

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 17 September 2013**

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 17 September 2013 at 1.45pm

### **Present**

#### **Members:**

Jeremy Mayhew (Chairman)  
Alderman Nick Anstee (Deputy Chairman)  
Alderman Ian Luder  
Nigel Challis  
Hilary Daniels (External Member)  
Revd Dr Martin Dudley  
Kenneth Ludlam (External Member)  
Caroline Mawhood (External Member)  
Jeremy Simons  
Hugh Morris (Ex-Officio Member)  
Jamie Ingham Clark

#### **Officers:**

Susan Attard	- Town Clerk's Department
Neil Davies	- Town Clerk's Department
Chris Bilsland	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Suzanne Jones	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Paul Nagle	- Internal Audit
Sabir Ali	- Internal Audit
Chris Keesing	- Internal Audit
Julie Mayer	- Town Clerk's Department
Ian Harrison	- Town Clerk's Department
Sue Ireland	- Director of Open Spaces

#### **1. APOLOGIES**

Apologies were received from Deputy Robin Eve, Oliver Lodge, Ray Catt and Roger Chadwick.

#### **2. DECLARATIONS BY MEMBERS UNDER THE CODE OF CONDUCT**

There were no declarations.

#### **3. MINUTES OF THE PREVIOUS MEETING**

The public minutes and non-public summary of the meeting held on 23 July 2013 were approved.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

All outstanding actions were discharged, with the exception of the following, which would remain on the outstanding actions list:

- Internal Audit Recommendations – to be included in Chief Officer appraisals (on-going)
- Possible future publication of City's Cash – liaison with External Auditors
- Length and volume of ARM agendas – on-going, but improvement noted
- International Centre for Financial Regulation – on-going
- Cash Handling and Banking Audit – on today's agenda, with a further update in December
- Planning Governance – report due in October
- Risk Management Improvement Plan – report due in December
- Induction for new Members – one induction outstanding

5. **STRATEGIC RISK 1: FAILURE TO RESPOND TO A TERRORIST ATTACK AND STRATEGIC RISK 13: FAILURE TO MANAGE EFFECTIVELY THE NEGATIVE IMPACTS ARISING FROM PUBLIC ORDER AND PROTEST**

The Committee received a report of the Town Clerk and, whilst noting that it had been marked '*for information*', it was agreed that this and similar reports sought to endorse officers' judgement on the scoring of the risk. Given that this was an area of policy, rather than a direct police matter, the Chairman of Policy was in attendance. The Chairman (of Policy) advised that he had consulted officers and was satisfied with the City's on-going relationships with neighbouring boroughs, post the Olympics. Members noted that an exercise had been planned for later in the week **interesting** general responsiveness and that the Emergency Plan was compliant with the Civil Contingencies Act. Whilst accepting the officer's recommendation, Members agreed that the risk's 'green' status should be closely monitored.

**RESOLVED – that:**

The decision to score SR1 at Amber (Failure to respond to a Terrorist Attack) and SR13 as Green (Failure to manage effectively the negative impacts arising from public order incidents and protests) be endorsed.

6. **INTERNAL AUDIT SATISFACTION REVIEW**

The Committee received a report of the Chamberlain, following its request for a wider review on the level of customer satisfaction with services provided by Internal Audit. Members commended a helpful report, with a balanced conclusion, and noted that the review had resulted in an action list, which would be reported to the Audit and Risk Management Committee in 6 months' time. Officers also planned to repeat the exercise, with a different set of Chief Officers. The Chairman and Members strongly agreed that participation should not be delegated to less senior officers, given that responsiveness to Internal Audit recommendations will feature in Chief Officers' appraisals. The Business Support Director advised that Audit and Risk Management would be discussed at the Chief Officer Group in November

## 7. INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP REPORT

The Committee received a report of the Chamberlain, which provided an update on the implementation of Audit Recommendations by Management since the last update. In response to a question about slippages in implementing recommendations, the Head of Internal Audit and Risk Management advised that, in the last few months, there had been no unauthorised slippages. Members were reminded that both the Chamberlain and Chairman were part of the escalation process, if necessary. Whilst Members agreed that the challenge to departments was working, they felt that original targets timescales should ~~not~~ be ~~overly optimistic~~ realistic and then should be delivered.

The Director of Open Spaces was in attendance in respect of the outstanding recommendations for Chingford Golf Club. The Director explained that the complexities of the project had been underestimated, but the Head of Internal Audit and Risk Management confirmed that the Department had fully co-operated throughout.

## 8. INTERNAL AUDIT UPDATE REPORT

The Committee received a report of the Chamberlain and welcomed its new, succinct format. In respect of a query about the independence of the role of the Head of Internal Audit, the Chamberlain assured members that, as Chief Financial Officer, he was responsible for the Internal Audit function and any challenge to the Head of Internal Audit's report would have to be transparent. Members suggested that it might be helpful to state this independence at the beginning of Internal Audit reports.

When questioned about the slippages on some aspects of the Audit Plan, the Head of Internal Audit and Risk Management explained that some plans had been deferred or cancelled due to changes in business plans or restructures. Additional resources had been channelled into large-scale investigations (as set out in the confidential part of today's agenda) and the team had been carrying some vacancies - recruitment was currently being undertaken, ~~which were being recruited to~~.

Whilst supporting Internal Audit's input into the Performance and Efficiency Sub Committee, the Chairman felt that this should not compromise the delivery of its core activities. The Chamberlain advised Members that, in the current climate, a modern audit function should be able to offer advice on value for money as well as probity. In concluding, the Chairman offered the Committee's on-going support, should the Head of Internal Audit and Risk Management feel that its core activities were being compromised.

## 9. ANTI-FRAUD AND INVESTIGATION UPDATE REPORT

The Committee received a report of the Chamberlain, which provided members with an update of investigation activity since the last meeting of the Audit and Risk Management Committee. In response to a question about the fraud awareness e-learning course, officers advised that the response rate was currently at 50%, with a closing date of 1 October. The Chairman asked to see a list of completions by department and offered to write to all departments with

low response rates. Members suggested that remote locations be checked for access to the course.

10. **RISK MANAGEMENT UPDATE**

The Committee received a report of the Chamberlain, which had also been considered by the Officer Summit Group. Members noted that chief officers were considering both a 5x5 and 4x4 risk matrix and SR14 was being redrafted, in light of the recently announced Local Government Finance Settlement. The Chamberlain advised that there would be an update on SR14 as part of the December Risk Update report.

11. **COMMITTEE WORK PROGRAMME**

Members noted the Committee's Workplan to the end of 2014

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

There were no questions

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

There were no items of urgent business.

14.

14. **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 involved the likely disclosure of exempt information as defined in Part 1 of the Schedule 12A of the Local Government Act

Items 15 & 16 Paragraph Nos 1, 2 & 3  
Items 17 & 18 -

15. **ANTI-FRAUD AND INVESTIGATION UP-DATE REPORT - PART 2**

~~The Committee received a confidential report of the Chamberlain, which was introduced by the Director of Open Spaces. The Director was happy with the outcome of the disciplinary process and welcomed the timeliness of the fraud awareness course and procurement training. Members noted that HR processes had been reviewed and, whilst steps were being taken to prevent a recurrence, more cases might come to light as a result of centralisation and standardisation of procedures. In this particular case, it had also heightened awareness about management arrangements between staff in close personal relationships.~~

~~The Chairman of Open Spaces was present and thanked the Director for her robustness in dealing with this case and the Audit and Risk Management Committee shared this view. The Chairman of Open Spaces also suggested some improvements to whistleblowing; i.e. a dedicated and discrete email address for whistleblowing complaints, which might encourage junior members of staff to come forward.~~

16. **CASH HANDLING AND BANKING AUDIT - UPDATE REPORT**

The Committee received a confidential report of the Chamberlain. ~~and were advised that this progress update would be limited, as disciplinary action had been paused so as not to compromise Police investigations. However, a member of staff had been suspended. Recommendations in respect of improvements required at the Barbican and Spitafields Market from the initial report had been accepted.~~

~~17. The Head of Audit and Risk Management's opinion is that there are no systematic weaknesses in generic cash controls across the City. The Chamberlain confirmed that, generally, he was satisfied with segregation of duties across the Corporation but some sites were very small and remote, with only a few members of staff. In response to further questions, the Chamberlain advised that Billingsgate was unique in the large volume of cash it handled but this was being reduced dramatically. There had been a 1-month delay in cash reconciliation whilst the new GLPS system was being put in place but this was an exception. The Head of Internal Audit reminded members that this was a very sophisticated fraud, which had been reliant on a detailed knowledge of systems. Members noted that they would receive a further update in December, as part of the formal audit investigation update report, with action plans. The External Auditors would also be kept up to date on developments.~~

~~17.~~

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 were no items of urgent business.

The meeting ended at 3.40 pm

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Chairman

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