

Audit & Risk Committee Terms of Reference

Approved at the July 2019 Board Meeting.

Constitution

1. The Board has resolved to establish a committee of the Board to be known as the Audit and Risk Committee.
2. The Audit and Risk Committee will support the Board in its responsibilities for issues of risk control and governance.
3. The Audit and Risk Committee will review the comprehensiveness, reliability and integrity of assurances required by the Board and the Accounting Officer.
4. The Terms of Reference for the Committee outlined below are defined by the Board and may be amended by the Board at any time.

Membership

5. The Committee shall be made up of at least three Board members and additional co-opted members. At least one member of the Committee shall have recent and relevant financial expertise.
6. Board members of the Committee shall be appointed by the Board, on the recommendation of the Chair and in consultation with the Chair of the Committee.
7. Appointments to the Committee shall be for a period of up to three years, which may be extended for a further three-year period, provided the member still meets the criteria for membership of the Committee.
8. The Committee may co-opt additional members for an initial period not exceeding three years to provide specialist skills, knowledge and experience. A co-opted member may be reappointed for a further term not exceeding three years. The Committee may make appropriate arrangements for the payment of co-opted members, subject to the budget approved by the Board.
9. The Board shall appoint the Committee Chair who shall be a Board member. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chair of the Board shall not be Chair of the Committee.

10. Whether appointed by the Board or co-opted by the Committee, all members shall have equal status and responsibility.

Secretary

11. The Chief Operating Officer or their nominee shall act as the Secretary of the Committee.

Quorum

12. The quorum necessary for the transaction of business shall be three of which a majority are Board members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Meetings

13. The Committee shall meet at least four times a year and at such other times as the Chair of the Committee shall require. If at least two members of the Committee request an extraordinary meeting, the Chair of the Committee shall call such meeting.
14. Audit and Risk Committee meetings will normally be attended by the Accounting Officer, the Chief Operating Officer (Deputy Accounting Officer), Director of Finance, representatives from the Internal Audit Service Provider and representatives from the National Audit Office (NAO).
15. Other individuals and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
16. The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

Notice of Meetings

17. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.
18. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Board members, no later than seven working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

Minutes of Meetings

19. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

20. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

Information Requirements

21. For each meeting the Committee will be provided with:
- A report summarising the current financial position;
 - A report summarising any significant changes to UKAD's Risk Register;
 - A progress report from the Internal Audit Service Provider summarising:
 - Work performed (and a comparison with work planned);
 - Key issues emerging from Internal Audit work;
 - Management response to audit recommendations;
 - Changes to the audit plan;
 - Any issues affecting the delivery of Internal Audit objectives; and
 - A progress report from the NAO summarising work done and emerging findings.
22. As and when appropriate the Committee will also be provided with:
- Proposals for the Terms of Reference of Internal Audit;
 - The Internal Audit Strategy;
 - The Internal Audit Service Provider's Annual Opinion and Report;
 - Quality Assurance reports on the Internal Audit function;
 - The draft Annual Report and Accounts;
 - The draft Governance Statement;
 - A report on any changes to accounting policies;
 - A report on adherence to Delegated Authority and Expenses policy;
 - Management assurance reports;
 - Reports on the management of major incidents, near misses and lessons learnt;
 - The External Audit Strategy;
 - The External Audit Management Letter;
 - A report on any proposals to tender for audit functions; and
 - A report on co-operation between Internal and External Audit.

Responsibilities

23. The Committee will advise the Board and Accounting Officer on:
- The strategic processes for risk, control and governance and the Governance Statement;
 - The accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
 - The planned activity and results of both internal and external audit;

- Adequacy of management response to issues identified by audit activity, including external audit's management letter;
- Assurances relating to the corporate governance requirements for the organisation;
- Proposals for tendering for either Internal Audit services or for purchase of non-audit services from contractors who provide audit services;
- Anti-fraud policies, the reporting of wrong-doing processes, and arrangements for special investigations;
- Processes for monitoring compliance with relevant laws, regulations and codes of conduct; and
- Adequacy of Delegated Authority and Expenses policies.

Reporting Responsibilities

24. The Chair of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
25. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
26. The Committee shall produce an annual report, timed to support the completion of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.

Other

27. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
28. The Internal Audit Service Provider and the NAO will have free and confidential access to the Chair of the Committee.

Authority

29. The Committee is authorised by the Board to seek any information it requires from any employee of the company in order to perform its duties.
30. In connection with its duties the Committee is authorised by the Board, at the company's expense, to obtain any outside legal or other professional advice.

Philip Bunt
Chief Operating Officer
18 July 2019

Appendix 1 – Information requirements and responsibilities

	Director of Finance	Chief Operating Officer
Report summarising the current financial position	√	
Report summarising any significant changes to UKAD's Risk Register		√
Progress report from the Internal Audit Service Provider summarising	√	
Progress report from the NAO summarising work done and emerging findings	√	
Proposals for the Terms of Reference of Internal Audit	√	
Internal Audit Strategy	√	
Internal Audit Service Provider's Annual Opinion and Report	√	
Quality Assurance reports on the Internal Audit function	√	
Draft Annual Report and Accounts	√	
Draft Governance Statement		√
Report on any changes to accounting policies	√	
Report on adherence to Delegated Authority and Expenses policy	√	
Management assurance reports		√
Reports on the management of major incidents, near misses and lessons learnt		√
The External Audit Strategy	√	
The External Audit Management Letter	√	
Report on any proposals to tender for audit functions	√	
Report on co-operation between Internal and External Audit.	√	
Deputising for Accounting Officer		√
Governance (including secretary to the Committee)		√
Cyber-security		√
Risk, control, governance and governance statement;		√

	Director of Finance	Chief Operating Officer
Accounting policies; annual report and accounts; audit	√	
Planned internal and external audit activity and results	√	
Management response to issues identified by audits	√	
Assurances relating to the corporate governance		√
Proposals for tendering for either internal audit services	√	
Anti-fraud; anti-bribery; reporting of wrong-doing	√	
Legal; regulatory; codes of conduct compliance		√
Delegated authority and expenses policies	√	
Strategic Plan		√

Appendix 2 – Information requirements and responsibilities mapped to agenda plan

Information requirements - each meeting (ToR21)	Meeting
Report summarising the current financial position	All except 5 June
Report summarising any significant changes to UKAD's Risk Register	February; April, August, November
Progress reports from the Internal Audit Service Provider summarising plans, outcomes and the implementation of recommendations	February; April*; June; August; November
Progress report from the NAO summarising work done and emerging findings	February; April
Information requirements - as and when (ToR22)	
Proposals for the Terms of Reference of Internal Audit	
Internal Audit Strategy	April
Internal Audit Service Provider's Annual Opinion and Report	April
Quality Assurance reports on the Internal Audit function	
Draft Annual Report and Accounts	April; June
Draft Governance Statement	April; June
Report on any changes to accounting policies	
Report on adherence to Delegated Authority and Expenses policy	
Management assurance reports	
Reports on the management of major incidents, near misses and lessons learnt	
The External Audit Strategy	November
The External Audit Completion Report including Management Letter	June
Report on any proposals to tender for audit functions	
Report on co-operation between Internal and External Audit.	
Deputising for Accounting Officer	

Governance (including secretary to the Committee)	
Cyber-security	
Responsibilities (ToR23)	
Risk, control, governance and governance statement;	February; April; June; August; November
Accounting policies; annual report and accounts; audit	February; April; June;
Planned internal and external audit activity and results	February; April; June; August; November
Management response to issues identified by audits	February; April; June; August; November
Assurances relating to the corporate governance	April
Proposals for tendering for either internal audit services	
Anti-fraud; anti-bribery; reporting of wrong-doing	August
Legal; regulatory; codes of conduct compliance	
Delegated authority and expenses policies	

* Not on plan but reported