



Nominations Sub Committee of the Audit and Risk Management Committee

Date: TUESDAY, 25 SEPTEMBER 2018
Time: 12 noon
Venue: COMMITTEE ROOMS, GUILDHALL

Members: Alderman Ian Luder (Chairman)
Alexander Barr (Deputy Chairman)
Randall Anderson
Kenneth Ludlam
Caroline Mawhood

Enquiries: Julie Mayer 020 7 332 14310
julie.mayer@cityoflondon.gov.uk

Lunch will be served in Guildhall Club at 1PM
NB: Part of this meeting could be the subject of audio or video recording

John Barradell
Town Clerk and Chief Executive

AGENDA

1. **APOLOGIES**

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

3. **MINUTES**

To approve the minutes of the Nominations Sub Committee (of the Audit and Risk Management Committee) held on 17th July 2018.

For Decision

(Pages 1 - 2)

4. **TERMS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS**

Members are asked to note the current terms and expiry dates of the Audit and Risk Management Committee Members.

NB: The Composition of the Committee was amended in 2017 and, from this date onwards, Members can only serve three consecutive 3-year terms.

For Discussion

(Pages 3 - 4)

5. **ITEMS FOR INCLUSION IN THE COMMITTEE'S SKILLS AUDIT**

Members are asked to note CIPFA's Practical Guidance for Local Authorities and Police Committees (2018 Edition) in respect of the core areas of knowledge and skills framework and to consider those items they would like to include in the forthcoming Skills Audit.

For Discussion

(Pages 5 - 12)

6. **EXTERNAL MEMBER OF AUDIT AND RISK MANAGEMENT COMMITTEE ROLE: DESCRIPTION AND PERSON SPECIFICATION**

Members are asked to consider the current job description and person specification for External Members and consider possible amendments or updates.

For Discussion

(Pages 13 - 14)

7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB COMMITTEE**

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

NOMINATIONS SUB COMMITTEE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 17 July 2018

Minutes of the meeting of the Nominations Sub Committee of the Audit and Risk Management Committee held at the Guildhall EC2 at 3.45 pm

Present

Members:

Randall Anderson

Kenneth Ludlam

Alderman Ian Luder (Chairman)

Caroline Mawhood

Alexander Barr (Deputy Chairman)

Officers:

Julie Mayer

- Town Clerks

Pat Stothard

- Head of Internal Audit and Risk Management

1. APOLOGIES

There were no apologies.

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

There were no declarations.

3. TERMS OF REFERENCE OF THE NOMINATIONS SUB (OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Members noted the Sub Committee's Terms of Reference and composition, which had been approved by the Grand Committee at its last meeting.

4. EXTERNAL MEMBER APPOINTMENT FOR A THIRD TERM

Members considered a report of the Town Clerk in respect of appointing the Committee's new External Member Deputy Chairman, Ms Hilary Daniels, for a third term. Hilary had expressed a willingness to serve for a third term and was happy for this report to be considered in public session. Members had also been sent Hilary's full CV. There was a unanimous agreement as to the value that Hilary brings to the Audit and Risk Management Committee and to recommend, to the Audit and Risk Management Committee, that she be appointed for a third term, subject to final confirmation by the Court of Common Council.

RESOLVED, That Hilary Daniels' appointment for a third term be recommended to the Audit and Risk Management Committee.

5. ITEMS FOR INCLUSION IN THE COMMITTEE'S SKILLS AUDIT

Members discussed the compilation of a skills audit/self-assessment for all existing Members, both Court and External, which would inform the selection process for future External Members. Members noted that the National Audit Office and HM Treasury provided helpful self-assessment checklists and the Town Clerk agreed to produce a long list. From this, Members could consider a top 6, which would identify desirable skills, experience and competencies. Members agreed that the self-assessment should be succinct and no more than 2 sides of A4. The Town Clerk agreed to source the original job description which had been used to appoint Hilary Daniels in 2012.

As this exercise would also inform future Court appointments, the Town Clerk would present the latest Membership list and existing terms to the next meeting. It was noted that there had been some misconceptions, amongst Court Members, as to the appropriate skills set required to contribute effectively to the Audit and Risk Management Committee. Members agreed that this was beyond financial/accounting skills and any Member with a logical and enquiring mind would make a valuable contribution. There was also likely to be good practice examples of advertisements used for other External Member appointments and the value of advertising via social media was recognised as being effective and inexpensive.

There was some discussion about induction sessions and the Chairman reminded Members that they had been very comprehensive following the 2017 all-out Common Council elections. An External Member also commended a training /networking session which had been run for all Co-optees/External Members in 2017. This was likely to be repeated in 2021, to the benefit of newly appointed External Members.

Finally, Members discussed a timeline for recruitment, which would need to be plotted back from late 2019, when the appointment of a new External Member would need to be confirmed by the Court of Common Council.

6. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB COMMITTEE

There were no questions.

7. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

Members agreed to meet next at 12 noon on 25th September, before the Risk Challenge and Committee Meetings Schedule on this date.

The meeting closed at 5.15pm

Chairman

**Contact Officer: Julie Mayer 020 7 332 14310
julie.mayer@cityoflondon.gov.uk**

TERMS OF AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS

From April 2017 onwards, Members of the Court of Common Council are appointed for terms of three years.

The maximum continuous period of service (except when serving as Chairman or Deputy Chairman) shall be nine years in any 12 year period.

There will be a flurry of renewals in 2020 and, at this time, the Committee can take a short report to P&R and Court seeking to stagger new terms, so avoid a recurrence.

1. **Constitution**

A Non-Ward Committee consisting of,

- nine Members elected by the Court of Common Council* at least one of whom shall have fewer than five years' service on the Court at the time of their appointment
- three external representatives (i.e. non-Members of the Court of Common Council with no voting rights)
- the Chairman and Deputy Chairman of the Finance Committee (ex-officio with no voting rights)
- a representative of the Policy & Resources Committee (ex-officio with no voting rights)

*The Chairmen of the Policy and Resources, Finance and Investment Committees are not eligible for election to this Committee and the Deputy Chairman of the Audit & Risk Management Committee for the time being may not be a Chairman of another Committee. In 2018 the Committee agreed to elect a second Deputy Chairman from its External Members.

2. **Quorum**

The quorum consists of five Members i.e. at least three Members elected by the Court of Common Council and at least one external representative.

3. **Membership 2018/19**

- | | | | |
|---|---|--|--|
| 8 | 1 | Ian David Luder J.P., Alderman | - EXP 2021 |
| 2 | 2 | Alexander Barr, <i>for 2 years</i> | - EXP 2019 (elected early 2018, before Annual Court) |
| 8 | 2 | Nicholas Anstee, Alderman | - EXP 2020 |
| 1 | 1 | John Garbutt, Alderman, <i>for 2 years</i> | - EXP 2020 |
| 2 | 2 | Randall Keith Anderson | - EXP 2020 |
| 2 | 2 | Christopher Paul Boden | - EXP 2020 |
| 2 | 2 | Paul Martinelli | - EXP 2020 |
| 1 | 1 | John Petrie, <i>for 2 years</i> | - EXP 2020 |
| 1 | 1 | Andrien Meyers, <i>for one year</i> | - EXP 2019 |
| 1 | 1 | Anne Fairweather | - EXP 2021 |

together with three external representatives :-

Caroline Mawhood (*appointed for a four year term expiring in March 2018*)

Hilary Daniels (*appointed for a three year term expiring in March 2019*)

Kenneth Ludlum (*appointed for a three year term expiring in March 2020*)

and together with the Members referred to in paragraph 1.

APPENDIX C

Audit committee members – knowledge and skills framework

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<ul style="list-style-type: none"> An overview of the governance structures of the authority and decision-making processes Knowledge of the organisational objectives and major functions of the authority 	<ul style="list-style-type: none"> This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers
Audit committee role and functions (Chapters 3 and 6)	<ul style="list-style-type: none"> An understanding of the audit committee’s role and place within the governance structures. Familiarity with the committee’s terms of reference and accountability arrangements Knowledge of the purpose and role of the audit committee 	<ul style="list-style-type: none"> This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others
Governance (Chapter 4)	<ul style="list-style-type: none"> Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS Knowledge of the local code of governance 	<ul style="list-style-type: none"> The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework The committee will plan the assurances it is to receive in order to adequately support the AGS The committee will review the AGS and consider how the authority is meeting the principles of good governance

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p>Internal audit (Chapter 4)</p>	<ul style="list-style-type: none"> ■ An awareness of the key principles of the PSIAS and the LGAN ■ Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled 	<ul style="list-style-type: none"> ■ The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards ■ The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards ■ In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed ■ The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan
<p>Financial management and accounting (Chapter 4)</p>	<ul style="list-style-type: none"> ■ Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them ■ Understanding of good financial management principles ■ Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018) 	<ul style="list-style-type: none"> ■ Reviewing the financial statements prior to publication, asking questions ■ Receiving the external audit report and opinion on the financial audit ■ Reviewing both external and internal audit recommendations relating to financial management and controls ■ The audit committee should consider the role of the CFO and how this is met when reviewing the AGS
<p>External audit (Chapter 4)</p>	<ul style="list-style-type: none"> ■ Knowledge of the role and functions of the external auditor and who currently undertakes this role ■ Knowledge of the key reports and assurances that external audit will provide ■ Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken 	<ul style="list-style-type: none"> ■ The audit committee should meet with the external auditor regularly and receive their reports and opinions ■ Monitoring external audit recommendations and maximising benefit from audit process ■ The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management (Chapter 4)	<ul style="list-style-type: none"> ■ Understanding of the principles of risk management, including linkage to good governance and decision making ■ Knowledge of the risk management policy and strategy of the organisation ■ Understanding of risk governance arrangements, including the role of members and of the audit committee 	<ul style="list-style-type: none"> ■ In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces ■ Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee ■ The committee should also review reports and action plans to develop the application of risk management practice
Counter fraud (Chapter 4)	<ul style="list-style-type: none"> ■ An understanding of the main areas of fraud and corruption risk to which the organisation is exposed ■ Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) ■ Knowledge of the organisation's arrangements for tackling fraud 	<ul style="list-style-type: none"> ■ Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy ■ An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment
Values of good governance (Chapter 5)	<ul style="list-style-type: none"> ■ Knowledge of the Seven Principles of Public Life ■ Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff ■ Knowledge of the whistleblowing arrangements in the authority 	<ul style="list-style-type: none"> ■ The audit committee member will draw on this knowledge when reviewing governance issues and the AGS ■ Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p>Treasury management (only if it is within the terms of reference of the committee to provide scrutiny) (Chapter 5)</p>	<ul style="list-style-type: none"> ■ Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> – regulatory requirements – treasury risks – the organisation’s treasury management strategy – the organisation’s policies and procedures in relation to treasury management ■ See also <i>Treasure Your Assets</i> (CfPS, 2017) 	<ul style="list-style-type: none"> ■ Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

This section may be of particular benefit when recruiting independent members.

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Accountancy	<ul style="list-style-type: none"> ■ Professional qualification in accountancy 	<ul style="list-style-type: none"> ■ More able to engage with the review of the accounts and financial management issues coming before the committee ■ Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussion of risks and resource issues ■ More able to engage with the external auditors and understand the results of audit work
Internal audit	<ul style="list-style-type: none"> ■ Professional qualification in internal audit 	<ul style="list-style-type: none"> ■ This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing ■ The committee would be more able to provide oversight of internal audit and review the output of audit reports
Risk management	<ul style="list-style-type: none"> ■ Risk management qualification ■ Practical experience of applying risk management ■ Knowledge of risks and opportunities associated with major areas of activity 	<ul style="list-style-type: none"> ■ Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice ■ Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers
Governance and legal	<ul style="list-style-type: none"> ■ Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law 	<ul style="list-style-type: none"> ■ Legal knowledge may add value when the committee considers areas of legal risk or governance issues
Service knowledge relevant to the functions of the organisation	<ul style="list-style-type: none"> ■ Direct experience of managing or working in a service area similar to that operated by the authority ■ Previous scrutiny committee experience 	<ul style="list-style-type: none"> ■ Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Programme and project management	<ul style="list-style-type: none"> Project management qualifications or practical knowledge of project management principles 	<ul style="list-style-type: none"> Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews
IT systems and IT governance	<ul style="list-style-type: none"> Knowledge gained from management or development work in IT 	<ul style="list-style-type: none"> Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls

CORE SKILLS

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	<ul style="list-style-type: none"> Able to focus on material issues and overall position, rather than being side tracked by detail 	<ul style="list-style-type: none"> When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail
Questioning and constructive challenge	<ul style="list-style-type: none"> Able to frame questions that draw out relevant facts and explanations Challenging performance and seeking explanations while avoiding hostility or grandstanding 	<ul style="list-style-type: none"> The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found
Focus on improvement	<ul style="list-style-type: none"> Ensuring there is a clear plan of action and allocation of responsibility 	<ul style="list-style-type: none"> The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken
Able to balance practicality against theory	<ul style="list-style-type: none"> Able to understand the practical implications of recommendations to understand how they might work in practice 	<ul style="list-style-type: none"> The audit committee should seek assurances that planned actions are practical and realistic

Skills	Key elements	How the audit committee member is able to apply the skill
Clear communication skills and focus on the needs of users	<ul style="list-style-type: none"> ■ Support the use of plain English in communications, avoiding jargon, acronyms, etc 	<ul style="list-style-type: none"> ■ The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience
Objectivity	<ul style="list-style-type: none"> ■ Evaluate information on the basis of evidence presented and avoiding bias or subjectivity 	<ul style="list-style-type: none"> ■ The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views
Meeting management skills	<ul style="list-style-type: none"> ■ Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting 	<ul style="list-style-type: none"> ■ These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members

INDEPENDENT MEMBER OF AUDIT AND RISK MANAGEMENT COMMITTEE ROLE DESCRIPTION AND PERSON SPECIFICATION

Candidates for the role will make an application for the position and the selection of the appointee will be approved by the Court of Common Council. Past Members of the Court of Common Council or former City Corporation employees will be ineligible to serve in this capacity. Close friends or relatives of any Member or officer will be ineligible as will employees of any organisation of which the City Corporation is a client.

The responsibilities of the Audit and Risk Management Committee are to:

- Oversee all systems, controls and processes that may have an impact on the Corporation's ability to meet its vision and deliver its strategy and obligations;
- Review the annual financial statements before submission to Finance Committee for approval;
- Ensure that:
 - Effective audit functions are in place both internal and external
 - Adequate risk management processes are in place and followed
 - An adequate internal control environment is established
- **Audit**
 - Consider and approve the annual internal and external audit plans
 - Commission and to receive reports from the Chief Internal Auditor on the extent that the City of London Corporation can rely on its system of internal control and to provide reasonable assurance that the City of London Corporation's objectives will be achieved effectively.
 - Meet with the external auditors prior to the presentation of the Accounts to the Court, consider the audited annual accounts of the City Fund and the various non-local authority funds, to receive and consider the formal reports, letters and recommendations of the City of London Corporation's external auditors and to make recommendations relating to the approval of the accounts (to the Finance Committee).
 - Meet with the external auditors of the City Fund and the various non-local authority funds at least once in each calendar year prior to the presentation of the Accounts to the Court.
 - Report back as necessary to the Court of Common Council.
- **Risk Management**
 - Monitor and oversee the City of London Corporation's risk management strategy and to be satisfied that the authority's assurance framework properly reflect the risk environment.
 - Consider all audit or external inspection reports relating to any department at the City of London Corporation and seek assurance that action has been taken where necessary.
 - Receive an annual report from the Chamberlain reviewing the effectiveness of the City of London's risk management strategy.

The appointee will

- Understand, and have an empathy with the role and objectives of the City of London Corporation Be available to attend regularly and participate in the meetings of the Audit and Risk Management Committee (and any relevant training sessions for the Committee) which are held during the working day, normally on 5 or 6 occasions per year
- Possess excellent communication skills
- Be clear about the difference between governance functions and management functions
- Have previous experience of working at board or committee level
- Have experience of audit, governance (including risk management), accounting or internal control
- Be able to deal with issues with objectivity, impartiality, fair mindedness and in a just manner
- Provide an external view that will add value to the governance of the Corporation
- Have the capacity for clear thinking and analysis
- Be able to act with sensitivity and diplomacy without compromising integrity
- Be able, if necessary, to take an independent view which varies from that of other committee members
- Adhere to the standards set out in the Nolan Principles of Public Life: selflessness; integrity; objectivity; accountability; openness; honesty and leadership.

DRAFT