

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Tuesday, 26 January 2016**

**Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Tuesday, 26 January 2016 at 1.45 pm**

**Present**

**Members:**

Alderman Nick Anstee (Chairman)  
Nigel Challis (Deputy Chairman)  
Sheriff & Alderman Charles Bowman  
Deputy Roger Chadwick (Ex-Officio Member)  
Hilary Daniels (External Member)  
Deputy Jamie Ingham Clark  
Alderman Timothy Hailes  
Alderman Ian Luder  
Kenneth Ludlam (External Member)  
Caroline Mawhood (External Member)  
Jeremy Mayhew (Ex-Officio Member)  
Graeme Smith  
Henry Colthurst (Ex-Officio Member)

**In Attendance:**

Michael Welbank – Chairman of the Planning and Transportation Committee  
Deputy Billy Dove – Chief Commoner

**Officers:**

Peter Kane	- Chamberlain
Neil Davies	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Paul Dudley	- Chamberlain's Department
Caroline Al-Beyerty	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Chris Harris	- Chamberlain's Department
Leigh Lloyd-Thomas	- External Auditor, BDO
Lucy Nutley	- External Auditor, Moore Stephens
Carolyn Dwyer	- Director of the Built Environment
Steve Presland	- Department of the Built Environment

1. **APOLOGIES**

Apologies were received from Martin Dudley and Oliver Lodge.

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

The Head of Internal Audit and Risk Management declared a pecuniary interest in respect of item 17 (Waiver request). This report was before the Committee for information, on the non-public agenda, and had been approved by the Finance Committee on 15<sup>th</sup> January 2016.

3. **MINUTES OF THE PREVIOUS MEETING**

The Minutes of the meeting held on 3<sup>rd</sup> November 2015 were approved.

4. **OUTSTANDING ACTIONS LIST**

Members received the Committee's outstanding actions list and noted the following updates:

**Cyber Security Risks** – The Town Clerk advised that a Members' Development Session on Cyber Security had been planned for 8<sup>th</sup> February at 2pm. Members felt that this was particularly timely, given the significant upscale in cyber security over the past few months.

**Pensions Fund** – this could now be removed from the list. The Chairman was pleased to report on a successful briefing with 20 Members.

**City's Cash Financial Statements** – this item could now be removed.

5. **COMMITTEE WORK PROGRAMME**

The Committee received its work programme, which had been updated to the end of 2016. Members noted that the dates of the risk challenge sessions would be added shortly. The Town Clerk advised of 2 amendments: the results of the Committee Effectiveness Survey and the Annual Governance Statement, which would be reported in June 2016.

6. **TERMS OF REFERENCE AND FREQUENCY OF MEETINGS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

The Committee considered a report of the Town Clerk in respect of the Annual Review of the Committee's Terms of Reference and frequency of meetings, ahead of its submission to the Court of Common Council in April 2016.

Members discussed the following:

- Whether the Terms of Reference should seek to approve annually the rolling 3 Year Internal Audit Plan. The Chamberlain explained that the External Auditors' Plan would need to remain as annual, in accordance with the timeframe for producing the Financial Statements.
- Whether, in addition to reporting to the Court (as necessary), the Committee should also report annually to the Court. The Chairman reminded Members that he was doing so this year, in the form of a briefing to all Court Members, which had been circulated to Members of the Audit and Risk Management Committee for comment and was

currently being finalised. The Head of Internal Audit and Risk Management advised that this was good practice elsewhere.

RESOLVED, that -

The Terms of Reference of the Audit and Risk Management Committee be amended as follows:

1. Item 4 (a) *'To consider and approve annually the rolling three-year plan for Internal Audit'*.
  2. A new item (b) *'To consider and approve the annual External Audit Plan'*; and (e) *'To report back, as necessary and at least annually, to the Court of Common Council'*.
  3. The Committee continues to meet 6 times a year.
7. **BRIDGE HOUSE ESTATES, CITY'S CASH, CITY'S CASH TRUSTS, THE CORPORATIONS SUNDRY TRUSTS & OTHER ACCOUNTS - EXTERNAL AUDIT STRATEGY & PLANNING REPORT ON THE 2015-16 FINANCIAL STATEMENTS**

The Committee considered the report of the External Auditors setting out the planning strategy for Bridge House Estates, City's Cash, City's Cash Trusts, the Corporation's Sundry Trust and other Accounts.

During the discussion the following items were raised/noted:

- Some historical assets were valued at a nominal value, which may be out of sync with insurance valuations but still in accordance with UKGAAP. The Chamberlain explained that it might be misleading to show the market value of assets we would never dispose of.
- The External Auditor was present and did not foresee any difficulties but Members were mindful of the City's extremely large property portfolio.
- The Chamberlain confirmed the Financial Services Team were confident of adequate segregation of duties.
- The Financial Services Director agreed to check whether separate bank accounts had been set up for the Pension Fund.
- The position in respect of the Crossrail disclosure would be determined on 31<sup>st</sup> March 2016; Members noted that this was currently a contingent commitment.

RESOLVED, that – the External Auditors Planning and Strategy report on the 2015-16 City's Cash Financial Statements be approved.

8. **INTERNAL AUDIT UPDATE REPORT**

The Committee considered a report of the Head of Internal Audit and Risk Management which set out the Internal Audit activity since the September 2015 Committee. During the discussion on this report, the following points were raised/noted:

- The Plan was behind schedule but work practices were changing to focus on City of London Corporation priorities and business plans. In addition, there had been some long term sickness in the team.
- The Team were looking to improve pre-planning and introduce stretch targets. Members agreed that the position had improved.
- The new working practices would include working closer with line managers but the Head of Internal Audit and Risk Management generally found them very responsive.
- Any significant slippages or any systemic weaknesses would be reported to the Committee.
- Resources were being managed but there had been some additional resources applied to help ensure completion of the plan.

RESOLVED – that the report be noted.

9. **2016-17 INTERNAL AUDIT PLAN AND THREE YEAR STRATEGY**

The Committee considered a report of the Head of Internal Audit and Risk Management, which presented the 2016-17 Internal Audit Plan and Three Year Strategy, as required by the Public Sector Internal Audit Standards.

RESOLVED - that the 2016-17 Internal Audit Work Plan and Three Year Strategy be approved

10. **AUDIT AND RISK MANAGEMENT COMMITTEE SURVEY**

Then Committee considered a report of the Town Clerk in respect of the Committee's effectiveness survey. In response to Members' requests, this report presented the questions in advance for their consideration.

Members suggested that questions be reworded to: '*is the process effective*', rather than; '*are members satisfied*'.

RESOLVED – that:

1. The next Survey of Members of this Committee takes place in February 2016, to be reported to the Committee in June 2016.
2. The methodology used in 2015 be retained.
3. The above suggestion re the wording of questions; i.e. '*effective*', rather than '*satisfied*' be adopted.

11. **CORPORATE RISK REGISTER REVIEW**

The Committee received a report of the Chamberlain, which provided Members with an update on the corporate and top red departmental risk registers following the review by the Chief Officer Risk Management Group (CORMG) on 17 November 2015 and the Summit Group on 7 December 2015.

During the discussion on this item, the following matters were raised/noted:

- Two new risks had been added: Road Safety and Air Quality, with Road Safety the subject of a 'Deep Dive' Review in the next agenda item.
- The Risk Rating Schedule was attached, as requested by the Members' Development Session in October 2015.
- The Town Clerk was particularly focussed on work place accidents.

RESOLVED – That the report be noted.

12. **CORPORATE RISK 20 - ROAD SAFETY**

The Committee received a joint report of the Director of the Built Environment and the City of London Police, which considered the actions proposed to mitigate corporate risk CR20: Road Safety and progress made to date against previously agreed actions. The Director of the Built Environment and the Chairman of the Planning and Transportation Committee were in attendance for this item.

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

- Despite officers' pro-activity, casualties were not down, as expected. Going forward, there would be a strong emphasis on behavioural change, with pedestrians/cyclists being urged to take more responsibility for their personal safety and distracting behaviours; i.e. use of headphones and i-phones. This will include raising awareness through City businesses.
- Officers would be working with those neighbouring boroughs that had been successful in reducing serious casualties to establish what, if anything might be learnt from their approaches. Members noted that casualties on TfL roads were generally very high, with Bishopsgate being particularly serious.
- A Member commented that recent works in the Mansion House Station area had been particularly treacherous and urged officers to view each situation from a pedestrian's perspective and ensure that safe paths are clearly marked. Members noted that a Pedestrian Movement Survey would take place around Easter time this year.
- In respect of 'near-miss' incidents, Members noted that City officers and City Police were working on accident predictability and analysing serious and minor incidents/near-misses. City Police were directing enforcement action based on their analysis. Officers advised that Operation Atrium (a

Cyclist training scheme offered instead of a penalty charge notice to cyclist offenders) was well resourced but might need to upscale if demand required.

- Members noted new requirements for mirrors on lorries and safer cabs, and the introduction of the new vehicle, which had been launched at the Aldgate scheme the previous day.
- The Chairman of Planning and Transportation was extremely disappointed at the poor casualty reduction rates, particularly the Bank Junction fatality last summer. He endorsed the above measures and, in particular, the drive for a behavioural change by both pedestrians and cyclists.
- There were strong links to the air quality initiative and this too was scheduled for a 'Deep Dive' risk review at the Audit and Risk Management Committee.
- Finally, Members suggested an initiative whereby cyclists would have their road traffic offences recorded on their driving licenses

RESOLVED, that - the report be noted

13. **REGULATION OF INVESTIGATORY POWERS ACT 2000**

The Committee received a report of the Town Clerk in respect of the Regulation of Investigatory Powers Act 2000. Members noted that the Policy and Resources Committee had agreed revisions to the Policy and Procedure Manual the previous week.

RESOLVED – that the report be noted.

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

Further to the issues raised at the Risk Challenge Session earlier in the day, Members suggested that the issues raised be the subject of a future 'deep dive' risk review or update report to the Audit and Risk Management Committee and that this be added to the outstanding actions list.

In respect of Terms of Reference generally, a question was raised as to whether risk management should be included in all Terms of Reference. It was suggested that the quarterly reporting of risk registers should be sufficient and the Chairman urged all Members of the Audit and Risk Management Committee to ensure that risk update reports receive sufficient scrutiny at the Service Committees which they attended.

The Town Clerk advised Members that, if they were minded to seek a generic change to all Terms of Reference, they would need to take a resolution to the Policy and Resources Committee. For the time being, the Chairman agreed to discuss this further with the Town Clerk.

15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**  
The Town Clerk advised that the Police Committee had asked for 2 (not 1, as at present) Co-opted Members of the Audit and Risk Management Committee onto their Performance and Resource Management Sub Committee. Members noted that the appointments would be made at the June Meeting of the Committee; i.e. the first one after the Annual Court in April 2016.

16. **EXCLUSION OF THE PUBLIC**  
RESOLVED – that under Section 100 (A) of the Local Government Act 1972, public be excluded from the following items on the grounds that they may involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act.

<b>Item No</b>	<b>Paragraph no</b>
17	1, 2 & 3
18	1, 2

17. **WAIVER REQUEST**  
The Committee received a report of the Chamberlain in respect of a waiver approval for Internal Audit Support, which had been approved by the Finance Committee.

RESOLVED – that, the report be noted.

18. **THE CHAIRMAN TO BE HEARD**

The Chairman was heard in respect of a governance matter.

19. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**  
There were no questions.

20. **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 3.40 pm**

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Chairman

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