

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 17 July 2018**

Minutes of the meeting held at Guildhall at 2.00 pm

### **Present**

#### **Members:**

Alderman Ian Luder (Chairman)  
Alexander Barr (Deputy Chairman)  
Hilary Daniels (Deputy Chairman)  
Randall Anderson  
Anne Fairweather  
Alderman John Garbutt  
Deputy Jamie Ingham Clark (Ex-Officio Member)  
Kenneth Ludlam (External Member)  
Caroline Mawhood (External Member)  
Jeremy Mayhew (Ex-Officio Member)  
John Petrie

#### **Officers:**

Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Deputy Chamberlain
Michael Cogher	- Comptroller and City Solicitor
Philip Gregory	- Chamberlains
Leigh Lloyd-Thomas	- External Auditor, BDO
Francesca Palmer	- External Auditor, BDO
Pat Stothard	- Head of Internal Audit and Risk Management
Theresa Shortland	- Community and Children's Services
Peter Lisley	- Deputy Town Clerk
Gary Locker	- Town Clerks
Richard Woolford	- Town Clerks
Julie Mayer	- Town Clerks

### **1. APOLOGIES**

Apologies were received from Alderman Nick Anstee, Chris Boden, Marianne Fredericks, Paul Martinelli and Andrien Meyers.

The Chairman welcomed John Petrie to his first meeting of the Committee.

### **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 minutes of the meeting held on 29 May 2018 were approved.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Committee's Outstanding Actions list, noting those items which would be discharged on this agenda and that new items might be added as the meeting progressed.

5. **COMMITTEE WORK PROGRAMME**

Members noted the Committee's Work Programme and agreed to move the Deep Dive Risk Review in respect of 'Loss of Business Support to the City' from January 2019 to the next meeting on 25<sup>th</sup> September 2018, possibly rescheduling the Deep Dive on Road Safety to a later meeting.

6. **SPECIAL EDUCATIONAL NEEDS AND DISABILITY (SEND) CITY OF LONDON LOCAL AREA INSPECTION OUTCOME - MAY 2018**

Members received a report of the Director of Community and Children's Services in respect of the recent SEND Ofsted Inspection. Members were very pleased to note a letter from the Secretary of State congratulating the City Corporation on the strengths identified in the Inspection. The Officer advised that significant progress had already been made in respect of the small number of areas recommended for further development. The Chairman and Members welcomed this good news story and asked for their congratulations to be passed on to officers in the Department of Community and Children's Services.

RESOLVED, that – the report be noted.

7. **DEEP DIVE RISK REVIEWS**

a) **CR01 – Resilience**

Members received a report of the Town Clerk in respect of the City of London Corporation's preparedness for events or situations related to terrorism or other major incidents.

In respect of the fire at Wanstead Flats the previous weekend, Members noted that the City Corporation had overseen an exercise there 18 months ago and found the officers to be well prepared. Engagement with the surrounding local authorities had been part of this exercise. Officers recognised that some of the surrounding Councils were not London Boroughs and this had been taken into consideration.

Members suggested that it might be timely to consider interim measures such as preventing smoking in open spaces during the dry conditions.

As part of the post-mortem, the Assistant Town Clerk would be investigating the strength of immediate communications. Whilst there is not a 24-hour City Corporation Press Office, 24-hour Resilience Officers are on call. Members noted a new protocol with the Communications Team, which will enable the Resilience Team to issue an immediate response, pending a full news story. This was particularly welcomed by Members who work closely with community groups.

There was some discussion about BCP in terms of both physical and IT resilience and a recognition that IT resilience was improving. The Assistant Town Clerk agreed to review the impact score, given the strong mitigations in place and to include a narrative explaining both aspects of BCP.

Members noted that there were generic response plans to cope with all manner of disruptions, from terrorism to fire, based on national models for decision making. Members noted that the exercise programme would be ramped up locally, with newly trained strategic leads in place.

The Assistant Town Clerk agreed to discuss the possibility of a live BCP test with IT colleagues and to consider the possibility of a pool of essential staff who would be required to carry laptops at all times. Members noted that the City Corporation had a designated location in the event of Guildhall becoming inaccessible.

Finally, Members suggested that where mitigation would not make any further improvements, the judgements should be defended explicitly.

RESOLVED, that – the report be noted.

**b) CR24 - Operational Security**

**RESOLVED – That, under Section 100A(4) 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 Paragraph 5, Part 1 of Schedule 12A of the Local Government Act.**

Members received a report of the Town Clerk in respect of the security infrastructure across the City Corporation, which sought to ensure that the security culture within the organisation is robust to evolving threats.

Members noted that, following the recent novichok poisonings in Salisbury, intelligence concerns and a national police review of police and military preparedness, there had been a national uplift in counter terrorism resilience in this area. There is ongoing national training, for Police and Military, with scientific support. The internet provides capability and instructions of low level availability. However, Members noted that the risk of self-harm from sourcing such products is very high and the number of successful attacks will proportionately be low. Officers accepted that the proposed joint control room might give rise to BCP challenges but there is a live fall-back position and the Police have many other back up sites.

The Town Clerk asked for Member support in challenging behaviours in the City Corporation's buildings; i.e. ensuring that security passes are worn at all times and to be mindful of holding security doors open.

RESOLVED, that – the report be noted.

8. **RISK MANAGEMENT UPDATE**

Members considered a report of the Chamberlain which provided an update on the corporate and top red departmental risk registers, following their review by the Chief Officers Risk Management and Summit Groups.

Members noted that the IT Sub Committee had considered the downgrading of GDPR to a departmental risk but, in light of a couple of recent breaches, had not reached a unanimous decision. Members noted that Mazar's had been reviewing this risk and their report and conclusions would inform a decision.

Members also suggested that it would be helpful if future reports could show trends/impact/likelihood and control.

RESOLVED, that :

1. The report be noted.
2. Corporate Risk CR25 – GDPR, remain as a Corporate Risk, for the time being, subject to a review at the next meeting of the Audit and Risk Management Committee.

9. **CITY FUND AND PENSION FUND FINANCIAL STATEMENTS**

Members received a report of the Chamberlain and supporting reports of the External Auditors (BDO) in respect of the City Fund and Pension Fund Financial Statements for 2017-18. Members noted that the reports had been marked 'to follow', circulated by email and added to the City of London Corporation's web page for both the Finance and Audit and Risk Management Committees.

The Chamberlain reminded Members of the two briefing sessions on the Financial Statements, which had taken place on 9<sup>th</sup> and 16<sup>th</sup> July. The sessions had been well attended by Members of the Court, in addition to the Finance and Audit and Risk Management Committees. The notes taken at these sessions had been circulated to Members and the Chamberlain had produced an executive summary covering the headlines.

**Members noted that the sessions had raised a couple of queries which would stray into exemption categories 1 & 2 (information relating to an individual/likely to reveal the identity of an individual) under the Local Government Act 1972 and they would therefore be answered in the non-public session of this meeting under 'items of urgent business'.**

***Please see item 16 - below \*\****

The Chamberlain introduced the session and explained that this was the first time the accounts had been produced on an accelerated time table, following last year's 'dry run'. Going forward, the Chamberlain and the Auditors would be considering further measures to make the accounts more streamlined and digestible and keep down the volume of paperwork.

The External Auditors were pleased to confirm clean sets of City Fund and Pension Fund accounts, with an unqualified opinion and only minor queries which were in the process of being resolved or would be shortly. Similarly, a couple of minor queries raised during the Member Briefing Sessions were being addressed. This year, public sector external auditors had been tasked with being particularly challenging in respect of valuations on land and buildings and pension funds.

The Auditors and Chamberlain explained that the main area of concern, which had been discussed in the briefing sessions, was Police use of resources. However, given the strength of the rest of the City Corporation's accounts and the intervention by the Corporation in managing the police's year end position, the use of resources opinion on the Police accounts was not qualified. Members noted that they would receive an Internal Audit Report on Police Financial Controls at their next meeting and the Police Commissioner would be in attendance.

In concluding, the Chairman and Members thanked the External Auditors (BDO) and the Chamberlain's team for their hard work and agreed unanimously to recommend the accounts to the Finance Committee for approval and sign off.

RESOLVED, THAT -

1. The City Fund and Pension Fund Financial Statements for the year ended 31 March 2018 be recommend to the Finance Committee for approval; and
2. Authority be delegated to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, to approve material changes to the financial statements required before the signing of the Audit Opinion by BDO - which is expected to be by the end of July 2018.

**10. TREASURY MANAGEMENT STATEMENT**

Members received a report of the Chamberlain setting out the Treasury Management Strategy Statement and the Annual Investment Strategy for 2018/19. Members noted that the Audit and Risk Management Committee and Financial Investment Board had been nominated by the Court of Common Council to scrutinise this statement and strategy. The Chamberlain suggested, and Members agreed that, going forward, the Audit and Risk Management Committee should review the Statement at mid and year-end, following Financial Investment Board scrutiny.

RESOLVED, THAT –

1. The Treasury Management Strategy Statement and Annual Investment Strategy 2018/19 be noted.

2. The Audit and Risk Management Committee continue to Review the Treasury Management Statement and Strategy at mid and year-end, following scrutiny by the Financial Investment Board.

**11. 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 report to the March 2018 Committee. Members noted that Mazars had been appointed to review the Police's financial controls, supervised by in-house Internal Audit Managers. The Head of Internal Audit explained that this is a wide ranging area of work and the completion date would depend on the outcomes from testing; however, it would remain a high priority on the Plan.

In respect of PIs generally, Members noted that it can sometimes be challenging in delivering within target timescales when, for example, Chief Officers have a different view to those officers who have worked with Internal Audit. The Head of Internal Audit and Risk Management advised that the Internal Audit Team need to spend time in mediating such cases. It was agreed, however, that in monitoring response times to audit reports, if there were departments who consistently failed to respond in a timely manner, the Chief Officers responsible would be asked to attend the Audit and Risk Management Committee.

Members suggested that, since amber risks have such a wide spectrum, they might be better shown in 2 sets, rather than showing 'double reds'. There was a further suggestion to move from 'red, amber and green' to 'full, limited, substantial and none' and officers agreed to look at this. The Head of Internal Audit reminded Members that statements in respect of assurance levels are provided in the regular Member briefings and the appendices to the reports.

RESOLVED, that – the report be noted.

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

There were no questions.

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

Members were pleased to note that, following the intervention of the Audit and Risk Management Committee, the Resource Allocation Sub Committee had agreed that the City Surveyor should present an Annual Report to the Corporate Asset Sub Committee on the routine maintenance required to prevent another build-up of maintenance costs, or 'bow-wave'.

**14. EXCLUSION OF THE PUBLIC**

RESOLVED – That, under Section 100A(4) 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 Paragraph 5, Part 1 of Schedule 12A of the Local Government Act

<b>Item no</b>	<b>Paragraph nos.</b>
16 (in respect of item 9)	1 and 2

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

There were no questions.

**16. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

*at 4pm, 4.15 and 4.30, Members agreed to extend the meeting to conclude the business on the agenda.*

**\*\*Members received responses the queries referred to in item 9 (City Fund and Pension Fund Financial Statements).**

**The meeting ended at 4.40 pm**

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Chairman

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