

Committee: Audit & Risk Management Committee	Date: 16 January 2023
Subject: Terms of reference review	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Town Clerk & Chief Executive	For Discussion
Report author: Ben Dunleavy, Town Clerk's Department	

Summary

The Committee saw an initial report for the annual review of its terms of reference in September 2022. Since that meeting, officers have developed several suggestions for revisions to the terms of reference, wider changes to the Committees workplan and changes to the terms of reference to its Nominations Sub Committee.

Recommendations

It is recommended that:

- Members consider the suggested revisions to:
 - The Committee's terms of reference as shown in Appendix 1, and recommend the revisions to the Policy and Resources Committee, for onward submission to the Court;
 - The Committee workplan as shown in Appendix 2, and the cycle of meetings; and
 - The role of the Nominations Sub Committee and its terms of reference, as shown in Appendix 3.

Main Report

Background

1. As part of the implementation of the 2021 Governance Review, it was agreed that the cycle and process of annually reviewing the Terms of Reference of all Committees/Boards should be revised, to provide more time for Committees to consider and discuss changes before they are submitted to the Policy and Resources Committee.

2. An initial report on the annual review of the Committee's terms of reference was seen at the Committee meeting on 27 September 2022. At that meeting, the Chairman said he would share some suggested revisions to the terms of references with officers.
3. The Audit and Risk Management Committee had also previously agreed on 16 January 2018 to follow good practice, shared among other City of London Corporation Committees and Boards, and establish a Nominations Sub Committee to oversee the process of recruiting external Members, including provision to undertake skills audits of the Committee to aid this process. The sub-committee, however, has not met regularly, convening only for the purpose of external Member recruitment, and has only undertaken 1 skills audit.

Current position

Terms of Reference

4. Officers from the Internal Audit team and the Risk Management team have drafted suggested revisions to the terms of reference. The revisions are intended to ensure that the Committee's role in seeking assurance on the City of London Corporation's activities in relation to audit, risk management and anti-fraud/anti-corruption is clearly outlined and reflects any recent organisational changes. Proposed amendments address the following areas:
 - Aligning with operational developments, for example; removing the requirement to consider and approve the rolling three-year plan for Internal Audit. Internal Audit no longer works to a rolling three-year plan.
 - Revising and clarifying the references to meeting with the external auditors
 - Measuring and demonstrating the effectiveness of the Committee and its Membership
 - Reordering some elements of the document to ensure a logical flow
5. The suggested revisions to the terms of reference are set out at Appendix 1. At the time of writing, Officers were reviewing the item at (d) of the Risk Management section of the terms of reference, relating to the periodic risk management reviews of the various City Corporation education bodies, and will update the Committee on this at the January meeting.

Committee Workplan

6. Officers have also considered the Committee's workplan (Appendix 2). The aim in revising the workplan is to ensure that every report considered at a Committee meeting can be clearly linked to in the role and purpose of the Committee.
7. In revising the workplan, officers have considered the frequency of committee meetings, and how the cycle of meetings could fit with the cycle of the work completed by officers, Internal Audit work in particular. The revised workplan proposes to change the current cycle of six meetings a year to four meetings

for regular business, and a fifth meeting at the end of the calendar year to consider the financial statements.

8. The suggested revised workplan is set out at Appendix 2.

Nominations Committee

9. The revisions to the terms of reference include additional focus on benchmarking and committee effectiveness. It is proposed that it would be appropriate for the Committee to expand the remit of the Nominations Sub-Committee to allow it to act on these areas. This would allow for the main Committee to remain focused on its core area of work, whilst retaining a method to scrutinise its effectiveness.
10. The proposed revisions place greater emphasis on the compilation of a skills matrix of the Committee's membership. This would aid not just in the recruitment of external Members, but also when promoting the role of the Committee to the wider Court when it comes to the appointment of Court Members, and in considering the potential for member training and development needs. The Committee may wish to consider how often this skills matrix should be compiled; CIPFA recommends this is undertaken at least every 2 years.
11. As mentioned at paragraph 3, the Nominations Sub-Committee was established to follow best practice of other Corporation committees, such as the Barbican Centre Board's Nominations Committee. The latter committee has since had its remit expanded to consider Board effectiveness, and renamed the Nominations, Effectiveness and Inclusion Committee.
12. If the Committee agrees to revise the Nominations Sub-Committee's terms of reference, they may also wish to change its name to the Nominations and Effectiveness Sub-Committee, and also consider frequency of its meetings.
13. The suggested revisions to the Nominations Sub-Committee's terms of reference are set out at Appendix 3.

Proposals

14. It is proposed to recommend that the revisions to the current terms of reference, as laid out in Appendix 1, are recommended to the Policy and Resources Committee for its February meeting, for onward submission to the Court of Common Council in April.
15. It is proposed to agree to the reformatted committee workplan and meeting schedule as laid out in Appendix 2.
16. It is proposed to revise the terms of reference of the Nominations Sub-Committee and rename it the Nominations and Effectiveness Sub-Committee, as laid out in Appendix 3.

Conclusion

17. The proposed changes to the governance arrangements for the Audit and Risk Management Committee should support more effective and structured operation.

Appendices

- Appendix 1
 - a – proposed revisions to the terms of reference (tracked changes)
 - b – clean version of the proposed revisions
- Appendix 2 - Proposed revisions to the workplan
- Appendix 3 – proposed revisions to the terms of reference for the Nominations sub committee

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