



JNCC AUDIT & RISK MANAGEMENT COMMITTEE

**APPOINTMENT OF GUY DUKE AS CHAIRMAN OF THE AUDIT AND RISK
MANAGEMENT COMMITTEE**

APPOINTMENT OF SUSAN WALKER AS A NEW MEMBER

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APPOINTMENT OF SUSAN WALKER AS A NEW MEMBER

Paper by Dave Pritchard

1. Board Members will recall being informed at their meeting in June this year that Dave Pritchard will step down as Chair of the Audit & Risk Management Committee (ARMC) in December, as his term of office as an independent member of the Joint Committee comes to an end at that point. Following discussion between ARMC members intersessionally, the Audit & Risk Management Committee has agreed to recommend to the Company Board the appointment of Mr Guy Duke, an existing member of the ARMC, to become its new Chairman with effect from 1 December 2012.
2. The Company Board has approved the terms of reference and membership requirements of the ARMC (current version as revised in March 2011). These state that the ARMC will comprise between four and seven members drawn from Joint Committee members (excluding country agency Chairs and the Joint Committee Chair) and may include independent external members. Good corporate governance requires that Members have no other interests that could impinge on their objectivity. To avoid potential conflicts of interest the Chair of the ARMC should not be a member of a country agency board or the Chair of any other Joint Committee sub-groups. It is considered that these requirements are best met by selecting the Chair of the ARMC from amongst the independent members of the Joint Committee.
3. ARMC aims to give thought in advance to the expected rotation of its members, and to the options that might be available in the event of needing to respond to unexpected change. A succession plan is currently being developed that will help to recruit new members in a more structured manner in future with minimum disruption to the ARMC's business, and also to provide guidance on identifying and approaching potential new members who can fulfil key skill requirements. A list of key skills for members includes (in no particular order):
 - general financial awareness and understanding of accounting principles;
 - awareness and understanding of internal and external audit;
 - awareness of internal control principles and processes;
 - understanding of the basic concepts of risk management and familiarity with the role of risk management in the organisation;
 - awareness of the organisation's governance structure and the purpose of the Governance Statement; and
 - an ability to weigh up evidence, argument and strategic implications in relation to the issues above in a balanced and objective way.

4. Following the imminent departure of David Crawley at the end of July from both the Joint Committee and the ARMC, ARMC members in June discussed possible future membership options. One option was to approach Susan Walker who will be replacing David Crawley as SNH's second member on the Joint Committee. It was agreed that an approach be made to Susan to see if she would be willing to replace David Crawley on the ARMC. I am pleased to report that Susan is enthusiastic to become a member of the ARMC. The Company Board is required to approve this appointment.
5. The Board is therefore invited to:
 - i. **endorse** the recommendation to appoint Mr Guy Duke as Chairman of the Audit & Risk Management Committee from 1 December 2012; and
 - ii. **endorse** the proposal to appoint Mrs Susan Walker as a new member of the Audit & Risk Management Committee from 1 September 2012.