

## AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 11 December 2013

**Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Wednesday, 11 December 2013 at 1.45pm**

### **Present**

#### **Members:**

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

### **In Attendance**

#### **Officers:**

Susan Attard	- Town Clerk's Department
Neil Davies	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Simon Murrells	- Town Clerk's Department
Chris Bilsland	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Suzanne Jones	- Chamberlain's Department
Paul Nagle	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Sabir Ali	- Chamberlain's Department
Chris Keesing	- Chamberlain's Department
Nick Bennett	- Moore Stephens
Angus Fish	- Deloitte

### **1. APOLOGIES**

Apologies were received from Robin Eve, Roger Chadwick and Caroline Mawhood.

The Chairman announced that, following his recent election as Deputy Chairman of the Finance Committee and with effect from the next meeting on 28 January 2014, he would be standing down as Chairman of the Audit and Risk Management Committee. The Deputy Chairman announced the same intention.

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

Further to a question being raised under agenda item 20, Jamie Ingham Clark, Jeremy Simons and Rev Dr Martin Dudley declared interests as members of the Guildhall Club Committee.

3. **MINUTES OF THE PREVIOUS MEETING**

The Deputy Chairman advised that, since the minutes had been circulated in draft, shortly after the last meeting, he had proposed a couple of amendments. These had been agreed with the Chairman and were reflected in the minutes circulated with the agenda.

The public minutes and summary of the Audit and Risk Management Committee held on 15 October 2013 were approved as a correct record.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members noted that the following items would be discharged on this agenda:

- Publication of City's Cash
- Internal Audit Charter.

The following items would be added/amended:

- Risk Management Improvement Plan – a full report would be presented January.
- Chief Officer Appraisals – once available, the Deputy Town Clerk would add specific dates.
- Anti-fraud awareness course - officers were looking at the paper version of the course to test the level of understanding. The course would also be introduced for new starters, as part of the induction process and repeats would be scheduled at appropriate intervals.
- Anti-Fraud investigations - it would be helpful to show the value of each case and to ensure the outcomes of prosecutions received adequate publicity.
- Cash Handling and Banking Audit – In some cases, actions in response to recommendations would be better split into two parts. A separate action plan making this distinction will be brought back to the Committee and included within the audit recommendation follow-up reporting. Committee to review overall banking arrangements in one year's time.

5. **STRATEGIC RISK 3: FINANCIAL STABILITY, AND STRATEGIC RISK 14: LONGER TERM FINANCIAL UNCERTAINTY**

The Committee received a report of the Chamberlain, which explained the changes to Strategic Risk (SR) 3 – Financial Stability, and SR14 - Longer Term Financial Uncertainty. The Chairman advised that the Chairmen of Finance and Policy and Resources Committee had not able to attend today, but felt that consideration of Strategic Risk reports was more productive when the relevant Chairmen or a nominated Deputy were present.

During the debate and discussion, the following points were raised:

- The Chancellor's autumn statement was as expected, but there was still uncertainty about the longer term, particularly after the 2015 General Election. It was likely that local authorities would receive 5-year settlements and, whilst this meant less uncertainty, it could also mean less funding.
- The City of London Corporation's low tax base was a significant risk.
- The on-going Service Based Review would extend the targets to City's Cash, but members noted that Bridge House Estate funding could only be used for charitable purposes.
- Members agreed that the Committee should continue receiving this report at the appropriate point in future financial years.

**6. DELOITTE'S ANNUAL AUDIT LETTER ON THE CITY FUND AND PENSION FUND FINANCIAL STATEMENT**

The Committee received Deloitte's Management Letter and noted that, when the above accounts were presented in October, there were a few outstanding items. The accounts had since been signed off and the Financial Services Director advised the Committee of two significant amendments:

1. An immaterial uncorrected error on an accrual for a capital project.
2. An update to reflect discussions at the last Committee on Crossrail.

During the discussion and debate, the following matters were discussed/noted:

- Rental income was not as predictable as pre-recession, but was likely to increase steadily.
- There would always be some minor differences of opinion over revenue and capital classifications for maintenance/improvements.
- All recommendations for VAT compliance would be implemented. The City was also looking at partial exemption forecasting.
- Recruitment to an additional post was taking place, to assist with VAT compliance.
- The Director felt that the audit fees represented very good value for money, given Deloitte's constructive and swift work. Deloitte's were present and had nothing further to add.

In concluding, the Chairman asked that, should the Committee receive revised versions of the accounts in the future, they be shown as tracked changes.

**7. ANTI FRAUD AND INVESTIGATION UPDATE REPORT**

The Committee considered a report of the Chamberlain, setting out the investigation activity since the September Committee. It also detailed the pro-active anti-fraud work currently being undertaken.

In respect of the previous low response rates to the on-line fraud course, the Chamberlain was pleased to advise that performance was currently at 90% and 100% in some areas. The previous issues with system compliance had been resolved and a paper version produced for staff without internet access.

In respect of the poor performing areas, members agreed that the Chamberlain should write to the relevant Chairmen and Chief Officers, on behalf of the Chairman of the Audit and Risk Management Committee, giving them 6 weeks to comply. If performance was still poor at this time, the relevant Chief Officers would be instructed to attend the next meeting of the Committee on 28 January 2014. In response to questions, the Director of Business Services explained that officers were looking at the paper version of the course to test the level of understanding. The course would also be introduced for new starters, as part of their general induction process and repeats would be scheduled at appropriate intervals.

In respect of the other items covered in the report, members suggested that it would be helpful to show the value of each case and to ensure the outcomes of prosecutions received adequate publicity. Members noted that there had been a recent rise in the number of cases, following the implementation of pro-active data sharing with a credit reference agency.

**RESOLVED – that:**

1. The progress of the Fraud Awareness training and the actions taken to facilitate delivery of the training, to all staff across the City Corporation, be noted.
2. The pro-active social housing fraud drive, undertaken in partnership with a major credit reference agency, be noted.
3. The outcomes of investigations undertaken since the last update report be noted.

**8. THE CARE QUALITY COMMISSION (CQC) UNANNOUNCED ROUTINE INSPECTION OF THE ADULT SOCIAL CARE REABLEMENT SERVICE**

The Committee received a report of the Director of Community and Children's Services and noted the outcome of the recent Inspection of the Adult Social Care Reablement Service. Members noted that this should have been an announced inspection but, due to an administrative error, the Community and Children's Services Department had not been notified and the Inspection was therefore unannounced. Despite this, the Inspector's report had been very

favourable and members commended the Director and his staff. The Director advised that publicity was being sought via the Public Relations Office.

**9. INDEPENDENT REVIEW OF RISK MANAGEMENT - DEVELOPMENT AND IMPLEMENTATION OF ACTION PLAN**

The Committee received a report of the Chamberlain, which provided an interim position in respect of the external review of Risk Management, reported at the last meeting. The Director advised that the Committee would receive a more structured report in January, with implementation dates and a clearer sense of priority.

**10. INTERNAL AUDIT UPDATE REPORT**

The Committee received a report of the Chamberlain, which provided an update on Internal Audit activity since the September Committee. During the discussion and debate, the following matters were raised/noted:

- The Internal Audit team were nearly at full capacity, given that the vacancy level had been very high at one point. Members noted that selection criteria included strong contract management skills and were also pleased to note the recent improvement in performance of the MITIE contract.
- In order to ensure completion of the audit plan, the 2 current interim posts would be retained, for a 3 month period, once the new full time employees had started. Following this, the position would be reviewed
- Members noted that the Internal Audit Team would be subject to a Peer Review in the first quarter of 2014. The Head of Internal Audit and Risk Management advised that self-assessment was underway and the self-assessment would be shared with the Chairman and Deputy Chairman next month. The outcome from the Peer review would be reported to the Committee in May.

**11. INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT**

The Committee considered a report of the Chamberlain, which provided an update on the implementation of audit recommendations since the last meeting in September 2013.

Members were pleased to note no outstanding red actions and commended the team on this significant progress. The Head of Internal Audit and Risk Management advised that clear expectations were being set at the beginning of audit reviews and, by the time the reports were being finalised, red actions had permanently been completed and many of the amber ones.

**12. AUDIT AND RISK MANAGEMENT COMMITTEE'S TERMS OF REFERENCE**

The Committee considered a report of the Town Clerk, which set out the Committee's Terms of Reference. The Town Clerk had recommended that Members consider amending 4 (b) to state '*Head of Internal Audit*' instead of '*Chief Internal Auditor*'.

Members suggested the following amendments:

- Reference to 'non local authority funds' could be more specific, following the publication of City's Cash accounts.
- The restrictions on the Deputy Chairman of the Audit and Risk Management Committee could be revisited, given that Audit and Risk Management Committee Members can also be Chairmen of other Committees. It was suggested that the knowledge and experience these members might bring to other committees could outweigh any potential conflict of interest.
- The procedure for the appointment of external members (Agenda Item 19) could, perhaps, be referred to in the Terms of Reference?

**RESOLVED – that**, any further changes which arose from now until the January meeting of the Committee be considered in the usual manner, and anything which arose after that be approved by the Town Clerk, in consultation with the Chairman and Deputy Chairman.

**13. COMMITTEE WORK PROGRAMME**

The Committee received the workplan and noted the following additions:

- January – City Fund Management Letter (Deloitte)
- March – External Audit Plans (subsequent to the meeting, the plans from both Deloitte and Moore Stephens were moved to January).

**14. DECISIONS TAKEN UNDER DELEGATED AUTHORITY/URGENCY**

The Committee received a report of the Town Clerk recording a delegated authority to approve the final set of accounts (also referred to in Agenda Item 6). Members noted that, due to the Chairman's family circumstances at the time, he had nominated Alderman Luder to sign the delegated authority on his behalf. Subsequently, the Finance Committee approved the Accounts on 19 November and the Court of Common Council ratified them on 5 December 2013.

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

There were no questions.

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

There were no items of urgent business

**17. 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 12A of the Local Government Act.

<b>Item No (s)</b>	<b>Para No (s)</b>
17-18	3
19	1&2
20	3
21	-
22	1,2 &3

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

The non-public minutes of the meeting held on 15 October 2013 were approved.

**19. APPOINTMENT OF EXTERNAL MEMBERS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

The Committee considered a report of the Town Clerk.

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

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