



## Nominations and Effectiveness Sub Committee of the Audit and Risk Management Committee

**Date:** THURSDAY, 6 JUNE 2024

**Time:** 4.00 pm

**Venue:** COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

**Members:** Alderman Prem Goyal, OBE (Chairman) Deputy Elizabeth King BEM JP  
Gail Le Coz (External Member) Ruby Sayed  
Deputy Randall Anderson

**Enquiries:** Ben Dunleavy

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**Ian Thomas CBE**  
**Town Clerk and Chief Executive**

# AGENDA

1. **APOLOGIES**

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

3. **MINUTES OF THE PREVIOUS MEETING**

To agree the minutes of the previous meeting held on 13 March 2023.

**For Decision**  
(Pages 3 - 4)

4. **REVIEW OF COMMITTEE EFFECTIVENESS AND SKILLS - RESULTS**

Report of the Town Clerk.

**For Discussion**  
(Pages 5 - 16)

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

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

## NOMINATIONS AND EFFECTIVENESS SUB COMMITTEE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 13 March 2023

**Minutes of the meeting of the Nominations and Effectiveness Sub Committee of the Audit and Risk Management Committee held at the Guildhall EC2 at 9.30 am**

### **Present**

#### **Members:**

Alderman Alexander Barr (Chairman)                      Gail Le Coz (External Member)  
Alderman Prem Goyal, OBE (Deputy  
Chairman)

#### **Officers:**

Matthew Lock	- Chamberlain's Department
Dionne Corradine	- Town Clerk's Department
Tabitha Swann	- Town Clerk's Department
Ben Dunleavy	- Town Clerk's Department

#### **1. APOLOGIES**

Apologies for absence were received from Deputy Rehana Ameer and Karen Sanderson.

#### **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 previous meeting held on 24 February 2022 were approved as a correct record.

#### **4. TERMS OF REFERENCE OF THE NOMINATIONS AND EFFECTIVENESS SUB COMMITTEE**

Members received the terms of reference of the Sub-Committee.

*Resolved*, that – the terms of reference be noted.

#### **5. RE-APPOINTMENT OF AN EXTERNAL MEMBER (2ND TERM)**

Members received a report of the Town Clerk concerning the appointment of an External Member.

*Resolved*, that – Members recommend to the Audit and Risk Management Committee, for onward recommendation to the Court of Common Council, that Dan Worsley be appointed as an External Member of the Audit and Risk Management Committee for a second term, expiring in April 2026.

**6. EFFECTIVENESS REVIEW**

Members received a report of the Town Clerk concerning the effectiveness and skills of the Audit and Risk Management Committee.

Members discussed the report and agreed that it would be sensible to arrange a new effectiveness and skills survey of the Committee. It was suggested that the CIPFA self-assessment of good practice would be a helpful mechanism by which to conduct an effectiveness review. Several new areas to add to the skills survey were suggested, including skills related to risk management and sustainability.

In terms of outcomes from the review, the Head of Internal Audit suggested that the results could inform the Committee's Annual Report. If the skills survey revealed that the Committee was weak in certain areas, these could be addressed by training for Members, though the Chairman warned that this would have budgetary implications.

RESOLVED, that – Members approve to run a new skills and effectiveness survey of the Audit and Risk Management Committee.

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

There were no questions.

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

There was no other business.

**The meeting closed at 9.37 am**

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Chairman

**Contact Officer: Ben Dunleavy**

**ben.dunleavy@cityoflondon.gov.uk**

# Agenda Item 4

<b>Committee:</b>	<b>Date:</b>
Nominations and Effectiveness Sub Committee of the Audit and Risk Management Committee	6 June 2024
<b>Subject:</b> Review of Committee Effectiveness and Skills - Results	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>8</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>What is the source of Funding?</b>	<b>n/a</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>n/a</b>
<b>Report of:</b> Town Clerk	<b>For Discussion</b>
<b>Report author:</b> Ben Dunleavy	

## Summary

The Nominations and Effectiveness Sub-Committee has, within its remit, authority to consider the effectiveness and skills of the Audit and Risk Management Committee. The last such review was conducted in 2018.

In January 2024, the Sub-Committee agreed that it would both timely and prudent to run a new exercise to assess the effectiveness of the Committee and the balance of skills and expertise. The results of this exercise are summarised in this report.

Members are invited to discuss the results of the survey and consider if any follow-up actions should be taken.

## Recommendation(s)

Members are asked to consider the results of the review into the Audit and Risk Management Committee's Effectiveness and Member Skills.

## **Main Report**

### **Background**

1. The Nominations and Effectiveness Sub Committee ('the Sub Committee') is responsible for undertaking skills audits and effectiveness reviews of the Audit and Risk Management Sub Committee ('the Committee'). These activities aim to inform the appointment of External Members to the Committee and to assess the need for relevant training and development for Members.
2. The last time such a review was undertaken was in 2018. This focused on the compilation of a skills matrix, asking Members to score themselves on a series of knowledge areas based on CIPFA Guidance for Audit Committees.
3. As there had been a substantial period in which no reviews had been conducted, the Sub-Committee agreed in 2023 to proceed with a new review. Members felt that it would be appropriate to extend the use of CIPFA's Guidance for Audit Committees in developing an effectiveness review element, while also updating the core areas of knowledge in the skills matrix from 2018.
4. Officers were accordingly directed to develop and circulate a three-part evaluation, consisting of the following sections:
  - Evaluation of the effectiveness of the Audit and Risk Management Committee (based on CIPFA Appendix F) – to be completed by Members of the Committee.
  - Skills Matrix – to be completed by Members of the Committee.
  - Self-assessment of good practice (CIPFA Appendix E) – to be completed by the Clerk.
5. For the evaluation of the Committee's effectiveness, Members were asked to rate the Committee's performance in different areas or Sections, based on the CIPFA Guidance, from 'Excellent' to 'Poor'.

### **Current position**

6. The two survey forms were distributed to all Members of the Committee in February 2024. Of the 15 Members consulted, only eight responses were received. Only six of the responses included both the Effectiveness Review and Skills Matrix completed – two Members completed the skills matrix form only.

#### *Effectiveness Review*

7. A table with the responses to the Effectiveness Review is included at Appendix 1. The most common rating was 'Good', with 'Excellent' and 'Needs Improvement' tied. Only Member scored the Committee as performing as 'Poor' – this was in relation to Section 7 'Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements'.
8. Three Members added comments to their responses. One of these was a comment added after each section, noting the Members view that "This gets good engagement and advice from the Committee is taken on board". One Member in response to Section 1 'Promoting the principles of good governance and their application to decision making', commented that "Elected members

may wish to reflect that sometimes governance can be slow to be effective, and so the rush to get through the agenda, restrict conversation and ask for questions in advance isn't a sign off an excellent Audit Committee", and rated the Committee's performance as 'Good'. Another Member, in relation to Section 5 "Supporting effective external audit, with a focus on high quality and timely audit work" commented that "... We [the Committee] need to continue to benchmark the performance of external auditors so that we can change them if they aren't adequate."

### *Skills Matrix*

9. A completed Skills Matrix is included at Appendix 2. The knowledge area with the lowest rating (where Members felt they had the strongest knowledge) was the 'Audit Committee role and functions', with a score of 9. The area where Members felt they had the weakest knowledge was on Treasury Management, with a score of 19.

### *Self-assessment of good practice*

10. The Self-assessment of good practice was completed by the Clerk to the Committee, and is included at Appendix 3. The scores are generally high through-out the self-assessment – the areas needing most improvement are felt to be those relating to the Committee's evaluation of its own performance and the steps it takes to address findings from these – it is hoped that this report and any subsequent actions will help to improve these scores.

### *Next steps*

11. The Guidance asks if Audit Committees have regular training and support arrangements, and there is an action plan to improve areas of weakness. The Committee does not currently have either of these, and the Sub-Committee may wish to consider if exploring training options through an action plan would be an appropriate next step.

## **Conclusion**

12. The results from the Effectiveness and Skills Review exercise show that the Audit and Risk Management Committee is generally perceived to be performing effectively, but with certain areas that could benefit from addressing. Two potential methods to address this is through an action plan and more regular training and support arrangements.

## **Appendices**

Appendix 1 – Effectiveness Review results of the Audit Committee  
Appendix 2 – Audit and Risk Management Committee Skills Matrix 2024  
Appendix 3 – Self Assessment of Good Practice

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## Appendix 1

Question	Excellent	Good	Needs Improvement	Poor
1. Promoting the principles of good governance and their application to decision making	2	2	2	
2. Contributing to the development of an effective control environment.	2	1	3	
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	2	3	1	
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	2	2	2	
5. Supporting effective external audit, with a focus on high quality and timely audit work.	1	5		
6. Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	2	2	2	
7. Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.		3	2	1
8. Supporting the development of robust arrangements for ensuring value for money.	1	3	2	
9. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	2	4		
10. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.		5	1	

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KNOWLEDGE AREA	DETAILS OF CORE KNOWLEDGE REQUIRED	Member 1	Member 2	Member 3	Member 4	Member 5	Member 6	Member 7	Member 8	Total
Organisational knowledge	1. An overview of the governance structures of the authority and decision-making processes. 2. Knowledge of the organisational objectives and major functions of the authority.	1	2	1	2	3	1	2	3	15
Audit committee role and functions	1. An understanding of the Audit Committee's role and place within the governance structures. 2. Familiarity with the Committee's terms of reference and accountability arrangements.	1	1	1	1	1	1	2	1	9
Governance	1. Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the Annual Governance Statement. 2. Knowledge of the local code of governance.	1	2	2	1	1	3	3	1	14
Internal Audit	1. An awareness of the key principles of the PSIAS and the LGAN. 2. Knowledge of the arrangements for delivery of the internal audit service and how the role of the Head of Internal audit is fulfilled.	2	2	1	2	2	3	3	2	17
Financial Management and Accounting	1. Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. 2. Understanding of good financial management principles and knowledge of how the organisation meets the requirements of the role of the Chief Financial Officer in Local Government and the CIPFA Statement on the Role of Chief Financial Officers.	1	1	1	2	1	2	2	1	11
Treasury Management	The key knowledge areas identified are: 1. Regulatory requirements treasury risks 2. The organisation's treasury management strategy 3. The organisation's policies and procedures in relation to treasury management	1	2	2	3	1	4	2	4	19
External Audit	1. Knowledge of the role and functions of the external auditor and who currently undertakes this role. 2. Knowledge of the key reports and assurances that external audit will provide. 3. Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.	1	1	2	2	1	2	2	1	12
Risk Management	1. Understanding of the principles of risk management, including linkage to good governance and decision making. 2. Knowledge of the risk management policy and strategy of the organisation. 3. Understanding of risk governance arrangements, including the role of members and of the ARMC.	1	1	1	1	1	2	1	2	10
Counter Fraud	1. An understanding of the main areas of fraud and corruption risk to which the organisation is exposed. 2. 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. 3. Knowledge of the organisation's arrangements for tackling fraud	1	1	3	3	2	2	1	3	16
Values of good governance	1. Knowledge of the Seven Principles of Public Life. 2. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff. 3. Knowledge of the whistleblowing arrangements in the authority.	1	2	1	1	1	1	2	2	11

SPECIALIST AREAS OF KNOWLEDGE	Score								
Governance and Legal	1	2			1	2		1	2
Programme and Project Management	2	3	1	2	2	2	3	2	
IT systems and IT governance	1	3	1	2	3	4	2		
Arts and Culture	1	3	2	2	4	3	2		
Child Protection	1	2		4	4	1	2		
Education &/or Training	2	2		2	3	1	1		
Equal Opportunities and Diversity	1	3	3	3	2	1	1		
Health and Safety	2	2	3	3	2	2	2		
Insurance	2	3		4	2	4	3		
Media/PR/Marketing	3	4		3	3	3	1		
Planning and Strategy	1	3	1	1	2	2	1		
Engineering	3	4	1	3	4	4	3		
Property and Buildings/Facilities Management	3	3		4	3	3	3		
Fundraising/Trusteeship	2	4	2	1	2	1	1		
Human Resources	2	2	3	3	2	2	2		

Key  
SCORE (1-4)  
1 – very strong  
2 – strong  
3 – basic  
4 – limited

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# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply					Partially complies and extent of improvement needed*					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				

## Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:																									
<ul style="list-style-type: none"> <li>compliance with the CIPFA Position Statement 2022</li> </ul>																									
<ul style="list-style-type: none"> <li>results of the annual evaluation, development work undertaken and planned improvements</li> </ul>																									
<ul style="list-style-type: none"> <li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>																									
<b>Functions of the committee</b>																									
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?																									
Governance arrangements																									
Risk management arrangements																									
Internal control arrangements, including:																									
<ul style="list-style-type: none"> <li>financial management</li> <li>value for money</li> <li>ethics and standards</li> <li>counter fraud and corruption</li> </ul>																									
Annual governance statement																									
Financial reporting																									
Assurance framework																									
Internal audit																									
External audit																									
10 Over the last year, has adequate consideration been given to all core areas?																									
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?																									
12 Has the committee met privately with the external auditors and head of internal audit in the last year?																									

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				

### Membership and support

**13** Has the committee been established in accordance with the 2022 guidance as follows?

- Separation from executive
- A size that is not unwieldy and avoids use of substitutes
- Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation

**14** Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?

**15** Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?

**16** Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?

**17** Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?

**18** Is adequate secretariat and administrative support provided to the committee?

**19** Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?

### Effectiveness of the committee

**20** Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?

**21** Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?

**22** Are meetings effective with a good level of discussion and engagement from all the members?

**23** Has the committee maintained a non-political approach to discussions throughout?

Good practice questions	Does not comply					Partially complies and extent of improvement needed				Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement					
Weighting of answers	0	1	2	3	5					
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?										
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?										
26 Do audit committee recommendations have traction with those in leadership roles?										
27 Has the committee evaluated whether and how it is adding value to the organisation?										
28 Does the committee have an action plan to improve any areas of weakness?										
29 Has this assessment been undertaken collaboratively with the audit committee members?										
<b>Subtotal score</b>										
<b>Total score</b>										
<b>Maximum possible score</b>										<b>200**</b>

\*\* 40 questions/sub-questions multiplied by five.