

## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 15 October 2013

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Tuesday, 15 October 2013 at 1.45pm

### Present

#### Members:

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

#### In Attendance:

Mark Boleat	Chairman of Policy & Resources Committee (for item 8-10)
Deputy Michael Welbank	Chairman of Planning & Transportation Committee (for item 11)
Philip Coley	Zurich (for item 8)
Victoria Bales	Zurich (for item 8)
Stephen Craig	Deloitte
Adrian Brook	Moore Stephens

#### Officers:

Susan Attard	Town Clerk's Department
Neil Davies	Town Clerk's Department
Julie Mayer	Town Clerk's Department
Michael Cogher	Comptroller and City Solicitor
Caroline Al-Beyerty	Chamberlain's Department
Paul Nagle	Chamberlain's Department
Steve Telling	Chamberlain's Department
Suzanne Jones	Chamberlain's Department
Paul Double	Remembrancer
Nigel Lefton	Remembrancer's Department
Philip Everett	Director of the Built Environment

#### 1. APOLOGIES

Apologies were received from Deputy Robin Eve; Dr Martin Dudley; Oliver Lodge and Ray Catt.

#### 2. DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

The Chairman declared an interest in respect of agenda item 7 (City's Cash Financial Statements 2012/13 – subject to Audit) by virtue of his position as a Senior Adviser to PWC, who had advised the City on some taxation matters.

3. **MINUTES OF THE PREVIOUS MEETING**

The public minutes and summary of the meeting held on 17 September were approved as a correct record.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee noted the following items, which would be discharged on this agenda:

- Planning Governance (agenda item 11)
- Publication of City's Cash (agenda item 7)

At the last meeting, the Chairman asked for further information on the low response rate to the on-line fraud awareness course. Members noted that the current estimated average completion rate was 60%, varied across departments. The Head of Internal Audit and Risk Management advised that there had been some data quality issues, but they were being addressed in order to allow a targeted follow up. Members were also re-assured that data quality of all systems and databases were scrutinised regularly as part of Internal Audit's workplan. This particular issue had been local to the 'corezone' on-line learning system, which relied on self-enrolment.

Members were concerned that the completion rate was unacceptable, given the course was mandatory and the deadline had passed on 1 October 2013. Members also suggested that those departments with the lowest response rates should be accountable to the Audit and Risk Management Committee. The Chairman asked for a breakdown of response rates, by Department, and sight of correspondence, from the Town Clerk, to low performing departments.

5. **STRATEGIC REVIEW 8 - MANAGING THE CITY OF LONDON CORPORATION'S REPUTATION**

The Committee considered a report of the Director of Public Relations, which set out briefly the background to the management of this risk. The Chairman asked members to consider this item alongside Strategic Risk 10 (Adverse Political Developments) which appeared next on the agenda.

The Chairman of Policy and Resources was in attendance and confirmed that the City was in a good place and well equipped to deal with emerging issues. In response to a question about the publication of City's Cash (at agenda item 7), the Chairman said that the City had not published anything that had not been publicly available previously, but acknowledged that the adjustments on the balance sheet were new.

**RESOLVED – that:**

The content of the report be endorsed.

6. **STRATEGIC REVIEW 10 - ADVERSE POLITICAL DEVELOPMENTS**

The Committee considered a report of the Remembrancer and noted how this risk encompassed a wide range of risks, including changes in neighbouring boroughs, London and national government and the general political climate. The Chairman of Policy and Resources was pleased to advise members that, following his attendance at the recent party conferences, it was evident that the work of the City was highly regarded.

**RESOLVED – that:**

The content of the report be endorsed.

7. **CITY'S CASH FINANCIAL STATEMENTS 2012/13 - SUBJECT TO AUDIT**

The Committee considered a report of the Chamberlain which set out the Draft City's Cash Financial Statements for the year ended 31 March 2013. Members noted that they had been prepared, for the first time, on the basis of United Kingdom Generally Accepted Accounting Practice (UKGAAP). Therefore, the format and content varied significantly from the previous method of preparation, namely a modified version of the Charities Statement of Recommended Practice. The Auditors, Deloitte, were in attendance and confirmed that their review was nearing completion and anticipated being able to issue an unqualified opinion on a true and fair set of accounts. The Financial Services Director thanked Deloitte for their constructive approach to the accounts and commended the hard work of the Chamberlain's staff.

The Director, then, reported on the briefing sessions with members, which had been very useful and would add value to the final draft of the statements.

**RESOLVED – that:**

1. The content of Deloitte's management letter be considered and noted.
2. Authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman, to approve the final audited version of the financial statements and recommend them to the Finance Committee.

8. **INDEPENDENT REVIEW OF RISK MANAGEMENT**

The Committee welcomed Philip Coley and Victoria Bales of Zurich, who had conducted the Independent Review. Members noted that, since the introduction of a corporate risk management approach, good progress had been made and a sound basis existed for an effective framework. All the recommendations from the review had been accepted and an action plan was being prepared, assisted by Zurich. In response to questions, Mr Coley advised that improvements should be implemented over the next 6 months and officers accepted this timeframe. Members noted that a management improvement plan would be presented to the Chief Officer's Group on 27th November, before being presented to the Audit and Risk Management Committee on 11th December 2013.

In response to questions, the Business Support Director advised that, whilst all departments have risk registers, they are currently produced and stored as word documents. Officers would be investigating more sophisticated software, which should improve data management and drive behaviours.

**RESOLVED – that:**

The Independent Review of Risk Management be received.

**9. INTERNAL AUDIT PLANNING 2014/15**

The Committee received a report of the Chamberlain, which provided members with an overview and opportunity to comment on the Strategic Internal Audit plan for 2014/15, prior to the development of the more detailed Annual Audit Plan.

Members highlighted the following further issues during the meeting:

- Post-implementation reviews
- The timing of any deferred audits
- Compliance and financial regularity

The Head of Audit and Risk Management asked for further suggestions over the next 2/3 weeks. The Town Clerk would remind members and include those who had submitted apologies for this meeting.

**10. INTERNAL AUDIT CHARTER**

The Committee considered the Draft Audit Charter and members commended a good report, which could provide an effective induction for new members. Members suggested that it would be helpful if the document referred to audit tracking and that the Charter be reviewed every 12 months.

**RESOLVED – that:**

The Draft Audit Charter, as set out in the Appendix to the report, be approved, subject to the above suggestions.

**11. PLANNING GOVERNANCE REVIEW**

At its meeting of 5 March 2013, the Audit and Risk Management Committee agreed to undertake a review of the Director of the Built Environment's new processes and procedures, after their first year of operation. Members also agreed that the review should draw on expertise from a group of officers representing the Chamberlain, Internal Audit, Comptroller & City Solicitor and the Town Clerk and would benefit from an external perspective into the City's existing planning processes. The Deputy Town Clerk presented the report and the Chairman of the Planning Committee, the Comptroller and City Solicitor and the Director of the Built Environment were in attendance to give their perspective and take questions.

The Director of the Built Environment advised members that pre-application meetings had now been formalised and had been working well for the past 18

months. Members noted that, whilst the onus was on developers to consult, advice had been included in supplementary planning guidance. The Director had been in post for 2 and a half years and had a highly skilled team of planning officers, both technically and in serving communities. The team already provided a high quality service, but that did not mean there was no room for improvement

The Chairman of Planning endorsed this view and asked members to be mindful of the opportunities created by the current appetite for consultations, particularly on developments and as a result of social media. He advised members that speakers at the City of London's Planning and Transportation Committee were given more time than many other local authorities in the UK. Members were also asked to note recent correspondence from the Barbican Association. Following a meeting between residents and the Director and his senior planning officers, they had been invited to comment on how they would like developers to consult with them. The Director was happy to follow this up.

The Comptroller and City Solicitor confirmed that the processes were legally sound but, given the adversarial nature of planning applications, there would always be some degree of dissatisfaction.

Alderman Anstee, who had pressed for a review, advised the Committee that, whilst he welcomed its conclusion, its credibility had been undermined by the fact that some of the issues minuted on 5 February had not been addressed. He stated that officers had failed to involve him in the review as he expected. Whilst not making a judgement on current culture and behaviour, and acknowledging that considerable improvements had been made, Alderman Anstee believed that the culture of the planning department had needed to change and he felt that the report should have highlighted why this had been necessary. However, Alderman Anstee had been very reassured by the Director's explanation; the way in which he had set out the changes he had implemented enhanced the content of the report.

In concluding, the Chairman thanked Alderman Anstee for being instrumental in initiating the review. He said that, in his view, members' primary duty was to hold officers to account, acting always in the public interest. Given the outcome of the review, the Audit and Risk Management Committee agreed that the review, from this Committee's perspective, could now be closed; nonetheless, the expectation should be that the Planning and Transportation Committee should always look for continuing opportunities for improvements.

## 12. **COMMITTEE WORK PROGRAMME**

The Committee received its workplan to the end of 2014 and noted the following changes since the last meeting:

- December's meeting would receive Strategic Risk 3 (Financial Stability) and Strategic Risk 14 (Longer Term Financial Viability), as they were relevant to the other items on this agenda.

- January's meeting had two new items – the Internal Audit Customer Satisfaction Review and the CQC Inspection Report on re-ablement services in the Community and Children's Services Directorate

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

There were no questions

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

There were no items of urgent business

**15. 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 schedule 12A of the Local Government Act.

<b>Item</b>	<b>paragraph no</b>
<b>18-19</b>	<b>3</b>
<b>20</b>	<b>-</b>
<b>21</b>	<b>1,2 &amp; 7</b>

At 3.45 pm, members agreed to suspend standing orders in order to conclude the business on the agenda

**18. UPDATE ON CROSSRAIL COMMITMENTS**

The Committee received a report of the Chamberlain.

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

The Chairman agreed to receive an item of urgent business, which provided background information to agenda item 7 (City's Cash Financial Statement 2012/13 – subject to Audit).

**20. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE WHILST THE PUBLIC ARE EXCLUDED**

There were no questions.

**21. CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING**

The confidential minutes of the meeting held on 17 September 2013 were approved as a correct record.

**The meeting ended at 4.00pm**

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Chairman