

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 5 March 2013**

### **Minutes of the meeting of the Audit and Risk Management Committee held at the Guildhall EC2 at 1.45pm**

#### **Present**

##### **Members:**

|                                      |   |
|--------------------------------------|---|
| Jeremy Mayhew (Chairman)             | Kenneth Ludlam (External Member)          |
| Alderman Ian Luder (Deputy Chairman) | Caroline Mawhood (External Member)        |
| Alderman Nick Anstee                 | Jeremy Simons                             |
| Nigel Challis                        | Deputy Douglas Barrow (Ex-Officio Member) |
| Hilary Daniels (External Member)     | Ray Catt (Ex-Officio Member)              |
| Revd Dr Martin Dudley                | Roger Chadwick (Ex-Officio Member)        |
| Oliver Lodge                         |   |

##### **In attendance:**

Sir Michael Snyder  
Mark Boleat

##### **Officers:**

|                     |   |
|---------------------|---|
| Susan Attard        | - Deputy Town Clerk                             |
| Peter Lisley        | - Assistant Town Clerk                          |
| Rebecca Kearney     | - Town Clerk's Department                       |
| Neil Davies         | - Town Clerk's Department                       |
| Daniel Hooper       | - Town Clerk's Department                       |
| Julie Mayer         | - Town Clerk's Department                       |
| Peter Bennett       | - City Solicitor                                |
| Chris Bilsland      | - Chamberlain                                   |
| Caroline Al-Beyerty | - Chamberlain's Department                      |
| Suzanne Jones       | - Chamberlain's Department                      |
| Paul Nagle          | - Chamberlain's Department                      |
| Sabir Ali           | - Chamberlain's Department                      |
| Chris Keesing       | Chamberlain's Department                        |
| Michael Cogher      | - Comptroller and City Solicitor                |
| Heather Bygrave     | - External Auditor, Deloitte                    |
| Paul Sizeland       | - Director of Economic Development              |
| Sonia Solicari      | - Department of Culture, Heritage and Libraries |

#### **1. APOLOGIES**

Apologies were received from Robin Eve.

Before commencing the business on the Agenda, the Chairman explained that the running order would be amended slightly, in order to accommodate the visiting Chairmen; Sir Michael Snyder (Projects Sub Committee) and Mark Boleat (Policy and Resources).

2. **MEMBER DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THIS AGENDA**

The Chairman; Jeremy Mayhew, Deputy Chairman; Alderman Luder and Alderman Anstee declared interests, by virtue of their association with possible tenderers, in respect of agenda item 21. Members noted that this item would include an update from the Chamberlain on the tendering process for the new External Auditor for Non-City Fund. The conflicted Members were advised that they need not leave the room, as the update would be on process only, but Alderman Luder chose to do so.

3. **MINUTES OF THE PREVIOUS MEETING**

The public minutes and summary of the Audit and Risk Management Committee held on 5 February 2013 were approved as a correct record, subject to the following drafting error amending Minute 2, lines 2 and 3 as follows: *'... potential conflicts of interest by virtue of their association with possible tenderers'*

4. **STRATEGIC RISK 2 - SUPPORTING THE BUSINESS CITY**

Members noted that Strategic Risk 2 (Supporting the Business City) had been reviewed and updated to take account of the recent initiatives and developments concerning Europe and the controversy surrounding the bonus cap. The Director of Economic Development explained that, although there are external factors beyond the City Corporation's control, the risk is mitigated by a comprehensive, evolving programme of work undertaken by the City Corporation, or facilitated by it through organisations such as TheCityUK.

The Chairman of Policy and Resources (P&R) was in attendance and updated Members on his various activities, which include a regular dialogue with Government departments and EU Member states. The Chairman of P&R also highlighted the timeliness and value of the new Public Relations and Economic Development Sub Committee. Members were reminded that there had been useful discussions on the European approach at the last informal meeting of the Court of Common Council.

There was a general agreement that, given the risk is being managed very actively, the gross risk score (likelihood 5) might be overly pessimistic. Officers agreed to review this before the next update report.

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5. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Hampstead Heath Dams

At the last meeting, the City Surveyor reported on the outcome of the recent tendering exercise; when 3 out of 4 contractors had withdrawn. Members noted that the preferred list had produced premier contractors, who might not have been suited to this type of contract. Since then, the City Surveyor had been working with the Chamberlain on future sourcing and use of the framework. Members were reassured that there had been no undue risk as a result of the previous contract tender failure and recommended that the action be closed.

Post Implementation Review of the Governance Arrangements/Committee Effectiveness Review

Members confirmed the suggestion, from the previous meeting, in that the Quorum should consist of 5 (made up of at least 3 Common Councilmen and at least 1 External Member). The Town Clerk advised that this recommendation would be presented to the Court of Common Council in April 2013 and the action could be then closed.

### Public Sector Internal Audit Standards

Members noted that the standards had been issued, but that CIPFA's Local Government Application note was still awaited. Members would receive an update at the June meeting.

### International Centre for Financial Regulation (ICFS)

The action relative to closer police liaison would be discharged under item 11 on today's agenda. The Chairman suggested that this action be held in abeyance, pending the outcome of the Police report into the ICFS.

### Planning Governance

Please see agenda item 19

### Chief Officer Expenses

Please see agenda item 6

### Wider Issues affecting Exhibitions with valuable displays

Discharged under Agenda item 8

### Tender for the new External Auditor for Non-City Fund

Please see agenda item 21

It was agreed to close down the following actions as they would be discharged on this agenda:

- Internal Audit Planning 2013/14
- Deloitte Annual Audit Plan for City Fund

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## 6. **CHIEF OFFICER EXPENSE CLAIMS**

Members noted that the Comptroller and City Solicitor had drafted a new procedure. This had been shared with all Chief Officers and was implemented with effect from 25 February 2013. The Deputy Town Clerk advised that the only Chief Officer not currently covered by the procedure was the Commissioner of the City of London Police. A meeting had been arranged to finalise the position and Members would be updated accordingly.

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## 7. **RISK MANAGEMENT UPDATE**

This report presented Members with an update on the current strategic risk register and the proposal to strengthen the City's risk management framework. Members noted how some recent incidents, relative to Strategic Risk 9 (Health and Safety), had evidenced how that the risk was being managed. The Risk Manger advised that an in-depth review of SR9 (Health & Safety) had been scheduled for the June Audit and Risk

Management Committee. This report would also cover the responsibilities of contractors and implications arising from the Corporate Manslaughter Act.

Members then focused on the new Strategic Risk (SR16 – Data Protection) and the implication of possible fines, similar to those recently imposed on other local authorities. The Chamberlain advised that the loss of paper records was a far greater risk than the loss of data sticks, and ipads/laptops, which encrypted and password protected. The Chairman suggested, and Members agreed, that this risk should be considered further at the next Strategic Officer Group. Members noted that the June Audit and Risk Management Committee would receive an in-depth review on SR16.

In response to a question about the timing of reviews, the Chairman advised that the Committee would receive an in-depth review on each strategic risk once a year, with the exception of (SR11) – Pond Embankment failure at Hampstead Heath, which would be reviewed every 9 months.

Members commented on the objectives within the Risk Management Improvement Plan to review the language, within risk guidance, to avoid using terms with negative connotations. Officers will take Member comments on board, in the work on the risk management improvement plan, which will come back to the Committee in due course. The Chairman was pleased with the content of the report, which evidenced good improvements in risk ownership and management.

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#### 8. **MANAGING RISKS FOR EXHIBITIONS WITH VALUABLE DISPLAYS**

At the Audit and Risk Management Committee of 12 December 2102, Members received a report on the Bride and Bachelors Exhibition at the Barbican Art Gallery and requested a more general report to review arrangements at the Guildhall Art Gallery, and anywhere else within the City Corporation with valuable exhibits. The Head Curator (Exhibitions) was in attendance to take Members' questions. Members noted that the City Corporation's insurers (Axa) were very happy with the arrangements at both the Gallery and Mansion House.

During discussion and debate, the following comments/observations were made:

1. The risk management of theft at, or attack on, the Clock Museum had been regularised.
2. How are basic risks being managed? I.e. the recent flooding from a blocked lavatory in the library was mentioned.
3. Galleries generally aim to be welcoming and inviting and, therefore, the use of airport style body scanners would be inappropriate.
4. The speed of Police response to an incident at the Guildhall Gallery was the most relevant risk consideration, rather than the actual location of the nearest Police Station.

In concluding, it was noted that the biggest risks are the physical security aspects surrounding the City's larger, older buildings with open access. Whilst noting that the risks were being managed well, the Chairman offered support to Community, Heritage and Libraries in enforcing its risk management arrangements. Given that human error is the main area of vulnerability, the Deputy Town Clerk offered to feed back to the City Surveyor, with a recommendation to review training and re-training of security staff and

consistency in their deployment. The Committee agreed to keep this item on the Outstanding Actions list but, for now, it would not be escalated to a strategic risk.

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#### 9. **INTERNAL AUDIT UPDATE REPORT**

This report provided an update on internal audit activity since the last Audit and Risk Management Committee on 12 December 2012. Members were pleased to note that the position of IS Auditor had been filled and a vacancy for a Trainee/Apprentice Auditor would be recruited to shortly.

Members were asked to note an erroneous sub-heading within the summary of the report; i.e. the first sub-heading said "*DCCS Childcare Provision*", when it should have stated "*DCCS – Individual care budgets*". The Chairman of the Community and Children's Services Committee was in attendance and felt that the section on individual budgets had highlighted the value of Internal Audit's input. Members also thanked the Head of Audit and Risk Management for the helpful format of the Key Performance Indicators.

Members made the following suggestions for inclusion in future reports:

1. In respect of deferred audit reviews, it would be helpful to understand how far they had been deferred. This will be reflected in the next audit update report
2. In respect of client feedback, it would be helpful to have a more detailed discussion on client feedback and understanding as to what is and should be measured. The Business Support Director agreed to include a '*deep dive*' review of customer satisfaction as part of a future Internal Audit update report.
3. In response to questions about work carried forward, Members noted that this represented work started but not finished. The Head of Audit and Risk Management assured Members that the Audit Plan had been re-cast to ensure a more balanced position at the start of the year. Members noted that sickness levels within the team were in line with the rate in Chamberlain's and there were no issues with long-term or recurring sickness.
4. Members suggested that the reference to staff cover for volunteering during the 2012 Olympics might have been better recorded as 'uncontrollable', rather than a general draw on audit team resources.

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#### 10. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT**

This report provided Members with an update on the implementation of audit recommendations since the last update provided to the Audit and Risk Management Committee on 12 December 2012. An External Member commented on the high number of open 'Ambers' on the report. The Head of Audit and Risk Management explained that this represented only Amber recommendations that were open and, therefore, did not include Amber recommendations that had been implemented according to the originally agreed timescales. The Head of Audit and Risk Management agreed that analysis should be undertaken to identify the percentage of Amber recommendations not hitting their original target dates. The outcome from this analysis will be reported in future. The Chairman emphasised that officers should not slip agreed deadlines and offered extra support from the Committee, when appropriate.

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11. **ANTI-FRAUD AND INVESTIGATIONS UPDATE REPORT**

This report provided Members with details of all relevant fraud matters affecting the Corporation of London. Members thanked officers for the greater engagement with the Police, as reflected in the report and were assured of publicity on suitable cases.

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12. **ANNUAL GOVERNANCE STATEMENT - METHODOLOGY**

This report proposed that the production of the Annual Governance Statement (AGS) for 2012/13 should follow the process established in recent years. The report also gave Members an opportunity to consider whether any changes might be required to the issues covered by the AGS. Members noted that they would receive the draft AGS in June, in both track changed and non-track changed formats, accompanied by a schedule of supporting evidence.

In response to a question about compliance generally with Committees' terms of reference, the Chairman suggested that the Audit and Risk Management Effectiveness Review, presented to the last meeting, could be rolled out to other Committees. Members agreed with this approach, given that some of the issues which have come before the Audit and Risk Management Committee, might have resulted from not delivering on terms of reference.

**RESOLVED, that:**

1. **The proposals for the production and presentation of the Annual Governance Statement for 2012/13, as set out in the report, be approved.**
2. **Committees be encouraged to self-assess, if appropriate, using a template similar to that used for Audit and Risk Management Committee's Effectiveness Review.**

13. **DELOITTE'S ANNUAL GRANT CERTIFICATIONS LETTER**

The External Auditor presented this report and Members noted that, for grant claims, the materiality level is effectively set at £1, which means that adjustments have to be made for even the smallest of errors. The Chamberlain advised that this was a very good report, when compared to other local authorities and noted the progress that had been made from a number of years ago.

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14. **STRATEGIC RISK 6 - PROJECT RISK**

Members noted that there had been two key changes to Strategic Risk 6 since the Audit and Risk Management Committee had last considered it:

1. Reference to events had been removed, as this was covered by the Remembrancers' departmental risk register, and
2. The risk owner had changed from 'Relevant Chief Officer' to the Town Clerk. The Assistant Town Clerk and the Corporate Programme Manager were in attendance and advised that this change reflected the Town Clerk's responsibility for implementing processes, procedures and guidance relating to project management. However, Members noted that the relevant Chief Officer is responsible for the operation and risk management of individual projects.

The Chairman of the Projects Sub Committee felt that there had been some progress and a significant culture change in sharing risks with Members. However, compliance was patchy in some areas. The Assistant Town Clerk and Corporate Programme Manager concurred with this view and asked the Audit and Risk Management Committee to lend its support to the following:

1. Releasing remaining funds quickly after the completion of a project, with the timely production of outcome reports. Members noted that the outcome reports also allow sharing of valuable learning and experience.
2. Provision of regular information about project risks to the corporate centre (via '*Project Vision*'), so we know which projects expose the City to most risk and should be subject to periodic review.
3. Encouraging Chief Officers to ensure that project teams are adequately resourced to devote sufficient time to appropriate project controls, including risk management.

The Chairman agreed with the above requests and highlighted the way in which the Projects Sub Committee had raised awareness of these issues and had empowered Chief Officers. Members also noted that, when appropriate, they would receive a report on the savings achieved by the implementation of the Project Procedure.

In response to a question about risk management workshops and training, the Programme Manager advised that, whilst not mandatory, attendance was encouraged. Members noted that the Corporate Programme Office would seek to make this a corporate requirement for project managers; given that it is a skill fundamental to the organisation.

In concluding, the Chairman and Members thanked the Chairman of the Projects Sub Committee and the officers for a thoughtful report and confirmed the Committee's continued support.

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**15. COMMITTEE WORK PROGRAMME**

Further to the discussion earlier on the Agenda, an in-depth review of Strategic Risk 6 (Data Protection) would be considered at the June meeting.

There was a general agreement that the agenda packs for the Committee were rather lengthy. The Chairman suggested that cover reports be self-contained and asked the Chamberlain, Internal Audit and Town Clerk to consider more efficient ways of presenting information to Members.

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

There were no questions.

**17. ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT**

There were no public items of urgent business

18. **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 paragraphs 1, 2 and 3 of Part I of Schedule 12 A of the Local Government Act.**

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

The non-public minutes of the Audit and Risk Management Committee of 5 February 2013 were approved

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

There were no questions

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

There were two items of urgent business which were considered whilst the public were excluded

An Update on the Tender for new External Auditor for Non-City Fund

The Chamberlain updated Members on progress so far and the process following the Tender Evaluations on 14 March, when a supplier would be recommended. After the 14 March, the Chamberlain would draft a report to the Court of Common Council in April, setting out the recommendation of the Independent Audit Appointment Panel. The report would be shared with all Members of the Audit and Risk Management Committee and those Members, who are not conflicted, would be invited to comment and make observations. In the event of comments being significant, a re-tender would be necessary. Finally, Members noted and agreed that, as non-members of the Corporation cannot speak in Court, Rev Dr Dudley would present the report of the Independent Audit Appointment Panel to the April Court.

Drivers Jonas fees

Members were advised that the above company had been engaged by the City Corporation on a potential litigation case, prior to their acquisition by Deloitte in 2009. Subsequently, this matter had been settled out of Court. The associated fees come under the approval arrangements given with regard to Drivers Jonas fees for work started before its merger with Deloitte. The Chamberlain advised that the fee would be disclosed and an appropriate explanation would be given, showing the distinction between the roles of both companies.