

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 14th June 2016

**Minutes of the meeting of the Audit and Risk Management Committee
held at the Guildhall EC2 at 1.45pm**

Present

Members:

Alderman Nick Anstee
Nigel Challis
Henry Colthurst
Hilary Daniels (External Member)
Alderman Peter Estlin
Jamie Ingham Clark
Alderman Ian Luder
Kenneth Ludlam (External Member)
Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-officio Member)
Graeme Smith

Officers:

Neil Davies	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Dr Peter Kane	- Chamberlain
Michael Cogher	- Comptroller and City Solicitor
Chris Harris	- Head of Internal Audit (to 31.3.16)
Paul Dudley	- Chamberlain's Department
Chris Keesing	- Chamberlain's Department
David Smith	- Director of Markets and Consumer Protection
Ruth Calderwood	- Department of Markets and Consumer Protection
Jon Averbs	- Department of Markets and Consumer Protection

In attendance:

Nick Bennett	- BDO, External Auditors
Leigh Lloyd Thomas	- Moore Stephens, External Auditor

It was proposed by Nigel Challis, seconded by Alderman Peter Estlin and agreed that Alderman Ian Luder take the Chair.

1. APOLOGIES

Apologies were received from Alderman Charles Bowman, Roger Chadwick, and Revd. Dr Martin Dudley.

The Town Clerk advised Members that the ex-officio Member to be appointed by the Policy and Resources Committee would be announced on Thursday 16th June 2016.

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

There were no declarations.

3. **ORDER OF THE COURT OF COMMON COUNCIL**

The Committee received the Order of the Court of Common Council dated 21 April 2016.

4. **ELECTION OF CHAIRMAN**

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 ensuing year.

On taking the Chair, Alderman Anstee welcomed new Member, Alderman Peter Estlin and Mr Henry Colthurst, previously an ex-officio but now a full Member of the Committee. The Chairman also thanked retiring Member, Mr Oliver Lodge, for his past service to the Audit and Risk Management Committee.

5. **ELECTION OF DEPUTY CHAIRMAN**

The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No 30. The Town Clerk read the list of Members eligible to stand and Nigel Challis, being the only member willing to serve, was duly elected Deputy Chairman for the ensuing year.

6. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 8 March 2016 were approved as a correct record.

7. **TO CO-OPT TWO MEMBERS TO THE POLICE PERFORMANCE AND RESOURCES MANAGEMENT SUB COMMITTEE**

Being the only Members willing to serve, Mr Nigel Challis and Mr Kenneth Ludlam were appointed as Co-optees to the Police Performance and Resources Management Sub Committee for the ensuing year.

8. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received the outstanding actions list and noted that items 1 (Head of Internal Audit Opinion) and 5 (Chief Officer Risk Challenge Sessions) had been discharged.

9. **COMMITTEE WORK PROGRAMME**

The Committee received its work programme and noted the following updates to the schedule of Risk Challenge Sessions, since the agenda had been printed and published:

18th July 2016

Department of the Built Environment's session had been moved to 13 September 2016, as the Chairman would be unable to attend the July meeting. The Risk Challenge session for Culture, Heritage and Libraries, also scheduled for 18 July 2016, would be incorporated into the formal Committee agenda for

the July meeting as a risk update report. Therefore there would be no risk challenge session in July.

13 September 2016

The City of London School would be rescheduled and present a risk update report, as part of the formal committee meeting, possibly in February 2017. Therefore, the Departments of the Built Environment and Open Spaces would form the Risk Challenge session on 13th September.

10. RISK UPDATE

The Committee received a report of the Chamberlain in respect of the corporate and top red departmental risk registers.

Members accepted that some risks would be more 'red' than others and take longer to be fully mitigated. However, it was suggested that it would be helpful if future reports could include more information about the City of London Corporation's risk appetite; i.e. how long it would be appropriate for a risk to remain as red. Hampstead Heath was quoted as a good example of a red risk, which was being mitigated and managed well, but Members noted that it would stay red until the works on all of the dams had been completed. It was also suggested that future reports include the direction of travel and a 'heat map'.

In respect of departmental risks being escalated to corporate risks, Members noted that the Chief Officers' Risk Management Group (CORMG) considered such requests. An example was quoted as the Air Quality Strategy, scheduled next on this agenda, as it would potentially have an impact on the entire City of London Corporation and not just the department.

RESOLVED, That - the report be noted.

11. DEEP DIVE RISK REVIEW

The Committee received a report of the Director of Markets and Consumer Protection in respect of Corporate Risk 21, Air Quality.

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

- The Markets and Consumer Protection Department had pushed for this risk to be upgraded from departmental to corporate, given its impact on public health. The Director thanked the Audit and Risk Management Committee for their support in this matter.
- It was particularly timely, given that air quality was very high on the new Mayor of London's agenda. Members noted that the Mayor had recently visited the Sir John Cass School in Aldgate, due to the air quality related work that has been done at the school. Members noted a possible test case whereby the parents of a child in Lambeth, who had died of an asthma attack, were taking action against Lambeth Council and the Mayor of London.

- A £1,000,000 bid had been submitted to the Mayor of London to establish a Low Emission neighbourhood around the Barbican, St Bartholomew's NHS Trust and Beech Street.
- On the first Wednesday of each month officers and volunteers , acting as air quality wardens, had been challenging drivers with idling engines and this work was being rolled out to 10 local authorities.
- It was suggested that, as information on excise duty sales only provided CO2 levels, it would be helpful if more information could be made available. Furthermore, bench testing of vehicles at maximum efficiency could be misleading and levels at idling speed should be available.
- Bus pollution and the use of diesel engines in taxis fell under the remit of Transport for London but the City of London Corporation were working with the Mayors' office in respect of both buses and taxis. The City of London Corporation's corporate car hire company had been asked to change the type of vehicles it used.
- The City of London Corporation's Responsible Procurement Strategy, which had been approved by the Finance Committee the previous week, would steer the Corporation away from procuring or hiring diesel vehicles.
- The Pro-Active Air Quality Strategy had been published on the website and copies were available in the Members' reading room.
- Ruth Calderwood, the report author and Environmental Policy Officer for Port Health and Public Protection was highly respected and chaired the London Air Quality Strategy Group.
- The Port Health and Environmental Services and the Planning and Transportation Committee Chairmen would continue to work closely, as had the Directorates of Markets and Consumer Protection and the Built Environment.
- A graduate had been employed to look at the new legislation on fines to deal with unnecessary engine idling.
- Fines for not meeting air quality limit values are likely to take some time to process and the Government was likely to challenge them.
- A new free City Air app was now available which provides alerts on high air pollution days. It also provides information on alternative routes around the City, which had lower pollution levels.

In concluding, the Chairman and Members thanked officers for an excellent, insightful report and for the productive debate it facilitated.

RESOLVED, that – the report be noted.

12. HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT

The Committee received a report of the Head of Internal Audit, setting out his Annual Internal Audit Opinion, which was used to help inform the City of London Corporation's Annual Governance Statement. The Head of Internal Audit was pleased to report that, in his opinion; *'the City had adequate and effective systems of internal control in place to manage the achievement of its objectives'*.

Members were pleased to note the above opinion, with the majority of reports being either amber or green. Furthermore, it was noted that the only red assurance reports were in respect of the City of London Police. The Head of Internal Audit confirmed that, had he been required to comment on the Police separately, then his opinion would have been more limited. Members noted that the Commissioner was taking this very seriously and earlier on this agenda, two Members of the Audit and Risk Management Committee had been co-opted to the Police Performance and Resource Management Sub Committee. Another Member of the Committee, who also served on the Police Committee, had been appointed to this Sub Committee. Given that three Members of the Audit and Risk Management Committee would be serving on the Police Performance and Resource Management Sub Committee, there would be considerable oversight on the matter.

Members suggested that the Commissioner be invited to the meeting of the Audit and Risk Management Committee on 13th September 2016, when the Committee was due to receive the HMIC Inspection Report. It was further suggested that the Annual Governance Statement, which appeared next on this agenda, should have a reference to the Head of Internal Audit's opinion in respect of the City of London Police's performance on Internal Audits.

In the interim, the new Chairman of the IT Sub Committee (also a Member of this Committee) would work closely with the Chairman of the Police Committee and the Chamberlain and the Commissioner, and the Head of Internal Audit would continue to progress the matter.

In respect of the number of ambers, the Head of Internal Audit advised that this was not a matter for concern as, overall, the systems were effective with fewer reports and more recommendations within them. Therefore, the opinion was not systemic and ambers often showed that the appropriate level of mitigation was being applied.

RESOLVED, that – the report be noted.

13. ANNUAL GOVERNANCE STATEMENT

The Committee considered a report of the Town Clerk and Chamberlain in respect of the Annual Governance Statement (AGS) for 2015/16.

During the discussion of this item, the following points were raised/noted:

Members noted a new section on the Standards Committee, which had been requested by Members when they considered the AGS methodology. Members noted a drafting error in that reports on RIPA 2000 activity to the Policy and Resource Committee were six-monthly not quarterly.

Members referred to the suggestion made during the previous item (Head of Internal Audit Annual Opinion) to include a reference to the City of London Police's performance on Internal Audits. Members noted that the AGS could be amended up until the sign-off of the accounts, at the end of September 2016 and therefore, any further amendments or updates, following the Commissioner's attendance at the Committee on 13th September, could be incorporated.

Members asked if the tone of the comments in paragraph 46 could be less judgemental; i.e. '*satisfactory*' rather than '*very good*' and to remove '*particularly*'. The officer agreed to check the source document.

In respect of the Peer Review of Internal Audit, which had taken place in February 2014, Members questioned whether this was too out of date to be referred to in the AGS but the officer advised that this gave context to the statement that followed. The Chamberlain advised that the City of London Corporation remained an active supporter of Peer Reviews and was the first authority to have been Peer Reviewed. However, as they had not been taking place at the pace hoped for, the new Head of Internal Audit would be conducting his own Strategic Review.

RESOLVED, that –

1. The AGS be approved for signature by the Chairman of the Policy and Resources Committee and the Town Clerk/Chief Executive, subject to the amendments set out above.
2. Authority be delegated to the Town Clerk/Chief Executive, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, to amend the AGS for any significant events or developments relating to the governance arrangements which might occur prior to the date on which the Statement of Accounts was signed by the Chamberlain.
3. The AGS be published alongside the 2015/16 City Fund and Pension Funds Statements of Accounts.
4. The future developments to improve the governance framework (at paragraph 70 in the AGS) be approved.

14. BILLINGSGATE MARKET INVESTIGATION

The Committee received a report of the Chamberlain in respect of the recent fraud prosecution involving the former Administration and Operations Manager at Billingsgate Market, Roshan Persaud.

Members noted the possibility of recovering the City of London Corporation's losses via Proceeds of Crime (POCA) funding and were pleased that the matter had drawn to a satisfactory conclusion. The Chamberlain reminded Members of the valuable lessons learnt from this case and the new procedures in place for cash handling.

RESOLVED, that – the report be noted.

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

Further to a query raised at the last meeting about the profile of Risk Management generally across the City of London Corporation, the Member advised that he had received a satisfactory response from the Town Clerk. The Town Clerk further advised that Risk Management reporting had been included in the Town Clerk's 'Insight Lunch' training sessions on Effective Report Writing, to assure the quality of risk reporting, as well as their timeliness and appropriate positioning on Grand Committee agendas.

16. ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT

Members noted that, during the summer of 2016, the Chamberlain had commissioned an external benchmarking exercise in respect of Risk Management from the City of London Corporation's External Auditors. The Chamberlain agreed to circulate the Terms of Reference of the Review to Members.

The Town Clerk advised that all Member briefings on the Financial Statements would be held on the 6 and 7 July. Details of venue and timings would be emailed to all Members of the Court.

The meeting ended at 3.15pm

Chairman

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