

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 15 January 2019**

**Minutes of the meeting of the Audit and Risk Management Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Tuesday, 15 January 2019 at 1.45 pm**

### **Present**

#### **Members:**

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

### **In Attendance**

#### **Officers:**

Chloe Rew	- Town Clerk's Department
Simon Latham	- Town Clerk's Department
Chandni Tanna	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Karen Atkinson	- Chamberlain's Department
Alistair Cook	- Chamberlain's Department
Paul Dudley	- Chamberlain's Department
Pat Stothard	- Head of Internal Audit and Risk Management
Ian Dyson	- Commissioner of the City of London Police
Michael Cogher	- Comptroller and City Solicitor
Leigh Lloyd-Thomas	- External Auditor, BDO

### **1. APOLOGIES**

There were no apologies.

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**

**RESOLVED** – That the public minutes and non-public summary of the meeting held on 6 November 2018 be approved as a correct record.

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

The Committee received the Outstanding Actions of the Committee report.

**RESOLVED** – That the report be received and its contents noted.

5. **COMMITTEE WORK PROGRAMME\***

Members received the Audit & Risk Management Committee's work programme.

**RESOLVED** – That the work programme be received and its contents noted.

6. **BRIDGE HOUSE ESTATES ANNUAL REPORT AND FINANCIAL STATEMENTS 2017/18**

Members considered a report of The Chamberlain regarding Bridge House Estates (BHE) Annual Report and Financial Statements for 2017/18, requesting approval of the report. The report was presented to the Committee behind the planned schedule due to the requirement to reconstitute the endowment fund within these accounts. The external auditors, Moore Stephens LLP, were in attendance.

The report stated the following key points:

- The funds of the charity have been split between the permanent endowment fund (£831.6m) and unrestricted income funds (£564.2m) with total funds (net assets) held being £1,395.8m – an increase of £54.6m or 4.1% on the previous year;
- The net surplus for the year of £54.6m included gains on financial investments of £10.8m and on property investments of £53.6m;
- Subsequent to the year-end, the charity has sold one of the properties held within its investment portfolio (part of the endowment fund) for £97.1m

The Chamberlain advised that the Charity Commission become concerned when charities grow reserves significantly rather than spending funds on their charitable activities. The first priority of BHE is to ensure that the five Thames bridges are properly assessed and maintained. Further consideration is currently taking place as to the extent that reserves held can be released for additional charitable funding.

The Town Clerk advised that a report was sent to Members to update on the governance review of the BHE charity. Elements of this will be discussed with the Privy Council Office and Charity Commission to determine whether the provisions of its governing documents remain fit for purpose and/or whether

they would benefit from additions or amendments to enable trustees to fulfil the charity's objectives more effectively. The Chairman asked whether it was reasonable to target having an agreed outcome in time for the next Court of Common Council to be elected in March 2021. The Town Clerk advised that while this was a sensible objective, the availability of the outcome is dependent on the Privy Council Office and Charity Commission.

A Member expressed concern that the Audit Review Panel was elected by the Livery of London in Common Hall, questioning whether this demonstrates best practice. The Chamberlain advised that this is the practice based on George II legislation and noted that this would require primary legislation to amend.

The Chamberlain noted that a review of the process had been carried out some years ago and had introduced criteria to ensure the suitability of the auditors on the Audit Review Panel to carry out the audit of all Corporation funds. It was thought that the report would give the member assurance regarding the process and would be provided.

The Chairman thanked Moore Stephens LLP for their work over the years and attendance at the meeting.

**RESOLVED** – That the Audit & Risk Management Committee:

1. accept the contents of the Audit Management Report issued by Moore Stephens LLP; and
2. recommend approval of the BHE Annual Report and Financial Statements for the year ended 31 March 2018 to the Finance committee.

#### 7. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP**

The Committee received a report of the Head of Audit and Risk Management which provided an update on the outcome of a recent follow-up exercise focused on red and amber priority recommendations due for implementation by 30 November 2018. The report identified that 52% of high priority recommendations had been fully implemented at the time of follow-up, 17% were partially implemented and 31% had not been implemented or evidence had not been provided to demonstrate implementation.

The Chairman requested the report be brought to the Committee twice per year.

Regarding non-compliance with Freedom of Information (FOI) requests, the Police Commissioner advised that there have been challenges with FOI requests due to staff turnover and vacant posts. There were 297 cases outstanding last year. Invalid cases were closed, with an additional 71 cases to be closed by the end of the month as information was received. Members asked that the Police Commissioner provide an update on arrears in the future.

Members expressed concern with Appendix 2 'High Priority Recommendations Partially Implemented/ Not Implemented', with several items New Target Date listed as TBC. The Chamberlain advised that target dates are set in

consultation with Chief Officers, and at times there is difficulty confirming dates with the Chief Officers.

With regards to the issue of the catering contract, the City Solicitor advised that the catering contract should have been signed months ago but the caterer required clarification on certain liabilities. The City Solicitor noted that he hoped to have contracts signed by the end of the month.

The Deputy Chairman (external) was pleased with the detail of the report, and having three columns was helpful in identifying slippages. However, the Deputy Chairman (external) asked the Head of Audit and Risk Management what the Committee could do to assist in creating realistic recommendations and dates.

The Head of Audit and Risk Management advised that they are working with Chief Officers to confirm dates, but where there are issues, this will be brought to the Committee in the future. There is concern that the difficulty in confirming dates demonstrated a lack of ownership.

**RESOLVED** – That the report be received and its contents noted.

8. **LONDON COUNTER FRAUD HUB UPDATE**

The Committee received a report of the Chamberlain concerning the London Counter Fraud Hub. The Committee had previously granted delegated authority for the Chamberlain to progress the City of London enrolment to the London Counter Fraud Hub, which will be completed by 31 March 2019 via a Deed of Adherence with the London Borough of Ealing.

**RESOLVED** – That the report be received and its contents noted.

9. **RISK MANAGEMENT UPDATE**

The Committee considered a report of the Chamberlain which provided an update on the corporate and top red departmental risks registers following the review by the Chief Officer Risk Management on 20 November 2018 and Summit Group on 17 December 2018. The report highlighted corporate and departmental risks, and identified 12 corporate risks. Brexit (CR26) is a new risk, and the report proposed Change Management (CR27) as a new corporate risk, which refers to the capability and capacity of the City Corporation to address change.

**RESOLVED** – That the Committee,

1. endorse the decision of the Summit Group to approve the inclusion of CR 27 Change Management risk on the corporate risk register. (This will bring to the total of corporate risks to 13); and
2. note the risk report.

10. **DEEP DIVE RISK REVIEW: CR 23 POLICE FUNDING**

The Committee received a report of the Police Authority Treasurer concerning CR23 Police Funding. The report stated that the Police reserve was fully utilised and there was a major risk to City Fund arising from rising Police Force

budget deficits. The Treasurer stated that mitigation plans were reviewed by a working-group of the Police Committee, with a range of mitigations being proposed for recommendation to the Resource Allocation Sub-Committee on 17 January 2019, to ensure a balanced budget could be set for 2019-2020.

The Commissioner said that he planned to deliver £3m of savings this financial year to reduce the deficit, but acknowledged that some deficit will still remain. He was also committed to rolling forward £3m of savings into 2019/20 which, in addition to £1.6m of savings from the Transform Programme, would deliver £4.6m of mitigations towards the 2019/20 deficit.

Members asked why checks had not identified the extent of the financial gap and overspend in the current financial until recently. The Treasurer reported that the double counting of income by the Force had masked the overspend which only became apparent with a breakdown of the gross income. Controls have been set in place to ensure this does not happen again.

Members expressed concern over the payroll issue. The Commissioner reported that the budget was created based on the average pay of each rank and grade. However, given specialist roles carried out by the City of London Police, many positions were filled by experienced professionals from other forces who were on the highest end of the pay band, which increased the payroll expenditure.

Members advised the Commissioner of the City of London Police (CoLP) that spending should be carried out within the approved budget, notwithstanding extenuating circumstances.

**RESOLVED** – That the Committee,

1. note the risk to the City Fund posed by the increased magnitude of Police medium-term deficits;
2. seek assurance about progress with the in-year and medium-term deficit mitigation strategies; and
3. seek assurance about progress on building CoLP financial management capability and on improvements to financial control (the latter of which is a separate item on the agenda for this Committee).

**11. CITY OF LONDON POLICE - INTERNAL AUDIT ACTION PLAN UPDATE**

The Committee considered a report of the City of London Police (CoLP) Commissioner relative to the progress that had been made in relation to recommendations in Internal Audit reports for the Police Commissioner. The report stated that there had been a number of internal audits carried out in the CoLP, and the recommendations from each of these had been consolidated into one action plan. The action plan identifies action owners and regular progress updates will be given by the Finance Director to the Commissioner and Assistant Commissioner.

The Commissioner advised that the CoLP continued to recruit for a permanent Finance Director following the appointment of an interim Finance Director. The Chairman was pleased that the candidates for the Chief Operating Officer and Chief Finance Officer were promising.

Regarding outstanding debt, the Commissioner advised that the recovery of outstanding debts is a high priority for the CoLP finance team, and progress has been made since the audit report. Old and irrecoverable debts will be written off against the bad debt provision and systems are in place to ensure backlogs do not build up for future reference.

Members advised the Commissioner that ownership and the culture of risk must be addressed, and Finance and Operations within the Police must work together.

**RESOLVED** – That the Committee,

1. note the contents of the City of London Police Internal Audit Action Plan; and
2. consider the need for a further update of the action plan at the next Audit and Risk Management Committee.

12. **ANNUAL REVIEW OF TERMS OF REFERENCE\***

The Committee received a report of the Town Clerk concerning the Terms of Reference and Frequency of Meetings of the Audit and Risk Management Committee.

**RESOLVED** – That,

1. the Terms of Reference be approved; and
2. the Committee continues to meet 6 times a year.

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

There were no questions.

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

There was no other business that the Chairman considered urgent.

15. **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.	Para No.
16	3

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

**RESOLVED** – That the non-public minutes of the meeting held on 6 November 2018 be approved as a correct record.

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

There were no questions.

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

There was one item of other business.

**The meeting ended at 3.40 pm**

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Chairman

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