

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 3 November 2020

Minutes of the meeting of the Audit and Risk Management Committee held virtually on Microsoft Teams on Tuesday, 3 November 2020 at 2.00 pm

Present

Members:

Alexander Barr (Chairman)	Deputy Jamie Ingham Clark (Ex-Officio)
Hilary Daniels (Deputy Chairman - External)	Paul Martinelli
Alderman Ian Luder (Deputy Chairman - Member)	Caroline Mawhood (External Member)
Randall Anderson	Jeremy Mayhew (Ex-Officio)
Chris Boden	Deputy Andrien Meyers
Anne Fairweather	John Petrie
Marianne Fredericks (Ex-Officio)	Ruby Sayed
Alderman Prem Goyal	Dan Worsley (External Member)

In Attendance

Officers:

Chloe Rew	- Town Clerk's Department
Peter Lisley	- Town Clerk's Department
Janet Fortune	- Town Clerk's Department
Kerry Nicholls	- Town Clerk's Department
Justin Tyas	- Town Clerk's Department
Richard Woolford	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Paul Dudley	- Chamberlain's Department
James Gibson	- Chamberlain's Department
Neilesh Kakad	- Chamberlain's Department
Chris Keesing	- Chamberlain's Department
Matthew Lock	- Chamberlain's Department
Steven Reynolds	- Chamberlain's Department
Sonia Virdee	- Chamberlain's Department
Ellen Wentworth	- Chamberlain's Department
Michael Cogher	- Comptroller & City Solicitor
Paul Double	- City Remembrancer
Bruce Hunt	- Remembrancer's
Sarah Phillips	- Remembrancer's / Town Clerk's Department
Paul Wright	- Remembrancer's
Paul Wilkinson	- City Surveyor
Jon Avern	- Director of Markets & Consumer Protection

Also in attendance:

Kerry Barnes	- External Auditor, BDO
Fiona Condron	- External Auditor, BDO
James Hay	- External Auditor, BDO
Leigh Lloyd-Thomas	- External Auditor, BDO
Francesca Palmer	- 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 none.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED, that – the public minutes and non-public summary of the meeting held on 1 October 2020 be agreed as a correct record.

4. OUTSTANDING ACTIONS OF THE COMMITTEE

Members received the list of outstanding actions. The following point was noted:

- CR209 had been incorporated into the workplan and a deep dive would be presented to the Committee on 25 May 2021.

5. COMMITTEE WORK PROGRAMME

Members received the Committee Work Programme. The following points were noted:

- The City Surveyor's Physical Property risk would be added to the work programme.
- May 2021: The two deep dives marked as 'tbc' would be confirmed in due course.

6. 2019-20 CITY FUND AND PENSION FUND FINANCIAL STATEMENT

Members considered a report of the Chamberlain relative to the 2019/20 City Fund and Pension Fund Financial Statement. The Chamberlain noted that the accounts were in good financial position at end of last year and that surpluses were planned which would be used towards financing major projects. Furthermore, there was considerable underspend on the budget as a result of business rates retention across London and the London pool, which had come in nearly £11M better than forecast. Deficits from previous years were balanced by surpluses.

With respect to the BDO report, it was noted that bank reconciliation (£126k) needed to be balanced. The audit work was impacted by related party transactions and Members' declarations which had not been disclosed by all Members.

With respect to delegations on further changes, the Chamberlain planned to meet with the Chairman and Deputy Chairman of Finance Committee to discuss the draft statements prior to their presentation to the Finance Committee. The report was accompanied by the BDO audit completion report.

RESOLVED, that – Members agree to:

1. consider the content of BDO's audit progress report;
2. recommend approval of the 2019-20 City Fund and Pension Fund Statement of Accounts to Finance Committee; and,
3. delegate authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material change to the financial statement required before the signing of the audit opinion by BDO, which is expected by the end of November.

7. CITY'S CASH FINANCIAL STATEMENTS 2019/20

Members considered a report of the Chamberlain relative to the City's Cash Financial Statements for 2019/20. BDO presented the audit report and the matter of outstanding related party transactions and Members' declarations was discussed with respect to the audit report, emphasising the importance of complete and accurate disclosures from Members.

RESOLVED, that – Members:

1. note that the external auditor BDO LLP intends to give an unqualified audit opinion;
2. consider the contents of the Audit Management Report issued by BDO LLP; and,
3. recommend approval of the City's Cash Financial Statements for the year ended 31 March 2020 to the Finance Committee.

8. CITY'S CASH TRUST FUNDS AND SUNDRY TRUST FUNDS ANNUAL REPORT AND FINANCIAL STATEMENTS 2019/20

Members considered a report of the Chamberlain Relative to the City's Cash Trust Funds and Sundry Trust Funds Annual Report and Financial Statements 2019/20. BDO noted that audit work on the sundry trusts was ongoing. With respect to the efficiency of the process, the Chamberlain noted that whilst there was room for improvement to make the process more efficient, the Chamberlain was satisfied with the way the accounting and audit work was carried out given the transition to working remotely due to COVID-19.

RESOLVED, that – Members:

1. note that the external auditor BDO LLP intends to give an unqualified audit opinion;
2. consider the contents of the Audit Management Report issued by BDO LLP; and
3. recommend approval of the Annual Reports and Financial Statements for the City's Cash Trust Funds and the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2020 to the Finance Committee.

9. **INTERNAL AUDIT UPDATE - AMENDED INTERNAL AUDIT PLAN 2020/21**
Members received a report of the Head of Audit and Risk Management relative to the Internal Audit Update and amended Internal Audit Plan for 2020/21. The plan had been revised to account for a number of organisational and operational changes, including the organisational response to the pandemic, officer capacity in the internal audit team, and the early retirement scheme.

RESOLVED, that – the report be received and its contents noted.

10. **ANTI-FRAUD & INVESTIGATIONS - 2020/21 UPDATE REPORT**
Members received a report of the Head of Audit and Risk Management relative to Anti-Fraud and Investigations updates for 2020/21. Some of the anti-fraud work had a change in focus during the year, as the team was supporting the administration of COVID-19 business grants through a programme of post-payment assurance activity. With respect to questions on the status of housing tenancy fraud, this information would be circulated to Members following the meeting as the Corporate Anti-Fraud Manager did not have this information to hand.

RESOLVED, that – the report be received and its contents noted.

11. **CORPORATE RISK MANAGEMENT STRATEGY**
Members received a report of the Chamberlain relative to the Corporate Risk Management Strategy. Members expressed concern that some of the Corporation's semi-independent entities struggled to maintain a risk register, which may have broader implications on overall risk management across the Corporation.

RESOLVED, that – the report be received and its contents noted.

*** Members agreed to extend the meeting ***

12. **DEEP DIVE RISK REVIEWS**

12 a) Deep Dive: CR09 Health, Safety and Wellbeing

Members received a report of the Director of Human Resources relative to a Deep Dive of CR09 Health, Safety and Wellbeing (HSW). HSW had been reviewed to incorporate remote working environments, as many employees had been working from home throughout the pandemic. The individual risk assessment process allowed officers to consider their individual circumstances with respect to returning to the workplace and for those officers who continued to work at their usual place of work throughout the pandemic.

Members queried the risk score. The Director noted that the aim was to reduce likelihood, however the impact would remain the same. The Chairman queried this and noted that in general target impact scores should aspire to being less, due to the ameliorating effect of mitigation measures. The target risk score would be amended (and it was confirmed subsequent to the meeting that this had been completed).

Members expressed concern that resources had been diverted from other areas to modify work environments to ensure they are COVID secure, which could potentially create risks elsewhere. The Director advised that resources were reallocated on a priority basis as staff safety is HR's the City Corporations top priority.

Members questioned why the HSW risk was owned by the Director of HR. The Director noted that the risk related to the Health Safety and Wellbeing Management System and that there were corporate mechanisms in place to escalate risks where necessary.

Members asked what was in place to support staff mental health and wellbeing. The Director advised that a number of mechanisms were in place to ensure officers could express concerns, including occupational health, mental health first aiders network and the employee assistance programme. The Director reported that a series of mental health and wellbeing campaigns were being run to engage officers and remind them of support networks.

RESOLVED, that – the report be received and its contents noted.

12 b) Deep Dive: CR10 Adverse Political Developments

Members received a report of the City Remembrancer relative to a Deep Dive of CR10 Adverse Political Developments. The Remembrancer drew attention to the UK Government's response to the pandemic. He noted the likelihood of there being a post pandemic government inquiry and also the government's manifesto commitment to undertake a constitutional review. The prospect of the local government arrangements in London being subject to critical examination as part of that process could not be discounted.

A member queried why the Brexit risk had a low rating. The Remembrancer advised that the timeline for the risk on the City as a financial centre being realised was not an immediate one, assuming it arose. The risk would become apparent over years as a process of leaching took place. This was beyond the period for which a meaningful assessment of risk could be assessed. He had taken two parliamentary terms as a working model.

RESOLVED, that – the report be received and its contents noted.

13. UPDATE ON SMITHFIELD CANOPIES AND SUBSEQUENT REMEDIAL WORK

*** Item 13 was addressed following Item 5 Committee Work Programme. ***

Members received a report of the City Surveyor, for discussion with the City Surveyor and the Director of Markets & Consumer Protection in respect of an update on the Smithfield canopies and subsequent remedial work to address safety concerns around the site.

The Chairman emphasised that the key issue for the Audit and Risk Management Committee was to ensure that risks were identified, and internal controls were in place to manage risks. Markets Committee would focus on the details of the events.

The Director of M&CP and the City Surveyor noted that works were underway to address safety concerns at the site. Some delays to works were related to the bespoke measurements to cover the necessary areas, and further surveys would be carried out for the other markets to ensure they were safe to operate.

The Director of M&CP noted that the risk assessment exercises which were conducted as a result of the incidents demonstrated the need for greater risk ownership, and confirmed that more robust arrangements would be put in place. The Head of Audit and Risk Management would be working with both departments to conduct an internal audit and identify risk ownership amongst the departments, and this matter would be considered by the Committee in March 2021.

RESOLVED – that, the report be received and its contents noted.

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

There were none.

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

The Chairman advised the Committee that he wrote to the Town Clerk regarding not being notified of the incidents at the markets. The Town Clerk responded noting that he wrote to the City Surveyor with respect of this and would remind Chief Officers of their responsibility for reporting.

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.

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

RESOLVED, that – the non-public minutes of the meeting held on 1 October 2020 be agreed as a correct record.

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

There were none.

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

There were two matters of other business.

The meeting ended at 17:07

Chairman

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