

Report – Audit and Risk Management Committee

Re-appointment of External Member for a Third Term

To be presented on Thursday, 8th December 2016

*To the Right Honourable The Lord Mayor, Aldermen and Commons of
the City of London in Common Council assembled.*

SUMMARY

At its meeting on 9 September 2011, the Court agreed a procedure for appointing External (Independent) Members to the Audit and Risk Management Committee. Subsequent to this, on 16 January 2014 the Court agreed a variation to this procedure such that it would allow for existing External Members to be appointed for a second term on the Committee.

One of the current External Members, Mr Kenneth Ludlam, has served on the Audit and Risk Management Committee since its inception in 2011 and is now coming to the end of his second term. His contributions to both the Committee and the Police Performance and Resource Management Sub Committee, on which he also serves, have been invaluable. Mr Ludlam has expressed a wish to serve for a third term and, having considered this, the Audit and Risk Management Committee would like to recommend this to the Court.

In considering this proposal, Members of the Court are asked to note that the UK Corporate Governance Code (Guidance on Audit Committees) states that appointments can be extended by no more than two additional three-year periods, so long as Members continue to be independent.

RECOMMENDATION

We **recommend** that Mr Kenneth Ludlam be appointed to the Audit and Risk Management Committee for a third term of three years, expiring in 2020.

MAIN REPORT

Background

1. The procedure for the appointment of External Members to the Audit and Risk Management Committee, agreed by the Court on 16 January 2014, allows for existing External Members to be appointed for a further term, with a maximum of two terms being served as the norm. All three External Members of the Audit and Risk Management Committee have now been appointed for a second term; their terms being staggered so that they will expire in 2017, 2018 and 2019.
2. Members are asked to note that the UK Corporate Governance Code (Guidance on Audit Committees) states that appointments can be extended by no more than two additional three-year periods, so long as Members continue to be independent. It is not unusual for Local Authorities to appoint External

Members to both their Audit and Risk and Standards Committees for three terms. However, Members of the Audit and Risk Management Committee are keen to balance this possibility with future options for gaining a fresh perspective, i.e. via the introduction of a Nominations Sub Committee and maintaining a portfolio of potential External Members for future consideration.

Current position

3. Kenneth Ludlam's appointment as an External, Independent Member to the Audit and Risk Management Committee is due to expire in March 2017 and he has expressed a wish to serve for a further term.
4. Mr Ludlam is a qualified, very experienced accountant and also serves as a Non-Executive Director of The Supreme Court Management Board, as Chairman of its Audit Committee, and is a member of its Remuneration Committee. He is also Trustee of the Hanson Ltd Central Pension Scheme (Defined Benefit Scheme). Mr Ludlam has served on the City Corporation's Audit and Risk Management Committee since its inception in 2011 and his contributions to both this Committee and the Police Performance and Resource Management Sub Committee have been invaluable.

Proposal

5. It is therefore proposed, subject to the approval of the Court, that Mr Ludlam be appointed for a further three year term. Not only would this allow the Committee to retain his valued expertise for a longer period, but it would have an additional benefit in that the terms of all three External Members would expire at staggered intervals; i.e. 2018, 2019 and 2020.
6. Members of the Audit and Risk Management Committee are also mindful of the terms of the other External Members, who are equally valued and would therefore be prepared to consider similar requests from them to serve for a third term. It is not intended however that the proposal concerning Mr Ludlam be taken as a blanket approval for appointments to be for up to three terms; rather, the Committee would consider each potential extension in turn and, if reappointment is considered appropriate, present the recommendation to the Court for further scrutiny and a final decision.
7. Furthermore, Members of the Audit and Risk Management Committee have asked the Town Clerk to prepare for future appointments of new External Members and follow the good practice of other City of London Corporation Boards and Committees which appoint External Members; i.e. via the introduction of a Nominations Sub Committee and maintaining a portfolio of potential future External Members.

Conclusion

8. Mr Kenneth Ludlam is a highly valued External Member of the Audit and Risk Management Committee and the Court is recommended to agree to his reappointment for a third three-year term. This is consistent with the UK Corporate Governance Code (Guidance on Audit Committees). The Court is also asked to note that Members of the Audit and Risk Management Committee are keen to balance this possibility with future options for gaining a fresh

perspective; i.e. the introduction of a Nominations Sub Committee and the creation and maintenance a portfolio of potential External Members for future consideration.

All of which we submit to the judgement of this Honourable Court.

DATED this 8th day of December 2016.

SIGNED on behalf of the Committee.

Alderman Nick Anstee
Chairman, Audit and Risk Management Committee