

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 20 July 2015

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Monday, 20 July 2015 at 1.45 pm

Present

Members:

Alderman Nick Anstee (Chairman)
Nigel Challis (Deputy Chairman)
Alderman Charles Bowman
Roger Chadwick (Ex-Officio Member)
Henry Colthurst (Ex-Officio Member)
Hilary Daniels (External Member)
Revd Dr Martin Dudley
Deputy Jamie Ingham Clark
Oliver Lodge
Alderman Timothy Hailes
Kenneth Ludlam (External Member)
Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-Officio Member)

Officers:

Paul Dudley
Julie Mayer
Peter Kane
Heather Bygrave
Chris Harris

Town Clerk's Department
Chamberlain
External Auditor, Deloitte

1. **APOLOGIES**
Apologies were received from Alderman Ian Luder and Graeme Smith.
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
There were no declarations.
3. **MINUTES OF THE PREVIOUS MEETING**
The Minutes of the Meeting held on 2 June 2015 were approved.
4. **OUTSTANDING ACTIONS OF THE COMMITTEE**
The Committee received its outstanding actions list and noted the following updates:

International Centre for Financial Regulation

The Chamberlain advised that there had been a conviction and he would provide Members with further details shortly. This item could be removed from the action list.

Annual Governance Statement

The amendments suggested by Members at the last meeting had been completed and approved (under delegated authority) and the document could now be formally signed off as part of the Statements of Accounts (at items 7 and 8 on this Agenda).

Corporate Risk Register (Governance)

The Chamberlain advised that 3 further risks had been identified by the Chief Officers' Risk Management Group (CORMG) and they would be reported to the Committee in September. Members asked for the report to clarify a number of points raised in relation to the Committee's Terms of Reference. In respect of the Risk Challenge Sessions, Members suggested that once the current round of Chief Officer Risk Challenge Sessions was complete, the format might need to change, in order to keep it dynamic and relevant.

Peer Review

As this had not been progressed across other authorities, officer would need to look at alternative benchmarking and report back to the Committee in due course. Members noted that, as a number of organisations were undertaking mock external reviews, this might be an option.

5. COMMITTEE WORK PROGRAMME

The Committee received its latest work programme; updates since the last meeting were shown in italics.

6. PEER REVIEW

This item was covered under item 4 (Outstanding Actions of the Committee).

7. AUDITED 2014/15 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS TOGETHER WITH DELOITTE'S REPORT THEREON

The Committee considered the 2014/15 City Fund and Pension Fund financial statements, together with Deloitte's report thereon. The Chairman was pleased at the high attendance (the previous week) at the Members' Briefings sessions on the Financial Statements. The Chamberlain advised that, subject to a satisfactory conclusion on a few areas still being reviewed by Deloitte, an unqualified opinion was expected and this position was confirmed by Deloitte. Members were advised that the Crossrail commitment of £200m from City Fund was now being shown as a note on the face of the balance sheet and that the payment was anticipated to be made by the end of March 2016.

Members were asked to note the following three areas still being reviewed:

- 1 Deloitte had challenged the City of London Corporation's treatment of proceeds from long leasehold disposals (e.g. in the case of the sale of 2 Fann Street). The City is currently treating the entire proceeds as capital receipts whereas Deloitte consider that there is an argument for part of the proceeds being treated as deferred income and released to revenue over the length of the lease (e.g. over 125 years). The issue revolves around interpretation as to whether the entire transaction can be treated as a finance lease (capital receipt) or whether the land element should be separated and treated as an operating lease (revenue). The Chamberlain advised that the outcome would inform how we treated future lease disposals.
2. The calculation of the provision for business rate appeals is complex and has required several iterations – the raw data set comprising 44,000 lines and a rateable value of £12.6 billion. Analyses have been prepared to try and determine trends over the past few years across a number of appeal categories, to identify potential duplicate claims on the Valuation Office list, to disregard settled appeals from the Valuation Office list, and to quantify refunds agreed in the old financial year but not paid until the new financial year. The latest estimate of the provision is with Deloitte for review.
3. Due to staff shortages in the Police Finance Team, Deloitte are awaiting information to support the treatment of a number of specific government grants. The backlog of requests is gradually being reduced and officers are confident that Deloitte will be able to conclude satisfactorily on the treatment of grant income.

Members were reminded that the accounts are required to be signed by 30th September 2015 and officers were confident that they would be ready ahead of the deadline. The process of delegation, as set out in the recommendations would be for the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee to recommend approval of any amendments to the Finance Committee. The Chamberlain would present these amendments in a revised income and expenditure account and balance sheet, with columns and notes setting out the movements between the original and revised versions.

Members were advised that, if the Chairman and Deputy Chairman deemed it necessary, the revisions would be shared with the entire Committee for comment, ahead of the financial statements being signed. The recommendation would then be considered by the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee.

RESOLVED – THAT:

1. The Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approve any material changes to the financial statements required before the signing of the audit opinion by Deloitte; which is expected to be by the end of August or early September 2015.
2. Subject to the above, the accounts be recommended for approval to the Finance Committee.

8. **AUDITED 2014/15 BRIDGE HOUSE ESTATES AND SUNDRY TRUSTS FINANCIAL STATEMENTS TOGETHER WITH MOORE STEPHENS REPORT THEREON**

The Committee considered the 2014/15 Bridge House Estates, City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements together with Moore Stephens' report thereon. The Chamberlain advised that an unqualified audit opinion was expected and this position was confirmed by Moore Stephens. Moore Stephens advised that two risks, which had been highlighted in their Audit Plan when it was presented to the Committee in December, had been resolved satisfactorily. The Audit Review Panel had met and all Panel Members had approved the accounts.

Moore Stephens drew attention to the need to prepare in good time for the new Charity Accounting Regulations coming into effect for 2015/16, in particular that work on the 2014/15 comparators should start early.

RESOLVED – THAT, the Annual Reports and Financial Statements for Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds for the year ended 31 March 2015 be recommended for approval to the Finance Committee.

9. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY**

This had been covered under item 4 (Outstanding Actions) – Annual Governance Statement.

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

There were no questions.

11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

The Chairman thanked Deloitte for their services to the City of London Corporation, over a number of years, as this would be the last time they Audited the City Fund and Pension Fund Financial Statements.

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

Items	Para no
12-13	-

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

There were none.

14. **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.

The meeting ended at 3:00 pm

Chairman

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