

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 25 June 2013**

**Minutes of the meeting of the Audit and Risk Management Committee held at Committee Room - 2nd Floor West Wing, Guildhall on Tuesday, 25 June 2013 at 1.45pm**

### **Present**

#### **Members:**

Alderman Nick Anstee  
Ray Catt (Ex-Officio Member)  
Roger Chadwick (Ex-Officio Member)  
Nigel Challis  
Hilary Daniels (External Member)  
Revd Dr Martin Dudley  
Deputy Robin Eve  
Jamie Ingham Clark  
Oliver Lodge  
Alderman Ian Luder (In the Chair)  
Kenneth Ludlam (External Member)  
Jeremy Mayhew  
Jeremy Simons

### **In Attendance**

Deputy Doug Barrow – Deputy Chairman of Policy and Resources Committee (*for item 10 - Strategic Risk 16 - Data Protection*)

Deputy John Barker – Chairman of Establishment Committee (for item 9 - Strategic Risk 9 - Health and Safety Risk)

#### **Officers:**

Susan Attard	- Deputy Town Clerk
Ade Adetosoye	- Director of Community and Children's Services
Peter Bennett	- City Surveyor
Sue Ireland	- Director of Open Spaces
Chris Pelham	- Community and Children's Services
Michael Cogher	- Comptroller and City Solicitor
Julie Mayer	- Town Clerk's
Neil Davies	- Town Clerk's
Caroline Al-Beyerty	- Chamberlain's
Suzanne Jones	- Chamberlain's
Paul Nagle	- Chamberlain's
Sabir Ali	- Chamberlain's
Chris Keesing	- Chamberlain's
Jenny Field	- Chamberlain's
Heather Bygrave	- Deloitte
Supt. Tony Cairey	- City of London Police

1. **APOLOGIES**

Apologies were received from Caroline Mawhood and Hugh Morris.

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

There were no declarations.

3. **ORDER OF THE COURT OF COMMON COUNCIL - 25 APRIL 2013**

Members noted the following updates to the Committee's White Paper.

1. Since the Court of Common Council on 25 April 2013, Alderman Simon Walsh had resigned from the Audit and Risk Management Committee and Jamie Ingham-Clark had been appointed.
2. It was explicit that External Members do not have voting rights.
3. The quorum consists of 5 members (at least 3 elected by the Court and at least one external representative).
4. The appointment of an Independent Audit Panel (to make recommendations on the appointment of external auditors) had been added.
5. Risk Management included a reference to anti-fraud and anti-corruption arrangements.

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4. **ELECTION OF CHAIRMAN - IN ACCORDANCE WITH STANDING ORDER 29**

Being the only Member willing to serve, Jeremy Mayhew was elected as Chairman of the Audit and Risk Management Committee for 2013/14. On taking the Chair, Mr Mayhew thanked Members for their continued support.

5. **ELECTION OF DEPUTY CHAIRMAN - STANDING ORDER 30**

As both Mr Challis and Alderman Anstee had expressed a wish to serve as Deputy Chairman, a ballot was held and Alderman Anstee was elected as Deputy Chairman (by 5 votes to 4). Alderman Anstee was very pleased to take this position and commended the work of the Audit and Risk Management Committee.

6. **MINUTES**

The public minutes and non-public summary of the Audit and Risk Management Committee held on 5 March 2013 were approved as a correct record.

7. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Chairman took Members through items on the Outstanding Actions list. Most items would be discharged on this agenda; with the following exceptions:

**Wider issues affecting exhibitions with valuable displays**

The Deputy Town Clerk had arranged to meet with the Managing Director of the Barbican Centre to ensure training levels are adequate.

**International Centre for Financial Regulation**

No further update yet available.

### **Committee Effectiveness Review**

One new Member had received an induction in Internal Audit and a further was in hand. Once both Members had been inducted in External Audit, this item could be removed

### **Length of Committee Reports and Agendas for the Audit and Risk Management Committee**

The Deputy Town Clerk would continue to work with report authors.

## **8. STRATEGIC RISK 11 - POND EMBANKMENT FAILURE**

Members received a joint report of the City Surveyor and the Director of Open Spaces which summarised the current position and outlined revisions to the project timetable.

The City Surveyor advised that the different needs of the local community were being met both at the top and bottom of the Heath. The public consultation would take place in the autumn; Members noted this had been extended to allow more time to work with the ponds project. The Director of Open Spaces advised that the London Borough of Camden would be writing to all residents (on 26 June 2013) advising them on safety measures in the event of an incident.

In response to questions, the City Surveyor advised that, based on the latest statistical calculation, the likelihood rating would remain the same. Members noted that, once the works were complete, the new spill ways and pipes would be able to cope with most eventualities and the dam would not break up or collapse due to 'overtopping'. The City Surveyor reminded Members that the risk is currently present, but only in very extreme circumstances. However, until the works are complete, very little could be done to mitigate the risk. In response to a question from the Chairman, the City Surveyor confirmed that the Panel Engineer was satisfied.

### **RESOLVED, that:**

- 1. The adopted revised programme be noted.**
- 2. The likely need for additional professional fees (to cover the extended consultation period) be noted and would need to be approved by the Service Committee, Resource Allocation and the Projects sub Committees.**

## **9. STRATEGIC RISK 9 - HEALTH AND SAFETY RISK**

Members noted that safety management processes had been reviewed and a revised policy developed and approved. The systems were the subject of a detailed report, which had been presented to the Audit and Risk Management Committee in September 2012.

The Director of HR presented the report and advised members that the Town Clerk now chairs the Officer Health and Safety Committee and the 'Top X' report is presented regularly to the Chief Officers' Group and the Establishment Committee. Members were further reassured that a recent incident had not resulted in prosecution of the City Corporation because robust procedures were in place. The Director advised that far more attention was being given to 'near misses'; with more being reported in the past 2 months than in the past 5 years. Members noted that the valuable data from analysing these incidents would be audited. The Director advised that officers' responsibilities for health and safety were written into their job descriptions and every Chief Officer was required to sign an annual Health and Safety Certificate.

In response to a question about contractors' liabilities, Members noted that information on health and safety procedures was required at the PQQ stage in the tender process.

The Chairman was satisfied with the progress made and, whilst recognising that process was important, asked if future reports could ensure a balance between processes, risks and outcomes.

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**10. STRATEGIC RISK 16 - DATA PROTECTION**

Members noted that any breach of the Data Protection Act of 1998 could expose the City Corporation to reputational, operational and financial consequences. Data Protection was a new Strategic Risk, being presented to the Audit and Risk Management Committee for the first time.

Members noted that, when the report was discussed at Summit Group, the Town Clerk asked for very serious cases to be reported to the Summit Group and that Summit Group should also receive an annual report on Data Protection. The Chamberlain had also agreed to review email protocols, following a discussion on the danger of just 'cc'-ing as opposed to 'bcc-ing'. Members noted that a session on Data Protection had been offered to all Members in July. The Chairman stressed the importance of training for all Members and officers and asked for a further update, via the 'Outstanding Actions' list, to the September or October Meeting.

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**11. FOSTERING INSPECTION**

This report advised on the outcome of the recent Ofsted Inspection of the City of London Fostering Services, held on 21-27 March 2013. Members were pleased to note that the overall effectiveness rating was 'good', with 'outstanding' for outcomes for Children. There had been 3 areas for further development, but these had been implemented or were being processed. The Chairman of the Community and Children's Services Committee was present and confirmed that he was very happy with the result. Finally, the Chairman congratulated the new Director of Community and Children's Services, Mr Ade Adetosoye, for being awarded an OBE for his work with children's services.

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**12. SUMMARY OF INSPECTIONS BY HM INSPECTOR OF CONSTABULARIES**

Members of the Audit and Risk Management Committee had requested an annual update on HMIC Inspections of the City of London Police. This report had also been considered by the Police Performance and Resource Management Sub Committee on 30 May 2013, which includes one of the Audit and Risk Management Committee's External Members (Mr Kenneth Ludlam). The sub committee had asked for an update report in September, to ensure all outstanding actions, due in May and June, had been completed. Mr Ludlam commended a useful report, which was also referred to in the Annual Governance Statement as an example of committees working jointly. In response to a question from the Chairman, Mr Ludlam agreed that the update report, due in September, should only be presented to the Audit and Risk Management Committee if there were issues of specific concern.

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**13. RISK MANAGEMENT UPDATE REPORT, INCLUDING THE STRATEGIC RISK REGISTER**

This report presented the Committee with an update on the Strategic Risk Register and the Independent Review of the City of London's risk management arrangements, which would commence during the Summer 2013. The Chairman said that various officer groups make recommendations to the Audit and Risk Management Committee, which then makes the decision. This was confirmed by the Town Clerk.

**RESOLVED, that:**

- 1. The changes to the strategic risks (in paragraph 3 and appendix 1 to the report) be noted.**
- 2. SR15: Barbican Art Gallery be closed, subject to confirmation about the Centre's training arrangements i.e.; security referred to in item 7 (Outstanding Actions list).**
- 3. The proposed scope of the work for the independent review be noted.**
- 4. The changes within the cyclical review of the strategic risks be noted (as set out in paragraph 10 of the report)**

**14. PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

Members noted that the new Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013. The Standards are mandatory and will underpin the Internal Audit arrangements within the City of London Corporation. The Chairman particularly welcomed the underlying principle safeguarding the independence of the Chief Audit Executive, by ensuring that his/her remuneration or performance assessment is not unduly influenced by those subject to audit. However, Members generally agreed that the new standards had not sufficiently reinforced the role of an independent Audit Committee.

**RESOLVED, that:**

- 1. The introduction of the new Public Sector Internal Audit Standards be noted.**
- 2. Internal Audit functionality in reporting to a 'board' be noted, including those areas that are not typically seen as the responsibility of an Audit Committee in a Local Authority.**
- 3. To note the proposed arrangements for the Town Clerk and Chief Executive and Chairman of the Audit and Risk Management Committee to contribute feedback to the performance appraisal of the Head of Audit and Risk Management. (The Audit and Risk Management Committee would be consulted, through the Chairman of the Committee, on the appointment and removal of the Head of Audit and Risk Management).**
- 4. The work to be undertaken in the coming year to comply with the new standards be noted.**

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

This report provided an update on the implementation of audit recommendations since the last update to the Audit and Risk Management Committee on 5 March 2013.

Members were concerned that, whilst 39% of recommendations were implemented by the originally agreed date, 61% of amber priority recommendations were implemented after the originally agreed date; with 35% implemented more than 6 months after. The Head of Internal Audit and Risk Management advised Members that nearly all slippages had been agreed with Internal Audit, but offered a further analysis in future; this would include reasons, whether they were unilateral or specific to certain departments and the number of times that a slippage had been agreed. Members noted that the new audit automation software tracks recommendations more efficiently and there is an area in development which will generate automatic reminders to responsible officers.

Whilst accepting the above measures, the Chairman and Members agreed that, whilst timescales for implementation should be realistic, deadlines should only slip in extreme circumstances. In concluding, the Chairman felt that the current level of performance was unsatisfactory and offered continuing support to Internal Audit in enforcing a satisfactory standard. Members noted that the Chairman would email officers or call them to account at the Audit and Risk Management Committee, in the event of non-compliance; e.g. an outstanding action of longer than 6 months. In response to a further request from Members, the Deputy Town Clerk advised that the timely implementation of Internal Audit recommendations would be considered in Chief Officer Appraisals.

The Director of Community and Children's Services and the Chairman of the Service Committee asked Members to be mindful of some areas which might be beyond Chief Officers' control; i.e. dependence on external partners in commissioning contracts. The Chairman asked if the next report could include a provision for new risks created by outsourcing and commissioning.

### **RESOLVED, that:**

- 1. The report be noted.**
- 2. The requirements for a clear improvement in ensuring originally agreed timescales for the implementation of recommendations be noted.**

## 16. **INTERNAL AUDIT UPDATE REPORT**

This report provided an update on internal audit activity since the last meeting of the Committee on 5 March 2013. Members were concerned that one audit review in Community and Children's Services (the Community Care Review) had resulted in a 'Red' limited assurance opinion. The new Director of Community and Children's Services was in attendance and the Head of Internal Audit and Risk Management was pleased to advise that substantial progress had been made in implementing the recommendations and there would be a full review in 2 months. The Chairman asked to be advised of any recommendations not implemented by the agreed dates.

Members noted that, whilst there is no longer a home care service, officers would take forward the learning on client accounts. The Head of Internal Audit and Risk Management advised that the Court of Protection Audit, requested by DCCS management, would be covered in the next audit update report; similar control issues had been identified by internal audit in this further review.

The Business Services Director further assured members that the newly implemented CLPS would prevent a recurrence of the 'rogue' purchase referred to on p180 of the report. The Head of Internal Audit and Risk Management confirmed his high level of confidence that the new arrangements will mitigate the risk of this re-occurring.

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**17. HEAD OF INTERNAL AUDIT ANNUAL REPORT**

The Head of Internal Audit had prepared an annual report and opinion for the financial year 2012/13 and his opinion stated that '*sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes*'. ..... *Notwithstanding my overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures, which management has accepted and are documented in each audit report*'

Members noted that the Community and Children's Services had invited Internal Audit to their Departmental Management Team Meetings and encouraged the roll out of this model to other departments, when necessary.

**RESOLVED, that:**

- 1. The Head of Internal Audit's Report and Opinion for 2012/13 be noted.**
- 2. The conclusions of the review of internal audit effectiveness, assessed against the CIPFA Internal Audit Code of Practice and Statement on the Role of the Head of Internal Audit in Public Sector organisations, be noted.**

**18. ANTI FRAUD AND CORRUPTION UPDATE REPORT**

This report provided Members with a summary of the pro-active anti-fraud activity for the 2012/13 reporting year. The Business Services Director advised that there was a new temporary member of staff in the team and, as this was working very well, this arrangement had been extended for six months. Members noted that 3 further cases were progressing to prosecution.

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**19. LOCAL AUDIT AND ACCOUNTABILITY BILL**

This report informed Members of the provisions of the Local Audit and Accountability Bill currently before Parliament. The Bill will abolish the Audit Commission and requires local authorities to appoint their auditors. Members suggested that, given the City of London had been a pioneer in appointing an Independent Audit Panel, they might act as a pilot for the new arrangements in the Audit Commission's re-tendering exercise. The Financial Services Director is part of the Communities and Local Government Working Group and has been advising it on best practice; this was taken into account when re-drafting the Bill. The Remembrancer's representative advised that Baroness Hallam was taking the bill through Parliament, which currently had 1 week left in the First House, so there was limited opportunity in parliamentary proceedings to suggest new arrangements. Officers agreed to explore the suggestion.

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20. **ANNUAL GOVERNANCE STATEMENT (AGS)**

This report presented the annual update of the City Corporation's Governance and Internal Control Framework in the formats agreed by the Audit and Risk Management Committee in March 2013. Members welcomed the clear layout in two versions – one with the main changes highlighted and the other showing full track changes compared with the 2011/12 statement. Mr Ludlam asked if there could be a stronger link with Police governance and this, along with any further amendments or adjustments would be delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee.

**RESOLVED, that:**

1. **The AGS set out in Appendixes 1 and 2, for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive, be approved.**
2. **The AGS be published alongside the 2012/13 City Fund and Pension Funds Statement of Accounts.**
3. **The future developments in paragraph 63 of the AGS to improve the governance framework be noted.**
4. **Authority be delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, to amend the AGS for any significant events or developments relating to the governance arrangements that occur, prior to the date on which the Statement of Accounts is signed by the Chamberlain.**

21. **AUDIT OF CITY FUND**

This report updated Members on the Audit Commission's intention to re-tender the Corporation's City Fund and Pension Fund Audit from 2015/16. Members were mindful of the risk of a different audit supplier being appointed to the City Fund for the final two years of the Audit framework. This process might result in a lack of continuity of audit supplier, given the City's intention to re-tender the audit of all funds for 2017/18.

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22. **COMMITTEE WORK PROGRAMME**

Members noted that the Audited 2012/13 City's Cash and City's Cash Trust Funds Financial Statements, together with Deloitte's report, would be presented to the Committee in October 2013, due to the change to GAAP accounting but, thereafter, would be presented in July annually.

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

There were no questions

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

There were no items of urgent business



25. **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 1 of Schedule 12 A of the Local Government Act.**

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

The non-public minutes of the meeting held on 5 March 2013 were approved

*At 3.30 pm members agreed to suspend standing orders to conclude the business on the agenda.*

27. **NON AUDIT FEES**

Members received a report of the Chamberlain.

28. **UPDATE ON FRAUD INVESTIGATIONS**

Members received a report of the Chamberlain

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

There were no questions

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

Members received a update from the Standards Committee

31. **CASH HANDLING AND BANKING AUDIT - INTERIM REPORT**

Members received a report of the Chamberlain

**The meeting ended at 4.45pm**

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Chairman

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