

## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 23 March 2021

Minutes of the meeting of the Audit and Risk Management Committee held virtually on Microsoft Teams on Tuesday, 23 March 2021 at 2.00 pm

### Present

#### Members:

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

### In Attendance

#### Officers:

Chloe Rew	- Town Clerk's Department
Antoinette Duhaney	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Karen Atkinson	- Chamberlain's Department
Paul Dudley	- Chamberlain's Department
Matthew Lock	- Chamberlain's Department
Bukola Soyombo	- Chamberlain's Department
Sonia Virdee	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
John Galvin	- City Surveyor's Department
Andrew Carter	- Director of Community and Children's Services
Sharon McLaughlin	- Department of Community and Children's Services
Chris Pelham	- Department of Community and Children's Services
Charles Griffiths	- City of London School
Damian Valle Valenzuela	- City of London School
Kevin Kilburn	- City of London Police

#### Also in attendance

Fiona Condron	- BDO, External Auditors
David Eagles	- BDO, External Auditors
Peter Lewis	- BDO, External Auditors

## **OPENING REMARKS**

The Chairman opened the meeting with the following opening remarks:

The Chairman wished to place on record the Committee's thanks to Caroline Mawhood for her service on the Committee, having served since 2010 in its previous form as a Sub-Committee of the Finance Committee. Caroline had previously served as Assistant Auditor at the National Audit Office, and with that experience auditing major government departments, it was a coup for the Corporation to secure her services on the Committee. The Corporation had been the additional beneficiary of her wise counsel on the Police Performance and Management Sub-Committee and the Nominations Sub-Committee of this Committee. Caroline was awarded an MBE in the 2019 New Years Honours for her services to the economy, and continues to serve in a wide range of external governance positions. Caroline has been highly effective in her role on the Committee holding the Corporation to account in a collegiate and consistent, and never wavering manner. It is that approach that has helped us all to get to the root of many matters and which facilitates ongoing improvement, better risk and audit practices within the Corporation, all for the public good. Both personally and on behalf of the immediate past Chairman, Alderman Ian Luder, and the other Deputy Chairman Hilary Daniels, and the broader Audit & Risk Management Committee, the Chairman expressed since thanks to Caroline for her most valued contributions over the last 11 years, and the Chairman hoped the Committee could say goodbye properly in person at some point later this year when conditions permit.

The Chairman noted that although a formal vote of thanks was recorded previously for Alderman Ian Luder, as this was the Alderman's last meeting with the Committee, the Chairman wished to place on record the Committee's thanks to Deputy Chairman Alderman Ian Luder for his work on the Committee and support to the Chairman.

Deputy Chairman Hilary Daniels seconded both statements.

The Chairman thanked all Committee Members for their contributions, particularly in light of the challenges of the pandemic. On behalf of the Committee, the Chairman thanked all officers for their support this year.

### **1. APOLOGIES**

Apologies were received from Anne Fairweather.

### **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 minutes of the meeting held on 13 January 2021 be agreed as a correct record, subject to one amendment provided in advance of the meeting.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the committee's list of outstanding actions.

5. **COMMITTEE WORK PROGRAMME**

Members received the Committee's work programme.

6. **INTERNAL AUDIT CHARTER**

Members considered a report of the Head of Audit and Risk Management in respect of the Internal Audit Charter annual review. Members were advised that there was a close working relationship between External and Internal Audit, however External Audit should not place reliance on the work of Internal Audit.

RESOLVED, that - the updated City of London Internal Audit Charter be agreed.

7. **AUDIT PLANNING: YEAR ENDED 31 MARCH 2021**

Members received the reports of the External Auditors, BDO, in respect of Audit Planning for the year ended 31 March 2021 for Bridge House Estates; City Fund; City's Cash and Sundry Trusts; and the Pension Fund. The following points were noted:

**a) Bridge House Estates**

BDO emphasised that BHE was an unincorporated charity and assets were used as a starting point for the materiality, given the relative size of the balance sheet in comparison to the income statement.

**b) City Fund**

There was a risk that the audit would not be completed by the end of September deadline set by the Ministry of Housing, Communities and Local Government (MHCLG). The deadline had been extended in 2020 due to the pandemic, however the MHCLG had not granted the same flexibility with deadlines for 2021. BDO was making representations to the MHCLG for an extension. This was an issue with all firms in local government market.

There had been increased communication from the Chamberlain's regarding related party transactions as well as more regular escalation routes when Members had not responded in expected timescales.

**c) City's Cash and Sundry Trusts**

Non-statutory audit as it is a fund, rather than a company or charity, and comprises a number of the City's activities including Open Spaces and Thames and Barking Power Stations.

**d) Pension Fund**

BDO would update the Committee at a later date on any changes to the risk profile.

RESOLVED, that – the audit planning reports be received and their contents noted.

The Chairman wished to place on record the Committee's thanks to Jeremy Mullins in the Chamberlain's Department who was retiring after 42 years of service to auditing in Local Government and over 18 years with the Corporation.

The Deputy Chairman of Finance wished Leigh-Lloyd Thomas all the best in his retirement from BDO and thanked him for his service to the Corporation.

The Chairman of Finance wished the Chamberlain all the best for his retirement and thanked him for his work with the Committee.

RESOLVED, that – the audit planning reports be received and their contents noted.

8. **INTERNAL AUDIT UPDATE (PROVISIONAL 12-MONTH PLAN DELIVERY OUTTURN)**

Members received a report of the Head of Audit & Risk Management in respect of the Internal Audit Update. The following points were noted:

- Follow up on the City of London School for Girls Cyber Security issue had resulted in the issue being closed;
- With respect to operational property, internal audit found that the Corporate Asset Sub-Committee was not provided with all necessary information to fulfil its remit as the main point of oversight;
- With response to concerns about operational property management, Members were advised that internal audit did identify good practice in City Surveyor's and in the operational property division, the issue is that this is not replicated consistently across the organisation.

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

9. **DEEP DIVE: CR17 SAFEGUARDING**

Members received a report of the Director of Community & Children's Services relative to a Deep Dive of the CR17 Safeguarding Risk.

The Director drew Members' attention to the risk register, noting that where the risk could not be reduced any further, the 'target date risk approach' would indicate 'accept'. This was a new approach implemented by the Corporate Risk Manager.

Safeguarding had been impacted by COVID-19 in terms of domestic violence, rough sleeping, student well-being at home and in school, and increased risk to vulnerable populations. The Department of Community & Children's Services focused on actions to mitigate risks, noting that the impact of an event would always be high.

Members drew attention to the responsibility of all Members as corporate parents. An all-Member corporate parenting training session would be offered in due course and all Members would be encouraged to attend.

- RESOLVED, that – the report be received and its contents noted.
10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**  
There were none.
11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**  
There was none.
12. **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.
13. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
RESOLVED, that – the non-public minutes of the meeting held on 13 January 2021 be agreed as a correct record.
14. **DEEP DIVE REVIEW OF CR35 - UNSUSTAINABLE MEDIUM-TERM FINANCES**  
Members considered a report of the Chamberlain relative to a Deep Dive of CR35: Unsustainable Medium-Term Finances. The Deep Dive was considered in public session.

The Chamberlain drew attention to the external threats in terms of government policy, funding and reforms to business rates, and that these factors had been stress tested. The Chairman and Deputy Chairman of the Finance Committee had been consulted on the risk de-escalation as proposed in the recommendations. The rating could be re-escalated back to red in the future, if required.

Members were advised of an error on Appendix 1, page 200. The current risk rating score (as now recommended by officers) should be 12 (not 24).

RESOLVED, that – Members:

1. endorse the officer recommendation to adjust the RAG status from Red to Amber, in line with the target risk score, following the adoption of key mitigations; and,
2. note the proposal to retain the Police funding risk as a separate corporate risk for the next 6 months and then to consider whether to integrate into the wider finance risk, subject to progress on moving to sustainable budget plans.

**\* The Committee agreed to extend the meeting. \***

15. **DISTRIBUTED DENIAL OF SERVICE INCIDENT AT THE CITY OF LONDON SCHOOL**  
Members received a report in respect of the City of London School.

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

There were none.

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

There was none.

**The meeting ended at 4.20 pm**

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Chairman

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