

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Thursday, 17 September 2015**

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Thursday, 17 September 2015 at 1.45 pm

### **Present**

#### **Members:**

Alderman Nick Anstee (Chairman)  
Nigel Challis (Deputy Chairman)  
Alderman Charles Bowman  
Revd. Dr Martin Dudley  
Deputy Jamie Ingham Clark  
Oliver Lodge  
Graeme Smith  
Kenneth Ludlam (External Member)  
Caroline Mawhood (External Member)  
Jeremy Mayhew  
Henry Colthurst

#### **Officers:**

Simon Murrells – Assistant Town Clerk  
Jacqui Daniels – Town Clerk's Department  
Peter Kane - Chamberlain  
Paul Dudley - Chamberlain's Department  
Chris Harris - Chamberlain's Department  
Chris Keesing - Chamberlain's Department  
Michael Cogher – Comptroller and City Solicitor

#### **1. APOLOGIES**

There were apologies for absence from Roger Chadwick, Hilary Daniels, Alderman Timothy Hailes and Alderman Ian Luder.

#### **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 20 July 2015 were approved.

#### **Matters Arising – Audited 2014/15 City Fund and Pension Fund Financial Statements (page 3)**

The Chamberlain referred to Deloitte's challenge of the City of London Corporation's treatment of the proceeds from long leasehold disposals as capital receipts. Deloitte maintain that the lease premiums should be apportioned between land and buildings and the land element be treated as an operating lease. The receipt becomes deferred income and released to

revenue over the length of the lease. Members noted that the impact was a roughly 50/50 split in the receipts. The Chamberlain also explained the implications of the deferral of income upon the financing of the £200m commitment to Crossrail and advised that the matter would be discussed with the new Auditors shortly.

#### 4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received its outstanding actions list.

The Chamberlain referred to the Corporate Risk Register Review, set out at number 4 on the schedule and explained that copies of a report on Risk Management, previously emailed to Members, had been tabled for the Committee's information. The report sought to give further assurance in respect of the robustness and effectiveness of the City of London Corporation's risk management systems.

Following detailed discussions, Members noted that changes and/or updates to the Register, recommended by officers, may be made subject to prior review, monitoring and oversight of the Audit and Risk Management Committee, as set out in the Committee's Terms of Reference.

RESOLVED – That:

- 1) Changes and/or updates to the register, recommended by officers, may be made, subject to prior review, monitoring and oversight of the Audit and Risk Management Committee, as set out in the Committee's Terms of Reference.
- 2) The Committee receive regular reports on the output of the work of the Chief Officers Risk Management Group (CORMG).
- 3) The Committee review, at least annually, whether further steps should be taken to strengthen the robustness of the risk management framework.

#### 5. **COMMITTEE WORK PROGRAMME**

The Committee received its latest work programme.

It was noted that:-

The Investigations Update report, due to be submitted on 3 November, was on today's agenda and therefore it should be removed from November's workplan.

The risk challenge session in November would consist of an informal introduction by the new Director of the Built Environment, with a 15 minute focus on areas she has identified as the largest risks to the Department. This would be followed by a 30 minute session with the Comptroller and City Solicitor focusing on his department's local risks.

Finally, Internal Audit Planning 2016/17 would now be considered at the January 2016 meeting.

## 6. **INTERNAL AUDIT UPDATE REPORT**

The Committee received a report of the Head of Internal Audit and Risk Management, providing an update on activity since the Committee's last meeting. He reported that no 'red' audit reports had been issued since the Committee's last meeting and outstanding recommendations were being implemented. He added that the Audit Plan was largely on target to be completed by 31 March 2016.

In answer to Members questions, he explained the parameters for issuing 'red' audit reports and confirmed that areas of work were added from time to time, as necessary, but they would be reported to the Committee within the agreed timescales.

RESOLVED – that, the report be noted.

## 7. **CORPORATE RISK REGISTER UPDATE**

Members considered a report of the Chamberlain on the outcome of the corporate risk identification review, an update on 'deep dive' reviews of corporate risks and the provision of detailed risk information, which had been referred to the Chief Officer's Risk Management Group (CORMG) in June 2015. It was noted that there were currently nine corporate risks and there were two additional risks being considered relating to road safety and air quality.

During the discussion it was:-

- confirmed that short reports could be provided on the 'deep dive' reviews;
- noted that the Air Quality Strategy had been approved by the Port Health and Environmental Services Committee and would be considered by the Health and Wellbeing Board the following day;
- noted that there had been little significant movement on the risk levels since the last review, although there was an improving trend and officers would be concentrating on getting a sharper focus on the information provided to Members;
- considered that the information concerning the progress on top red departmental risks was useful and Members asked if they could have sight of this information annually;
- suggested that any Member wishing to attend the Member Development training session on 1 October 2015 should inform the Town Clerk's Committee and Member Services Team; and
- the title of the Code 'CR02' on the first page of Appendix A to the report (page 27 of the papers) should read 'Loss of Business Support for the City'.

**RESOLVED** – That:

- 1) the outcome of corporate risk identification review by the CORMG on 25 June 2015 be noted, together with the subsequent agreement of the Summit group to the changes to the corporate risk register;
- 2) it be noted that two new risks (Road Safety and Air Quality) were being prepared and were likely to be included in the risk update report to be submitted to the Committee in November 2015; and
- 3) it be agreed that ‘deep dive’ corporate risk reviews be reinstated as outlined in paragraph 3.3 of the report.

**8. ANTI-FRAUD & INVESTIGATIONS UP-DATE REPORT**

The Committee received a report of the Chamberlain, providing information on anti-fraud and investigation activity and analysis of the cases investigated to date during 2015/16.

RESOLVED – that, the report be noted.

**9. CYBER SECURITY RISKS**

The Committee received a report of the Chamberlain which advised Members that cyber security and associated risks presented a current and continuously evolving risk to the City of London Corporation and the City of London Police. It was noted that the City Corporation had strengthened its audit activity in this area and was drawing on appropriate internal and external expertise as appropriate.

In answer to Members’ questions, the Chamberlain provided details of the steps being taken to prevent access to the Corporation’s systems, controls on the access to the Public Service Network and information on the staff training being undertaken.

It was noted that the next steps would be to test the systems in place. Members expressed concern about the current practice of emailing non-public information to Members’ private email addresses which were likely to have different security protection and the Chamberlain undertook to look further into this matter and to report thereon in accordance with the usual procedures regarding risk concerns.

RESOLVED – that, the report be noted.

**10. HMIC INSPECTION UPDATE**

The Committee received a report of the Commissioner of the City of London Police providing an overview of the City Police’s response to HM Inspectorate of Constabulary’s (HMIC) continuing programme of inspections and published reports and providing assurances that the recommendations from the reports were being addressed by the force.

The Commissioner introduced the report and explained the process for implementing the recommendations from the HMIC. It was noted that Kenneth Ludlam served on both this Committee and the Police Performance Committee and therefore provided a valuable link between the two bodies.

RESOLVED – that, the report be noted.

**11. RE-APPOINTMENT OF AN EXTERNAL MEMBER**

The Committee considered a report of the Town Clerk advising that Hilary Daniels, one of the Committee's three External Members had indicated her willingness to serve for a further term of three years, once her current term expired in March 2016.

It was noted that, ideally two terms of three years be served by External Members, although it was noted that exceptions could be made.

**RESOLVED** – That Hilary Daniels be re-appointed as an External Member of the Audit and Risk Management Committee for a further term of three years, from March 2016, expiring in March 2019.

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

There were no questions.

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

There were no urgent items.

**The meeting ended at 3pm**

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Chairman

**Contact Officer: Jacqui Daniels**  
**tel. no.: 020 7332 1480**  
**Jacqui.daniels@cityoflondon.gov.uk**