

## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 13 May 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	Roger Chadwick (Ex-Officio Member)
Nigel Challis	Jeremy Mayhew (Ex-Officio Member)
Jamie Ingham Clark	Alderman Timothy Hailes
Oliver Lodge	Alderman Charles Bowman
Hilary Daniels (External Member)	Revd Dr Martin Dudley
Kenneth Ludlam (External Member)	Alderman Ian Luder (in the Chair)
Caroline Mawhood (External Member)	Graeme Smith

#### **Officers:**

Neil Davies	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Dr Peter Kane	- Chamberlain
Michael Cogher	- Comptroller and City Solicitor
Caroline Al-Beyerty	- Chamberlain's Department
Suzanne Jones	- Chamberlain's Department
Paul Nagle	- Chamberlain's Department
Sabir Ali	- Chamberlain's Department
Chris Keesing	- Chamberlain's Department
Paul Sizeland	- Director of Economic Development
Graham Bell	- Chief Information Officer
Philip Everett	- Director of the Built Environment
Esther Sumner	- Department of Open Spaces

#### **In attendance:**

Mark Boleat	- Chairman of Policy and Resources (Item 8)
Jeremy Simons	- Chairman of Hampstead Heath (Item 7)
Nick Bennett	- Moore Stephens, External Auditor
Angus Fish	- Deloitte, External Auditor

Being the most senior Member present, Roger Chadwick proposed that Alderman Ian Luder take the Chair.

#### **1. APOLOGIES**

Apologies were received from Hugh Morris.

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

There were no declarations.

3. **ORDER OF THE COURT OF COMMON COUNCIL**

The Committee received the Order of the Court of Common Council dated 1 May 2014.

4. **ELECTION OF CHAIRMAN**

The Committee proceeded to elect a Chairman in accordance with Standing Order No 29. The Town Clerk read the list of members eligible to stand and Alderman Nick Anstee, being the only member willing to serve, was duly elected Chairman for the ensuing year and took the Chair.

The Chairman welcomed new Members: Aldermen Hailes and Bowman, Graeme Smith and returning Members, Alderman Ian Luder and Dr Martin Dudley.

5. **ELECTION OF DEPUTY CHAIRMAN**

The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No 30. The Town Clerk read the list of members eligible to stand and Nigel Challis, being the only member willing to serve, was duly elected Deputy Chairman for the ensuing year.

6. **MINUTES OF THE PREVIOUS MEETING**

The public minutes and non-public summary of the meeting held on 4 March 2014 were approved as a correct record.

7. **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 updates to existing and additional items.

Members noted the following items, which could be closed:

1. Internal Audit Planning
2. Internal Audit Update
3. New Corporate Risk 17 (Safeguarding)
4. Internal Audit Recommendations Follow up report (Re Chief Officer appraisals) – covered on today's agenda (Item 15).

The following items that would remain on the list:

5. International Centre for Financial Regulation
6. Agenda Management
7. Committee Effectiveness Review
8. Risk Management update

Updates on the following items:

### Strategic Risk Review (Flooding in the City)

Members noted that the Chairman had received a letter from the Heath and Hampstead Society and the response had been emailed to all Members of the Committee. The Director of the Built Environment, the Ponds and Projects Management Support Officer (Department of Open Spaces) and the Chairman of Hampstead Heath were in attendance and advised Members that there were no new issues, since the previous meeting and the response reiterated the City of London's position on the matter.

### Internal Audit Peer Review (Agenda Item 16)

Once all the Peer Reviews have been published, officers would look at benchmarking results with other London Boroughs.

### Annual Governance Statement – Methodology (Agenda Item 17)

The statement was approved subject to the Members' feedback, with any further amendments delegated to the Town Clerk in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee. This item could then be removed from the Outstanding Actions list.

### BHE Trustee Review

Members asked if the next report could cover governance issues in respect of trustees and charities.

New items:

- Corporate Risk (CR2) – see item 8
- Corporate Risk (CR16) –see item 9
- Anti-Fraud and Investigation Update– see item 11
- Replacement Whistleblowing Procedure – see item 13

### **RESOLVED, that:**

The Outstanding Actions list and the updates set out above be noted.

## **8. CORPORATE RISK 2 - SUPPORTING THE BUSINESS CITY**

The Committee received a report of the Director of Economic Development in respect of Corporate Risk 2 – Supporting the Business City. The Chairman of Policy and Resources was in attendance for this item and endorsed the report.

During the discussion and debate, the following matters were raised/noted:

- There was a perception that the 'credit crunch' was not entirely over but it was noted that the crisis had improved communications across the financial sector. Much of the banking sector was still 'settling' and new regulations on international banking had been introduced.
- Whilst being a 'champion' of the City, the Corporation was not uncritical, when necessary.
- Was the rating (4.4) appropriate in respect of perceived 'failures'? Officers agreed to look at this again in the context of other items on the Corporate Risk Register.

- The City was still perceived as a good place to locate/relocate and Members recognised the significance of international visits by the Policy Chairman and Lord Mayor.
- The success of the new PR/ED Sub Committee in promoting joint working was acknowledged.
- The UK's general negativity towards the EU was not shared by the City and it would continue to feed its pro-active, evidence based approach into the political debate on Europe.
- The City needs a strong position on the European Commission.
- Members noted the forthcoming European Elections and uncertainty surrounding their outcome.

**RESOLVED, that:**

The report be received and the above recommendations, in respect of the rating of this Corporate Risk, be noted.

**9. CORPORATE RISK 16 - INFORMATION SECURITY**

The Committee received a report of the Chamberlain in respect of Corporate Risk 16 – Information Governance.

During the discussion and debate, the following matters were raised/noted:

- The revitalisation of the Information Management Governance Board (IMEB).
- Members noted an error on the report in that there had been 14 and not 4 breaches.
- The level of frequency with which courses should be repeated and the prioritisation for those officers most at risk.
- The most effective means of communicating updates and new developments; being mindful that e-mail might not always be the most visible.
- The introduction of clear desk policies to reduce risk of paper breaches.
- The security of posting and whether recorded delivery should be used for non-public agendas.
- Members generally agreed that this risk was more controllable than others.
- The need for a thorough/double check before non-public information is published (TC's have a checking and sign off procedure).
- In order to minimise risks on Licensing Hearings and Reviews, Town Clerks and Markets and Consumer Services were discussing reducing the amount of evidence being published and redacting anything in the public domain.

**RESOLVED, that:**

1. The report be received and the above recommendations, in respect of the rating of this Corporate Risk be noted.

2. The Committee receive a further report, to be scheduled in September, setting out progress on this corporate risk, including the take up of mandatory training courses, the actions in place to mitigate breaches and the revitalised IMGB.

**10. RISK MANAGEMENT UPDATE**

The Committee considered a report of the Chamberlain, which presented an update on the Corporate Risk Register and the new Risk Management Strategy. It was noted that, since the last report, there had been several changes to the Corporate Risk Register and the key changes were highlighted in the report. Members commended the new fluid/dynamic style of the report and welcomed the changes.

**RESOLVED, that:**

1. The changes to the content of the Corporate Risk Register be noted.
2. The updated Risk Management Strategy be approved, including the scoring criteria and the use of a Target Risk Score.
3. The development of the programme of corporate and key departmental risk reviews be noted.

**11. ANTI FRAUD AND INVESTIGATION UPDATE**

The Committee received a report of the Chamberlain, which provided an update on Anti-Fraud investigation activity for the period 1<sup>st</sup> April 2013 – 31<sup>st</sup> March 2014. During the debate and discussion of this report the following items were raised/noted:

- A recent custodial sentence passed for fraudulently obtaining social housing with the City of London Corporation.
- Officers were awaiting guidance from the Department of Work and Pensions (DWP) on the operation of the Single Fraud Investigation Service (SFIS), which will be introduced from December 2014. Members expressed concern that the new service might not prove to be as effective as the City at identifying and investigating Housing Benefit Fraud. A letter expressing the Committee's concern would be sent to DWP.
- Data matching exercises had been valuable; 14 frauds had been identified as well as duplicate payments.
- External Members asked if they could attend the Member training sessions on Fraud Awareness planned for 23<sup>rd</sup> June.

**RESOLVED, that:**

The report be received and Members receive an update once the DWP issues guidance on the SFIS.

12. **USE OF ON-LINE TRAINING AND LESSONS LEARNT**

The Committee received a joint report of the Chamberlain and Director of HR setting out the lessons learnt from using the online training platform, Corezone, for the delivery of the mandatory training on Fraud Awareness during the autumn of 2013. Members agreed that Line Managers should also be responsible for ensuring the timely completion of on-line courses.

**RESOLVED, that:**

The report and lessons learnt from the use of on-line training sessions be noted.

13. **REPLACEMENT WHISTLEBLOWING POLICY**

The Committee considered a joint report of the Chamberlain and the Director of Human Resources in respect of the Replacement Whistleblowing policy. Members noted that there were, in fact, very few serious cases and generally, most 'Whistleblowing' allegations were a reaction to management action and more likely to warrant a grievance. In response to a question about the City of London Police, Members noted that uniformed officers had a separate 'Serious Concern' Policy, linked to the Police Professional Standards Procedures.

Members generally expressed some concern about the public interest test (introduced in June 2013); whereby disclosures made before 25<sup>th</sup> June 2013 needed only to have been made in good faith. However, since then, only those concerns which meet this test and were of relevance to the general populace would give the Whistleblower legal protection.

**RESOLVED, that:**

1. The proposed replacement Whistleblowing Policy be endorsed, subject to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, being satisfied with the clarity of the 'public interest' test, which will be reported at the next meeting.
2. Subject to (1) above, the Whistleblowing Policy be recommended to the Establishment Committee for approval

14. **INTERNAL AUDIT UPDATE REPORT**

The Committee received a report of the Chamberlain which provided an update on internal audit activity since the last meeting of the Committee.

In response to questions, Members were reassured that the Head of Internal Audit would always alert them to any control risks which might be systemic. Members also noted that, in order to avoid 'flurries' just before Committee meetings, the Head of Internal Audit and Risk Management would cease to circulate briefings 10 days before Committee Meetings. The Head of Internal Audit also confirmed that all planned work would be complete (within a few % points) before the end of June 2014.

**RESOLVED, that:**

The Internal Audit update report be noted.

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

The Committee received a report of the Chamberlain on the implementation of audit recommendations since the last meeting of the Committee. Members noted that green recommendations were often implemented before the dates stated in the report. The Head of Internal Audit will consider the introduction of 'self-certification' on green priority recommendations. Members also suggested that the improvements set out in the report should be reflected in the Annual Governance Statement (Agenda Item 18).

**RESOLVED, that:**

The report be noted, with the improved performance in achieving the originally agreed timescales for the implementation of recommendations.

**16. PUBLIC SECTOR INTERNAL AUDIT STANDARDS - PEER REVIEW**

The Committee received a report of the Chamberlain, which presented the Committee with the outcomes of the Internal Audit Peer Review exercise. Members noted that, once all the reports had been published, officers would undertake a benchmarking exercise. The Chairman commended the Head of Internal Audit and his team for their achievements, as reflected in the report.

**RESOLVED, that:**

1. The outcomes of the Peer Review exercise and the proposed actions to achieve full compliance with Public Sector Internal Audit Standards (PSIAS) be noted.
2. Members receive feedback on benchmarking of the City with London Boroughs.

**17. HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT**

The Committee received the Head of Internal Audit's Annual Opinion Report. The Head of Internal Audit and Risk Management confirmed that there were no significant issues on the outstanding reports and therefore there would be no need to caveat his opinion. In response to questions, the Head of Internal Audit and Risk Management confirmed that recommendations in respect of the project procedure would be shared with the Projects Sub Committee.

In respect of the amount of officer time spent on the Audit and Risk Management Committee meetings and agenda preparations, the Head of Internal Audit and Risk Management indicated that this could reduce in line with better management of the agendas and avoidance of repetition, and detail within reports. (Outstanding Actions list - Agenda Item 7).

**RESOLVED, that:**

1. The Head of Internal Audit's Report and Opinion for 2013/14 be noted.
2. The conclusions of the Review of Internal Audit Effectiveness, assessed against the Public Sector Internal Audit Standards and the key

performance indicators established for the Internal Audit function, be noted.

*At 3.45 pm, Members agreed to suspend standing orders and continue until 4pm, in order to complete the business on the agenda.*

18. **ANNUAL GOVERNANCE STATEMENT 2013/14**

The Committee considered a joint report of the Town Clerk and Chamberlain which presented the Annual Governance Statement for 2013/14 in the formats agreed by the Audit and Risk Management Committee in March 2014.

Members noted a drafting error in paragraph 50; whereby *generally conforming*, should say "*generally conforms*"; and in paragraph 13, where 2013 had been mis-typed as 2103.

Members asked for the Committee's activity and achievements for 2013/14 to be acknowledged, for example; the improvement in implementation of internal audit recommendations and the reassurance given to the Committee about Banking and Cash Handling controls, following an incident at one of the Corporation's offices.

Members also questioned whether paragraph 47 could be reviewed as the meaning was not explicit.

**RESOLVED, that:**

1. The Annual Governance Statement be approved, for signing by the Chairman of the Policy and Resources Committee and the Town Clerk (Chief Executive), subject to amendments in respect of the issues raised by Members.
2. The AGS be published alongside the 2013/14 City Fund and Pension Fund Statement of Accounts.
3. The future developments in paragraph 63 of the AGS, to improve the governance framework, be noted; and
4. Authority be delegated to the Town Clerk (Chief Executive) in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, to amend the AGS for any significant events or developments relating to the governance arrangements that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

19. **COMMITTEE WORK PROGRAMME**

The Committee received the Work Programme and noted the updates since the last meeting, shown in italics.



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

There were no questions.

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

There were no items of urgent business

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

**Items 24 - 27**

**Para 3**

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

The non-public minutes of the meeting held on 4 March 2014 were approved

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

There were no questions

25. **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.

26. **PRIVATE MEMBER MEETING WITH THE HEAD OF INTERNAL AUDIT**

In accordance with Public Sector Internal Audit Standards, all officers, with the exception of the Head of Internal Audit and Risk Management left the room.

**The meeting closed at 4pm**

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Chairman

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