enhancements suggested by the Audit and Risk Management Committee, in respect of training and risk control owners, be included in the Safeguarding Policy.

**6. STRATEGIC RISK 11 - FAILURE OF ANY DAMS UNDER THE OWNERSHIP OR MANAGEMENT OF THE CITY OF LONDON CORPORATION: HAMPSTEAD HEATH HYDROLOGY; HIGHAMS PARK LAKE**

The Committee considered a joint report of the City Surveyor and the Director of Open Spaces in respect of Strategic Risk 11 (Failure of any Dams under the Ownership or Management of the City of London Corporation). Members noted that the report covered the new strategic risk on dam failure; detailed risk registers for Hampstead Heath and Epping Forest; Hampstead Heath, Highams Park and Eagle Pond project updates and should be read in conjunction with items 20 and 21 on the non-public part of this agenda.

There was some frustration expressed about the slow progress of the project, considering it posed a potential threat to life. Furthermore, following the recent heavy floods in parts of the UK, various agencies had been severely criticised. Members also asked that subsequent strategic risk reports made clear the significant changes from previous reports.

During the debate and discussion the following matters were raised:

- Since the report had been published, a project lead had been identified (Director of Environmental Services).
- The outcome of the consultation was being analysed, following over 4,000 responses.
- Members had welcomed the opportunity to visit the Heath on 28th January 2014 as this had enabled them to fully understand the issues.
- Officers were working with Camden in respect of the planning permission.
- In respect of the opposition to the Reservoir Legislation by the Hampstead Heath Society, members noted that, in the event of a judicial

review, preparatory works could continue and Counsel's advice had been to proceed.

- The Panel Engineer would be able to impose a 'Section 10' Notice, in order to specify a timeframe and this effectively acted as an 'insurance policy' for the City. Members noted that officers were working closely with the Panel Engineer and he was satisfied with progress.
- The Hampstead Heath project was being developed to address the impact from summer convection storms, which were very rare but would have a catastrophic impact.

**RESOLVED, that:**

1. A new Strategic Risk (SR11) be adopted to cover the failure of any dam under the ownership or management of the City of London Corporation.
2. Detailed Risk Registers for Hampstead Heath, Highams Park Lake and any other identified dam will remain and shall contain the details of issues and mitigation planned or taken.
3. The updates on the above 3 projects be noted.
4. A single Chief Officer (Director of Open Spaces) be named as the risk owner of the dams.

**7. RISK MANAGEMENT UPDATE**

The Committee considered a report of the Chamberlain, which presented members with a draft risk management strategy, a risk management policy and recommendations for the Strategic Risk Register, following the workshop held with the Chief Officers Group on 4 December 2013.

Members noted that, given the Committees Terms of Reference provided for 'monitoring and oversight' of the Risk Management Strategy, this should be reflected in the resolution. The Director advised that the Risk Management Strategy (at Appendix 2 to the report) was still in draft and would be presented to the May Committee as a final version. Members were encouraged to provide their comments to the Business Support Director outside of the meeting.

The Chairman suggested and members agreed, that a logical extension to the current arrangements for reviewing strategic risks, would be to invite Chief Officers as well as Chairman to review their top level Departmental Risks. Officers agreed that this would be a more pro-active approach and suggested that the roll out of the new risk management software would assist with this. Members agreed to receive a new rota for reviewing the top departmental and strategic risks at the next meeting and, given that the July meeting would receive just the Statements of Accounts, the new procedure would commence from the September 2014 meeting.

**RESOLVED, that:**

1. The Draft Risk Management Policy Statement and Strategy be endorsed.
2. The changes to the Strategic Risk Register, following the Chief Officers' Workshop, be endorsed.
3. The updated cyclical review of strategic risks be noted, with the risk review programme developed further, to include departmental top risks and inviting Chief Officers, in rotation, to attend the Committee to discuss their departmental risk registers.

**8. 2014/15 INTERNAL AUDIT PLANNING**

The Committee considered a report of the Chamberlain, which presented the Internal Audit Plan for 2014/15. During the discussion and debate on this item, the following matters were raised:

- The Head of Internal Audit and Risk Management were confident that, assuming the outcome set out in Appendix 1 to the report, the plan would be on schedule by the end of 2014/15.
- The Internal Audit Team was well placed to provide advice on efficiency and value for money, as their role extended beyond regularity and probity. However, they would not be taking management responsibilities for delivering this.
- Members noted that the Service Based Reviews, currently being considered as part of the 'star chamber' meetings, could not be delivered without new and bigger risks to the organisation. The Chairman therefore stressed the importance of the correct levels of resource, competency and skill being in place.
- Assurance mapping was being developed in order to understand how much reliance could be placed on other areas of assurance.
- The Terms of Reference for the Efficiency and Performance Sub Committee were being reviewed this week and it was noted that some areas might need support from the Audit and Risk Management Committee.
- The Head of Internal Audit and Risk Management offered to provide members' with the 5 year plan.

**RESOLVED, that:**

The Internal Audit Plan for 2014/15 be approved.

9. **INTERNAL AUDIT UPDATE REPORT**

The Committee received a report of the Chamberlain, which provided an update on internal audit activity since the last Audit and Risk Management Committee on 11<sup>th</sup> December 2013.

During the debate and discussion the following matters were raised:

- It was suggested that, given there were so many 'green' ratings, were the appropriate areas being audited? The Head of Internal Audit and Risk Management advised that this was not always the case and, at a similar time last year, there had been two red assurance audit reviews. The Head of Internal Audit's Annual Report would provide assurance on the overall level of control and set out extent of recent audit coverage and assurance outcomes that inform that opinion.
- A shorter timeframe; i.e. 3 weeks rather than 5, might be more effective for the Key Performance Indicator relating to the timely agreement and issue of final reports. Members noted that, in some instances, 5 weeks had been required in order to place reports on management team agendas.
- It would be helpful if the report highlighted how the recommendations were being sustained.
- Given that the Committee would not meet again until the 13<sup>th</sup> May, the Head of Internal Audit and Risk Management agreed to provide members with a further update on the completion of the 2014/15 audit plan at the end of March.

**RESOLVED, that:**

The Internal Audit Update Report be noted.

10. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP REPORT**

The Committee received a report of the Chamberlain, which provided an update on the implementation of audit recommendations, by management, since the last report to the Audit and Risk Management Committee on 11 December 2013.

**RESOLVED, that:**

1. The Recommendations Follow-up report be noted.

2. The actions being taken to improve performance be noted; i.e. ensuring that originally agreed timescales for the implementation of recommendations are achieved.

**11. ANTI FRAUD AND INVESTIGATION UPDATE REPORT**

The Committee received a report of the Chamberlain, which provided an update on investigation activity since the December 2013 Committee. Members noted that it also provided detailed analyses of the housing benefit and housing tenancy fraud caseload in appendices 1 and 2 of the report.

In response to a query about a complaint received from a resident, the Head of Internal Audit and Risk Management advised that the complainant had been contacted and procedures reviewed as a result. The Committee also noted that a members' fraud awareness training session had been arranged for 29<sup>th</sup> May.

**RESOLVED, that the following be noted:**

1. The positive publicity for the City's counter-fraud work.
2. The liaison arrangements with the UKBA.
3. The data-sharing and joint working protocols with the Guinness Trust.
4. The outcomes of investigations undertaken since the last update report.

**12. ANNUAL LETTER FROM DELOITTE ON THE CERTIFICATION OF GRANTS CLAIMS**

The Committee received a report of the External Auditors on the Certification of Grants Claims. The Chamberlain confirmed that the fees were down by 40% and an unqualified opinion had been given.

**RESOLVED, that:**

The External Auditors' Certification of Grants Claims be noted.

**13. ANNUAL GOVERNANCE STATEMENT - METHODOLOGY**

The Committee considered a joint report of the Town Clerk and the Chamberlain, which proposed the methodology for the production of the Annual Governance Statement for 2013/14. Members agreed to use the existing format and were encouraged to contact the Head of Corporate Performance and Development, outside of the meeting, with any suggestions.

During the discussion, the following additions were suggested:

- The Review of the Corporation's Role as BHE Trustee (Agenda Item 22)
- Recent achievements in Internal Audit and Risk Management (Agenda Item 9)
- Pro-active investigations and prosecutions (Agenda Item 11)

**RESOLVED, that:**

The proposals, as set out in the report, for the production and presentation of the Annual Governance Statement for 2013/14, be approved.

**14. OFFICER SCHEME OF DELEGATION**

The Committee considered a report of the Town Clerk in respect of the Officer Scheme of Delegation, which had recently been reviewed. Members noted that all Service Committees had been invited to comment on their specific areas and this would form part of a final report to the Court of Common Council. The Audit and Risk Management Committee were also invited to comment on the entire scheme, as part of the City of London Corporation's Governance package.

Members noted that it would have been more helpful if the report had clarified where there had been any changes but noted that, for the Chamberlain, there were none. The Chamberlain further advised that the role of 'Vice Chamberlain' was in ceremonial matters but, operationally, the Financial Services Director was his Deputy.

**RESOLVED, that:**

1. The delegations relating to the Chamberlain, in respect of the Audit and Risk Management Committee, as set out in items 1, 6 and 14, in Appendix 1 to the report, be approved.
2. The proposed amendment to Standing Orders, relating to the declaration of operational property assets, which are surplus to requirements, be noted.

**15. COMMITTEE WORK PROGRAMME**

The Committee received its work programme and noted those items added since the last meeting, shown in italics. Members also noted that the final version of the Risk Management Strategy, referred to in item 7 above, would be presented to May agenda as would a 'lessons learnt' report on the anti-fraud on-line course. Subsequent to the consideration of this item, members also agreed to add a further report on Project BE (at agenda item 22 on the non-public agenda) looking at the maintenance and enforcement of the governance arrangements.

**RESOLVED, that:**

The Committee's work plan be approved.

**16. POSITION OF THE DEPUTY CHAIRMAN AND OTHER CONSTITUTIONAL ISSUES**

The Committee considered a report of the Town Clerk, in response to a request from Members to review the restriction placed on the Deputy Chairman of the Audit and Risk Management Committee, which prohibited them from becoming



the Chairman of other committees. The report also explored whether the membership of the Committee should be increased.

**RESOLVED, that:**

1. The current arrangement whereby the Deputy Chairman of the Audit and Risk Management Committee is not able to be the Chairman of another Committee be retained. However, a prospective Deputy Chairman (of the Audit and Risk Management Committee) would only resign his/her existing Chairmanship once elected.
2. No action be taken with regard to the position of the Chairman on the basis that he or she can stand down from the Chair in the event that the Committee considers or reviews decisions of other Committees in which the Chairman has participated.
3. Having approved items 1 & 2 above, the number of members serving on the Committee remain the same, for the time being.

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

There were no questions.

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

There were no items of urgent business.

**19. 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.

**Item No (s)**

**Paragraph No (s)**

20 – 24

3, 5

**20. STRATEGIC RISK 11 - FAILURE OF ANY DAMS UNDER THE OWNERSHIP OR MANAGEMENT OF THE CITY OF LONDON CORPORATION: HAMPSTEAD HEATH HYDROLOGY; HIGHAMS PARK LAKE**

The Committee received a report of the City Surveyor and the Director of Open Spaces in respect of new Strategy Risk 11 (also referred to in item 6). Members noted that this report served as an appendix to agenda item 6, which was resolved in the public section of the meeting.

**21. EAGLE POND RESERVOIR**

The Committee considered a report of the City Surveyor and Director of Open Spaces in respect of the Eagle Pond Reservoir. Members noted that this report should be considered in conjunction with items 6 and 20 on the agenda.

**22. PROJECT BE- TRANSFER OF ASSETS**

The Committee received a report of the Chamberlain and Comptroller and City Solicitor, following a query at the last meeting of the Audit and Risk Management Committee about Project BE – Transfer of Assets.

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

There were no questions

**24. 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 closed at 3.40 pm**

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Chairman

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