

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 6 November 2018**

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 6 November 2018 at 2.00 pm

### **Present**

#### **Members:**

Alderman Ian Luder (Chairman)  
Alexander Barr (Deputy Chairman)  
Hilary Daniels (Deputy Chairman)  
Randall Anderson  
Alderman Nick Anstee  
Anne Fairweather  
Marianne Fredericks  
Deputy Jamie Ingham Clark  
Kenneth Ludlam  
Paul Martinelli  
Jeremy Mayhew  
John Petrie

#### **In attendance:**

Jeremy Simons

#### **Officers:**

John Barradell	- Town Clerk and Chief Executive
Peter Goss	- Town Clerk's Department
Simon Latham	- Town Clerk's Department
Gregory Moore	- Town Clerk's Department
Chloe Rew	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Steven Reynolds	- Chamberlain's Department
Pat Stothard	- Head of Internal Audit and Risk Management
Paul Dudley	- Internal Audit, Chamberlain's Department
Chris Keesing	- Internal Audit, Chamberlain's Department
David Smith	- Director of Markets & Consumer Protection
Ruth Calderwood	- Department of Markets and Consumer Protection
Paul Murtagh	- Community & Children's Services Department
Chrissie Morgan	- Director of Human Resources
Tracey Jansen	- Human Resources
Justin Tyas	- Human Resources

1. **APOLOGIES**

Apologies were received from Chris Boden, Alderman John Garbutt, Caroline Mawhood, and Andrien Meyers.

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

There were none.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED: That the public minutes and non-public summary of the meeting held on 25 September 2018 be approved.

4. **COMMITTEE WORK PROGRAMME**

Members received and noted the Committee's work programme. The Chairman advised that there had been a minor formatting issue with the programme on this occasion, which would be rectified for the next meeting.

5. **NEW CORPORATE RISK - BREXIT**

The Chairman agreed to bring this item (previously item 9) forward on the agenda.

Members considered a report of the Chamberlain which sought the Committee's endorsement of a new corporate risk focused on minimising the impact of disruption to key City Corporation services following the departure of the UK from the European Union on 29 March 2019.

The Town Clerk emphasised that the report was written to present the internal risks to the City Corporation, rather than address the wider risks to London and the country as a whole. Members were informed that, although some areas of risk were shared with other local authorities, the uniqueness of the City Corporation made it difficult to put a single figure cost risk on Brexit and, in any case, it was still not known exactly what the exit deal would look like. The Town Clerk stated that it was important for each Department and City Corporation institution to carry out their own risk assessment of the impact of Brexit. There were a large number of capital projects that could be affected and the responsible Committees needed to address the issues arising upon any Brexit deal being agreed. Members recognised the two strands of risk, one being the mitigation of the current period of uncertainty and the other, longer term, being the implementation of the final Brexit deal, with the suggestion that this should be recognised in relation to target dates.

In answer to questions from Members, the Town Clerk said that the City Corporation was as prepared as any public authority could be given the final terms of the Brexit deal were not known.

Members noted that there was no specific mention of the impact on the Barbican Centre in the report. The Town Clerk explained that this was captured within the 'attractiveness of London for workers, businesses and visitors' impact note, adding that the Barbican Centre Board would receive more detailed

information in relation to the specific risks for the Centre and mitigation measures being implemented.

The Town Clerk also undertook to provide an update report to the Committee's next meeting.

RESOLVED: That:-

1. The decision of the Summit Group to approve the inclusion of a new corporate risk (CR26) in relation to Brexit be endorsed.
2. The eight subsidiary Brexit related risks to be maintained by Chief Officers on departmental risk registers be noted.

6. **CITY'S CASH FINANCIAL STATEMENTS 2017/18**

Members received a report of the Chamberlain which presented the Annual Report and Financial Statements for City's Cash for the year ended 31 March 2018. The External Auditors were in attendance and confirmed that they would be giving an unqualified opinion on the accounts.

Members were reminded that at the briefing session arranged for all Members of the Court concern had been raised regarding related parties for 2017/18 and the 36 annual declarations that had not been received from Members and Chief Officers. Attention had also been given to the potential £50million liability for City's Cash, contingent on completion of Crossrail. Another item discussed in the briefing session was the accounting treatment of a painting that had found to have been looted during WWII by the Nazis, subsequently returned to its original owner's heirs, and the risk of similar finds in the City's art collection.

Members felt a tougher approach towards the return of annual related parties declarations was needed and agreed that a stricter regime should be adopted in relation to returns. It was suggested that, following the initial issuing of the declaration form, a reminder letter should be circulated to any Members who had not responded. This letter should clearly set out the importance of the matter and that continued non-compliance would result in a referral to the Standards Committee, with it hoped that the threat of sanction would ensure a 100% completion rate, whilst also ensuring Members were aware of the seriousness of the issue. It was noted that officers in a similar position would be referred to the Head of Paid Service.

Members noted that the Crossrail payment was before the Committee only in terms of agreeing the accounting method adopted for the payment.

Members were informed that, following a review, there was no indication that the City's art collection contained other similarly misappropriated items.

The External Auditors confirmed that they had checked the value of all the City's Cash assets and had found nothing that warranted an adjustment.

RESOLVED: That:-

1. The contents of the Audit Management Report issued by Moore Stephens LLP be noted.
2. The City's Cash Financial Statements for the year ended 31 March 2018 be recommended for approval to the Finance Committee.

**7. CITY'S CASH FUNDS AND SUNDRY TRUST FUNDS ANNUAL REPORTS AND FINANCIAL STATEMENTS 2017/18**

Members considered a report of the Chamberlain in respect of the City's Cash Trust Fund Annual Reports and Financial Statements for the year ended 31 March 2018. The External Auditors were in attendance.

Members noted the one adjustment that had been made in 2017/18 concerning the treatment of a grant paid to the City of London Almshouses Trust.

The Chairman noted that this was the last year of the Moore Stephens audit of City's Cash and, on behalf of the Committee, extended his gratitude to them for their work over the past few years.

RESOLVED: That:-

1. The contents of Moore Stephens LLP Management Letter be noted.
2. The Annual Reports and Financial Statements for City's Cash Trust Funds and the Sundry Trust Funds for the year ended 31 March 2018 be recommended for approval to the Finance Committee.

**8. INTERNAL AUDIT UPDATE REPORT**

Members received a report of the Head of Audit and Risk Management providing an update on internal audit activity since the last report to the Committee in July 2018.

Members noted that the audit review of catering at the Guildhall School was still at red only as a consequence of a delay in the new catering contract being signed off by the Comptroller & City Solicitor.

The Committee was concerned at the number of outstanding reviews from 2017/18 that would slip into 2018/19 and therefore have an impact on the 2018/19 work programme. The Head of Internal Audit reassured Members that resources were in place to deliver the planned work programme.

Members discussed the key performance indicator in relation to management responses to draft reports, noting that it was important that the 28-day timescale was routinely met to avoid delays to completing audits. It was suggested that the Committee should be advised where any departments were regularly missing these deadlines.

In relation to planned audit work concerning the Multi Academy Trust Members were informed that there was now progress towards agreeing the Audit Plan. Members observed the importance of this work taking place and the Committee's responsibilities in this area, asking the Head of Internal Audit to ensure that the audit work should start by January 2019.

RESOLVED: That the report be noted.

## 9. DEEP DIVE RISK REVIEWS

### a) Air Quality

Members received a report of the Director of Markets and Consumer Protection in respect of air quality. During discussion and questions on this item, the following points were noted:

- A proposal for a new Clean Air Bill was being submitted to the Port Health and Environmental Services Committee on 8 November 2018.
- Members stressed the importance of the City Corporation being recognised for the work it was doing on air quality, both in terms of meeting and going beyond its statutory obligations under the Environment Act 1995. Members also noted the resource requirements needed to ensure the City Corporation remained at the forefront on this issue, including the current work around upgrading the City's fleet of vehicles to meet improved emission requirements.
- The main source of air pollutants within the City were Nitrogen Dioxide and Fine Particles PM<sub>10</sub> and PM<sub>2.5</sub>. Some 75% of particle pollution emanated from outside the Square Mile, meaning that the significant ongoing collaborative and leadership work with other London Boroughs was crucial in achieving improvements.
- Whilst the current risk rating had a target date of 31 December 2020, it was observed that the implementation of the necessary measures to achieve the intended reductions would inevitably extend the target beyond this date.
- The proportion of Nitrogen Dioxide emissions emanating from cars and vans within the City was a lower proportion of overall emissions than many Members had expected; however, due to such emissions being released and pooling at street-level, focus on reducing such emissions was still particularly important.
- There would be a focus within the proposed Clean Air Bill on reducing emissions from combustion plants, particularly by placing limits on emissions permitted from combined heat and power plants, which were the source of around 65% of air pollution in the City. Officers were also contributing to the development of the draft Local Plan to assist in this area.
- The significant activity which had led to a reduced level of air pollution at Sir John Cass's Foundation Primary School was commended, with the reduction of nitrogen dioxide levels in the air from 71 µg/m<sup>3</sup> down to 31 µg/m<sup>3</sup> representing an enormous success.
- It was suggested that increased engagement with Transport for London to reduce emissions from buses and taxis would be beneficial, given that 60% of emissions from vehicles came from these two sources.
- Officers would be seeking to continue improving the provision of electric charging points for vehicles across the City through the new Transport Strategy.
- Members noted the health implications associated with poor air quality, expressing concern that the City Corporation's responsibility for the health and wellbeing of its residents and workers was insufficiently recognised

within the current Corporate Risk (CR21) around air pollution. It was agreed that this matter should be brought to the attention of the Port Health & Environmental Services Committee, which was meeting later that week, in order that they might consider and request amendments as appropriate.

The Chairman thanked the Markets and Consumer Protection team for their comprehensive report.

RESOLVED: That:-

1. The report be noted.
2. The Port Health and Environmental Services Committee be asked to suggest that a greater emphasis be placed on the element of risk posed by air pollution to the health and wellbeing of local inhabitants.

**b) Health and Safety**

Members received a report of the Director of Human Resources concerning Corporate Risk 09, the City of London Corporation's health and safety management system. During discussion and questions on this item, the following points were made:

- The consideration being given to revisiting or splitting the current CR09 risk in order to focus on one or two more specific health and safety risks, such as fire safety compliance, was endorsed.
- The number of reported accidents had increased over the last three years. This was felt to be a result of the new telephone reporting system, which made reporting incidents significantly more straightforward. It was asked that further information be provided which compared the figures year-on-year and also in the context of figures held by London Councils for the various London Boroughs.
- Although consideration had been given to altering the risk score, it was being held at the current level in light of the Grenfell Tower tragedy and available resources.
- New corporate guidance for defibrillators had been issued to augment the First Aid Policy and a survey of defibrillator locations had been carried out. Members emphasised the importance of clear instructions being available on their use.

RESOLVED: That the report be noted.

**10. GENERAL DATA PROTECTION REGULATION (GDPR) AUDIT**

Members received a report of the Comptroller and City Solicitor regarding the outcome of the internal audit of phase 1 of the Corporation's arrangements for compliance with the General Data Protection Regulations and updating Members on phase 2 activities.

The Comptroller advised that he would be adding the Chairman of Audit & Risk Management to the list of those Chairmen notified whenever the Information Commissioner's Office was informed of a breach.

In response to a question, it was confirmed that retention policies differed across departments, depending on the data in question and the requirements around its use.

RESOLVED: That the report be noted.

11. **ANTI-FRAUD AND CORRUPTION - HALF YEARLY UPDATE**

The Committee received a report of the Chamberlain which provided an update on the activity of the Anti-Fraud Investigation team during 2018/19 to date.

Members were informed of two further social housing tenancy fraud cases that had been successfully progressed since the report had been written, one prosecution case and one civil recovery case. The Committee felt that consideration should be given as to how best the outcome of such cases could be publicised, in order to get the message across that action would be taken against anybody found to be committing housing fraud.

RESOLVED: That the report be noted.

12. **LONDON COUNTER-FRAUD HUB - ONBOARDING**

The Committee considered a report of the Chamberlain for on-boarding to the London Counter-Fraud Hub.

RESOLVED: That authority be delegated to the Chamberlain to sign the Deed of Adherence with the London Borough of Ealing for the City of London to onboard to the London Counter Fraud Hub.

13. **FIRE SAFETY REVIEW - UPDATE ON THE RISK ASSESSMENTS AND ACTION PLAN**

The Committee received a report of the Director of Community and Children's Services which provided an update on the progress that had been made in relation to fire safety matters since the last update report submitted to Committee in March 2018. The Committee was informed that:

- the Community and Children's Services Committee had agreed to proceed with a procurement exercise for the installation of Automatic Water Fire Suppression Systems (Sprinklers) in its five social housing high rise tower blocks;
- the Door Replacement Programme was progressing; and
- a fire alarm system had been installed at Great Arthur House whilst the issue of compartmentalisation was dealt with.

It was noted that the Fire Safety Action Plan was limited in duration but would be updated as necessary.

It was noted that the findings of the study carried out by Butler & Young Associates into the fitting of sprinkler systems in the City Corporation's eight tower blocks (including three on the Barbican Estate) was not attached to the report. The Assistant Director was asked to circulate this to Members of the Committee.

RESOLVED: That the report be noted.

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

There were none.

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.**

17&19

**Para no.**

3

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

RESOLVED: That the non-public minutes of the meeting held on 25 September 2018 be approved.

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

There were no questions.

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

Members received a report of the Head of Audit and Risk Management regarding the Internal Audit review of the City of London Police key financial controls.

**The meeting ended at 4.10 pm**

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Chairman

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