

Terms of reference

Audit and Risk Committee

The Audit and Risk Committee supports the Accounting Officer in carrying out their formal accountability responsibilities. The Committee offers objective advice and seeks to ensure that the most efficient, effective and economic risk control and governance processes are in place. The Committee also acts on behalf of the Commission Board to provide them with assurance on these issues.

1. Members

- 1.1. The Commission Board shall appoint members of the Committee.
- 1.2. There shall be no fewer than three members, of whom at least two will be members of the Board and at least one will be an independent external member appointed through open competition.
- 1.3. At least one Committee member will hold a CCAB-recognised qualification and have recent and relevant financial experience.
- 1.4. Appointments will initially be for three years, with the possibility of reappointment for one further three-year term.
- 1.5. Committee members who are members of the Board may stand down with the consent of the Board. Their membership of the Committee will end if they no longer serve as a Commissioner.
- 1.6. The independent member can stand down after a notice period of one month.
- 1.7. The Committee shall be entitled to co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience, with the approval of the Board.

2. Quorum

- 2.1. A minimum of two members shall be present for the Committee to be deemed quorate.
- 2.2. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise any or all of the authorities, powers and discretions of the Committee.

2.3. If the meeting is inquorate, Committee decisions cannot be made, and any discussions will be informal only.

3. Meetings

3.1. Meetings shall be held at least four times a year at appropriate times in the reporting and audit cycle, and at other times as required.

3.2. Members of the Committee can meet in private, without the executive team present, and are able to meet privately with the internal and/or external auditors.

3.3. Meetings of the Committee shall be called at any time by the secretary of the Committee at the request of the Chair of the Committee or the Chair of the Board.

3.4. Any other member of the Committee, the internal audit lead or the external audit lead may each request the Chair of the Committee to convene a meeting at any time.

3.5. Unless otherwise agreed, notice of each meeting, confirming venue, time and date, together with an agenda of items to be discussed and papers relating thereto, shall be forwarded to each Committee member and any other person required to attend no later than five working days before the meeting.

4. Chair

4.1. The Chair of the Committee will be appointed by the Board from any of its members, except the Chair of the Commission.

4.2. In the absence of the Chair, the remaining members present shall elect one of themselves to chair the meeting.

4.3. The Chair shall be responsible for ensuring that the work of the Committee is effective, that the Committee is appropriately resourced and that it maintains appropriate communications with stakeholders, including the Commission Board, management and internal and external auditors.

5. Attendance at ARC meetings

5.1. Committee meetings will normally be attended by:

- the Chief Executive (Accounting Officer)
- the Director of Corporate Services
- the Finance Lead (Secretariat)
- the Governance and Compliance Lead
- the internal auditor
- the NAO director responsible for external audit and other representatives of the NAO as appropriate

5.2. Any member of the Committee may ask other officials of the Commission to attend to assist with discussions on any particular matter.

5.3. Any member of the Committee, or the internal or external auditor, may ask the Chair to request the withdrawal of any non-member from any meeting or part of a meeting.

6. Secretariat

6.1. The Committee will have access to sufficient resources to carry out its duties. This will include the support of a secretariat with responsibility for arranging meetings, drafting agendas in consultation with the Chair, commissioning and circulating papers and taking minutes.

6.2. The Commission's Finance Lead will in the first instance act as the secretariat for the Committee. Another member of the Business Team will perform these duties in the absence of the Finance Lead.

7. Minutes

7.1. Committee proceedings, decisions and actions required from all meetings will be minuted and will include a record of the names of those present and in attendance.

7.2. The minutes of the meeting shall be approved by the Committee at its subsequent meeting.

7.3. Any actual or potential or perceived conflicts of interest shall be identified at the start of each meeting and recorded in the minutes. Each member shall have a duty to notify any circumstances which may constitute a conflict or a perceived conflict of interest to the Chair prior to the commencement of the meeting to enable a determination to be made as to what procedure should be adopted to limit the member's participation in the meeting in respect to the agenda item(s) which gives rise to the conflict or potential conflict.

8. Disclosure

8.1. The Commission's Annual Report and Accounts will describe the role, responsibilities and composition of the Committee and will include a report on the work of the Committee in discharging its responsibilities during the year.

8.2. The number of meetings of the Committee and the attendance record of members will also be disclosed in the Annual Report and Accounts.

9. Scope of delegated authority

9.1. The Committee is a committee of the Board, to which it reports on a regular basis.

9.2. The Committee's authority extends to all relevant matters (as set out in these terms of reference) relating to the carrying out of functions of the Commission.

9.3. The Committee is authorised by the Board to investigate any matters within its terms of reference and to seek any information it requires from any Board member or employee of the Commission in order to carry out its duties.

9.4. The Committee is authorised by the Board to obtain independent legal or other professional advice at the Commission's expense. The secretariat will facilitate this whenever it is required. The Committee may also commission reports and require the attendance at meetings of staff and/or other individuals with relevant experience and expertise, if it considers this necessary.

10. Responsibilities of the Committee

10.1. The Committee will support the Board by reviewing the comprehensiveness, reliability and integrity of the assurances provided to the Committee in relation to the Commission's internal controls, risk framework and governance. Based on the assurances provided to it, the Committee will form an overall view on the state of risk management, governance and internal controls, which it will report to the Board.

10.2. The Committee will give due consideration to relevant legislation and Treasury guidance (in particular the Audit Committee Handbook) as appropriate and oversee the coordination of the internal and external auditors.

10.3. To discharge the responsibilities delegated to it by the Board, the Committee shall seek assurance that:

- A proper framework of prudent and effective controls exists, so that risks can be assessed, managed, and taken prudently
- Clear accountabilities exist for managing risks
- The Commission's managers are equipped with the relevant skills and guidance

10.4. The Committee will undertake the following tasks:

General

- Agree an annual programme of activity taking into consideration the Commission's operating environment, resources and risks, and monitor throughout the year
- Prepare an annual report for the Board summarising its conclusions from its work in the past year, timed to support the preparation of the Annual Report and Accounts
- Review its own terms of reference and recommend to the Board any amendments to these terms of reference it considers necessary
- Undertake a review of risk at each core meeting
- Review an information technology update at each core meeting
- Review a health and safety update at each core meeting

- Note any updates to the register of interest / political activities information held
- Review the standing items schedule at each meeting

Annual Reports and Accounts, and the external audit

- Discuss the external auditor's year end plan
- Meet regularly with the external auditor, including at the planning stage before an audit and after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year without staff present, to discuss their remit and any issues arising from the audit
- Review the findings of the audit with the external auditors. This shall include but not be limited to a discussion of any major issues that arose during the audit; any accounting or audit judgements; levels of errors identified during the audit; and the effectiveness of the audit
- Review any management representation letter(s) requested by the external auditors
- Review the audit completion report and the adequacy of management's response to the auditor's findings and recommendations
- Review and recommend to the Board the annual governance statement and any other statements to be included in the Annual Report concerning internal control and risk management

Commission policies

- Review policies in line with the Commission's policy schedule
- Receive reports of any alleged instances of fraud, theft whistleblowing or bribery occurring amongst Commission staff, Commissioners, contractors or any other individuals acting on its behalf, and regularly review the operation of relevant policies
- Consider the Commission's inclusion in the National Fraud Initiative exercise

Internal audit

- Approve the tendering and appointment of the Commission's internal auditors
- Agree and approve the internal audit strategy and annual assurance work programme, including any subsequent revisions, and monitor progress of recommendations (including advisory) raised against plan
- Receive and consider internal audit's annual report and assurance opinion

Business activities identified for scrutiny

- Provide reports to the Board to assist its decision making as requested
- Consider the benefits of efficiency programmes and major projects, reports (such as the periodic NAO VfM report) which detail the Commission's outputs against targets and work on value for money and efficiencies
- Support the Accounting Officer in providing scrutiny on efficiency and effectiveness in the use of public funds
- Review reporting against the Government Efficiency Framework
- Review the Commission's progress in relation to sustainability

11. Reporting responsibilities

11.1. The Chair will provide a verbal update on Committee proceedings at the next relevant Board meeting. The minutes of Committee meetings will be available to all Board members to enable the Board to discuss matters where it considers it appropriate to do so.

11.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit, particularly where action or improvement is required.

11.3. The Committee will receive timely reporting of any issues within the scope of its responsibilities that may occur in between formal meetings of the Committee.

12. Assessment of performance

12.1. A review of the effectiveness of the Committee shall be undertaken every two years.

12.2. The Committee members' annual assessment of performance (appraisal) shall be coordinated as part of the performance review of Commissioners undertaken by the Board Chair. The Committee Chair will undertake the review of the Independent Member.