

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 28 January 2014**

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Tuesday, 28 January 2014 at 1.45pm

### **Present**

#### **Members:**

Alderman Nick Anstee	Hilary Daniels (External Member)
Nigel Challis	Kenneth Ludlam (External Member)
Jamie Ingham Clark	Caroline Mawhood (External Member)
Jeremy Mayhew	Roger Chadwick (Ex-Officio Member)
Oliver Lodge	
Alderman Ian Luder (In the Chair)	
Jeremy Simons	

#### **In Attendance:**

Deputy Michael Welbank (Chairman of the Planning and Transportation Committee)

#### **Officers:**

Chris Bilsland	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Suzanne Jones	- Chamberlain's Department
Paul Nagle	- Chamberlain's Department
Sabir Ali	- Chamberlain's Department
Simon Murrells	- Assistant Town Clerk
Neil Davies	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Michael Cogher	- Comptroller and City Solicitor
Paul Beckett	- Department of the Built Environment
Nick Bennett	- Moore Stephens
Heather Bygrave	- Deloitte
Angus Fish	- Deloitte

It was proposed by Roger Chadwick, seconded by Jeremy Simons and agreed that Alderman Ian Luder take the Chair.

Before commencing the business on the agenda, members stood in silence to remember Robin Eve, who had recently passed away. Mr Eve had served on the Audit and Risk Management Committee since its inception in 2011 and on the Court of Common Council since 1994.

### **1. APOLOGIES**

Apologies were received from Dr Martin Dudley and Hugh Morris.

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

There were no declarations.

3. **TO ELECT A CHAIRMAN IN ACCORDANCE WITH STANDING ORDER 29**

The Committee proceeded to elect a Chairman in accordance with Standing Order No 29. The Town Clerk read the list of members eligible to stand and Alderman Nick Anstee, being the only member willing to serve, was duly elected Chairman for the remainder of the ensuing year and took the Chair.

4. **TO ELECT A DEPUTY CHAIRMAN IN ACCORDANCE WITH STANDING ORDER 30**

The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No 30. Mr Nigel Challis and Mr Ingham expressed a willingness to serve and, following a ballot of 4/3, Mr Challis was duly elected Deputy Chairman for the remainder of the ensuing year.

**LATE CHAIRMAN VOTE OF THANKS:**

**RESOLVED UNANIMOUSLY –**

**THAT**, the members of the Audit and Risk Management Committee wish to record their sincere thanks to

**JEREMY PAUL MAYHEW**

for his excellent work as their Chairman.

As Chairman, he has been deeply committed to ensuring that the City has the highest standards of integrity, transparency and accountability.

During his term of office, as the Committee's first Chairman, he has developed the governance and content of meetings and challenged those areas which required more explanation and action.

He has overseen the appointment of three external members to the Committee; ensuring that the City receives the highest calibre of external scrutiny and, under his chairmanship, the Committee piloted the first independent audit appointment panel; appointing Moore Stephens to the Corporation's non-local authority functions.

He has been supportive of the Head of Audit and Risk Management in promoting the independence of the internal audit function; positioning it at the core of the City's risk, governance and control arrangements. As a result, Internal Audit have been fully supported in increasing the visibility and impact of their work and have improved the timeliness with which senior management responds to audit reports and implements agreed recommendations.

He has also encouraged a wider understanding of the City's strategic risks and championed the improvements in the City's Risk Management arrangements.

Under his Chairmanship, he facilitated the debate on strengthening the accounting standards applied to City's Cash, which resulted in them being prepared under UK Generally Accepted Accountancy Practice (UK GAAP) and the full set of accounts being published.

In thanking him for his enthusiasm, commitment and supportive approach to the City's finance, audit, risk and governance functions, his colleagues hope that his services to the City of London Corporation will long continue and wish him well for the future.

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

**RESOLVED, that:** the minutes and non-public summary of the meeting held on 11 December 2013 be approved as a correct record, subject to an amendment under 'Declarations of Interests'. Members noted that Mr Ingham Clark was not a member of the Guildhall Club Committee.

## 6. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received a report of the Town Clerk and noted those items which would be discharged on today's agenda and updates to some existing ones.

In respect of the emerging Strategic Risks for the Oracle and Agilisys upgrades, the Chamberlain was heard and advised members as follows:

- This project was typically an 'opportunity risk' and would move onto the Strategic Risk Register, if appropriate.
- The Information System Sub Committee had formed a reference group to oversee the governance arrangements supporting the Agilisys contract.
- The Data Centre had moved to a more secure location.
- Oracle's functionality would be fully exploited in order to recoup the capital investment.
- Many organisations were looking at shared services and the City was working with Westminster. Members noted that there was a 'One Oracle' project being led by London Councils.

### **RESOLVED, that:**

1. The following items be discharged from the Outstanding Actions list:

- The Risk Management Improvement Plan
- Emerging Strategic Risks – Agilisys and Oracle upgrades
- Cash Handling and Banking Audit, which had been minuted in the confidential part of this agenda and added to the work plan for a further review in November 2014.
- Internal Audit Satisfaction Review

- Anti-fraud on-line training course, which was subject to an update report on this agenda and would receive a further review in January 2015.
2. The following updates be made to the Outstanding Actions list:
- **International Centre for Financial Regulation**  
Members noted that an individual had been charged and the Committee would receive an update on the outcome of the Court Hearing. In response to questions about due diligence, the Chamberlain confirmed that this was undertaken on all policy and financial contributions, including charitable donations and the City was particularly aware of reputational risk. Members noted that the arresting officer had concluded that none of the foundation partners could have foreseen the fraud.
  - **Peer Review**  
This had been scheduled for the last week of February, to be conducted by the Head of Audit and Risk Management of Croydon Council. The outcome would be reported to the Committee in May 2014.

7. **STRATEGIC RISK REVIEW (SR4) - PLANNING POLICY**

The Committee considered a report of the City Planning Officer, setting out Strategic Risk 4, in respect of Planning Policy. The Chairman welcomed the Chairman of the Planning and Transportation Committee. The Chairman (of the Audit and Risk Management Committee) felt that the risk was being managed well and this was endorsed by the Chairman of the Planning and Transportation Committee, who saw no reason to change the current risk level.

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8. **STRATEGIC RISK REVIEW (SR5) - FLOODING IN THE CITY**

The Committee considered a report of the Director of the Built Environment, setting out Strategic Risk 5, in respect of Planning in the City. During the discussion the following items were raised/noted:

- All planning applications for at risk locations were required to be accompanied by a site-specific flood risk assessment. Existing premises were made aware of the risk, and the measures to improve flood resistance and resilience, by the Corporation's Contingency Planning Group.
- The Draft Local Flood Risk Management Strategy would soon be presented to the Planning and Transportation Committee, before being subject to public consultation. It was likely to be refined and adopted later in 2014.
- Regarding surface water flooding risk in the Fleet Valley and behind the Thames river walls; the Director explained that engineering solutions, such as major new drainage pipes or storage tanks, were either impractical, in such a constrained location, or not cost effective and were

therefore not supported by the Environment Agency. Instead, greater use would be made of sustainable drainage designs, combined with greater emphasis on flood resistance and resilience measures for occupiers at risk. Members felt that engineering solutions should be investigated further and that the effect of the overtopping of the dams at Hampstead Heath should also be considered. The Chairman of the Planning and Transportation Committee acknowledged this request.

**RESOLVED, that:**

1. That engineering solutions, as outlined above, be investigated further by the Planning and Transportation Committee, along with the effect of the overtopping of the dams at Hampstead Heath.
2. That the outcome be reported back to Audit and Risk Management Committee.

**9. RISK MANAGEMENT UPDATE - RISK REGISTER**

The Committee considered a report of the Chamberlain, which provided an update on the Strategic Risk Register and the progress to date on the Risk Management Improvement Plan, which now incorporated the recommendations from the independent review. Members noted that they would soon see evidence of a more sophisticated approach to risk reporting. Officers advised that there had been no significant movement on the Strategic Risk Register since the last meeting of the Committee.

During the discussion, the following matters were raised/noted:

- In respect of SR3 - Financial Stability, a member suggested that this should go to 'green' once the savings had actually been delivered. The Financial Services Director advised that she would report back to the Committee if she had any concerns about this risk.
- City of London Procurement Services was being managed satisfactorily on the Chamberlain's Risk Register.
- The Improvement Plan would be fully implemented by the end of the 2014/15 Financial Year.

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**10. FRAUD AWARENESS TRAINING - UPDATE REPORT**

The Committee considered a report of the Chamberlain, which provided an update on the status of completion of the Fraud Awareness on-line training course. At the Audit and Risk Management Committee on 11th December 2013, members agreed that they expected completion of the Fraud Awareness training, by each Department, to exceed 90% by Friday 17th January 2014. The Chairman insisted that those Chief Officers, who had not achieved at least 90% completion, would

be expected to attend the Audit & Risk Management Committee meeting on 28th January 2014 to explain why.

The Chamberlain advised that he had escalated the areas of non-compliance to the Chief Officers and compliance was now above 90%. The small areas of non-compliance were being closely monitored, to ensure that all those in high risk positions had been targeted. However, members noted that there might always be some legitimate reasons for non-compliance.

**RESOLVED, that:**

The Committee receive an update on Fraud Awareness Training in January 2015, in order to capture the effectiveness of including new members of staff, follow-ups and officers returning to work after maternity/paternity leave.

**11. INTERNAL AUDIT CUSTOMER SATISFACTION REVIEW**

The Committee considered a report of the Chamberlain, which provided an update on the internal audit satisfaction review reported to the September 2013 Audit and Risk Management Committee. Members noted that there had been further Chief Officer engagement meetings during December 2013 and January 2014. Over the last two months, structured customer interviews, led by the Business Support Director had been held with four more Chief Officers and one senior manager. The feedback from Chief Officers and senior managers continued to be positive.

During the discussion the following matters were raised/noted:

- A sufficient number of audits must take place before the Head of Internal Audit could give his annual opinion. Provision of advice and guidance to departments would be managed so that Internal Audit's ability to provide an independent assurance was not compromised. The Head of Internal Audit and Risk Management advised members that his staffing resources were stable for the next 3-4 months.
- Departments must fully utilise their own resources in implementing changes to systems and processes and not be dependent on the Internal Audit Team on any advisory role.
- Participation in the survey had not been delegated to less senior managers.
- The review of the '*green, amber and red*' definitions would involve engagement with Chief Officers, the new Chamberlain and Committee Members.

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**12. CITY OF LONDON CORPORATION - CITY FUND - PLANNING REPORT TO THE AUDIT AND RISK MANAGEMENT COMMITTEE**

The Committee considered the External Auditor's Annual Plan for City Fund. The Financial Services Director had met with both sets of auditors and highlighted the following three risks:

- 1) Transfer of Assets: Project BE.
- 2) Pensions liability on balance sheets was difficult to disaggregate. An estimate would be made, if possible.
- 3) Crossrail (i.e. £200m from City Fund and £50m City's Cash), which was still under negotiation.

The Director also confirmed that she was satisfied with the fees estimate but they were still to be finalised.

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**13. CITY OF LONDON CORPORATION – PENSION SCHEME – PLANNING REPORT TO THE AUDIT AND RISK MANAGEMENT COMMITTEE**

The Committee received the External Auditor's Annual Plan for the Pension Scheme. The External Auditor was invited to comment and advised that disclosures were not monetary adjustments.

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**14. BRIDGE HOUSE ESTATES, CITY'S CASH, CITY'S CASH TRUSTS, THE CORPORATION'S SUNDRY TRUSTS AND OTHER ACCOUNTS**

The Committee considered the External Auditor's Annual Plan for City's Cash. The External Auditor for City's Cash had nothing further to add and both sets of Auditors confirmed that they would be working together, when appropriate.

**RESOLVED, that:**

The Comptroller and City Solicitor's report, on role of CoLC as Trustees of Bridge House Estates, be presented to the next meeting of the Audit and Risk Management Committee for further debate.

**15. DECISIONS TAKEN UNDER DELEGATED AUTHORITY**

The committee considered a report of the Town Clerk setting out the decisions taken under delegated authority since the last meeting, as follows:

**External Members**

The Committee received a report of the Town Clerk and noted an action taken under delegated authority since the last meeting of the Committee. At the meeting on 11 December 2013, members agreed that the terms of the External Members' re-appointments be staggered to 3 and 4 years, with final agreement delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee. Subsequent to the

meeting, the Chairman contacted both members and they agreed that Caroline Mawhood would be appointed for 4 years and Kenneth Ludlam for 3 years.

Further to the formal approval of their re-appointments at the Court of Common Council on 16 January 2013, the Chairman welcomed the Ms Mawhood and Mr Ludlam for their further terms.

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**16. COMMITTEE WORK PROGRAMME**

Members considered a report of the Town Clerk, setting out the Committee's work programme for the following year and noted the additions since the last meeting, which were shown in italics.

In response to questions, members noted that the Committee Effectiveness Review would be based on a repeat of the questionnaire to Members, but the wording would be reviewed in light of the recently updated: (a) practical guidance from CIPFA on Audit Committees; and (b) Audit and Risk Assurance Committee Handbook from HM Treasury. Some questions would remain the same in order to build up a trend analysis.

**RESOLVED, that:**

The Committee Effectiveness Review include the experiences of Chairmen who had attended the Audit and Risk Management Committee, when their Strategic Risks had been presented.

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

There were no questions

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

There were no items of urgent business

**19. 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 the Schedule 12A of the Local Government Act.

**Item 19, 20  
Item 23**

**Paras 1 & 2  
Paras 1 & 2**

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

**RESOLVED, that:** the non-public minutes of the meeting held on 11 December 2013 be approved.



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

There were no questions

**22. 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

**23. CONFIDENTIAL MINUTES OF THE PREVIOUS MINUTES**

**RESOLVED, that:** the confidential minutes of the meeting held on 11 December 2013 be approved.

Matter arising

Members noted that, in respect of the Fraud Investigation, the Police had referred the case to the CPS.

**The meeting ended at 3.40pm**

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Chairman

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