

Appendix 3: Audit and Risk Committee terms of reference

Introduction

1. In accordance with Paragraph 8 of Schedule 4 of the Gambling Act 2005 and the Management Agreement with DCMS, the Commission has established an Audit and Risk Committee.
2. These terms of reference set out the purpose, membership and delegated authority of the Audit and Risk Committee.
3. Nothing in these terms of reference shall detract from the responsibilities of the Chief Executive as Accounting Officer, as set out in *Managing Public Money*.

Purpose

4. The purpose of the Audit and Risk Committee is to support the Board of Commissioners and Accounting Officer by providing advice and assurance on risk management, governance and internal control. These Terms of Reference interpret this to include:
 - a. monitoring the integrity of the Commission's annual statutory financial statements
 - b. reviewing the Commission's governance, internal control and risk management systems and the comprehensiveness, reliability and integrity of the assurances provided by those systems
 - c. reviewing the internal and external audit services

Membership

5. The Audit and Risk Committee shall comprise a minimum of four Commissioners.
6. The membership shall also comprise the Independent Member of the Audit and Risk Committee if one has been appointed.
7. The Board will appoint a Chair of the Audit and Risk Committee who must be a Commissioner.
8. The Chairman of the Board will not normally be appointed to Chair the Audit and Risk Committee.
9. If the Chair of ARC is absent for any reason, then other members should agree amongst themselves who will chair.

Agenda

10. Within a reasonable time in advance of each meeting, the Chair of the Audit and Risk Committee and the Chief Operating Officer should agree the agenda for the meeting.
11. The agenda and meeting papers will be made available to members of the committee and all those attending at least 4 working days prior to a meeting.

Delegated powers

12. The Audit and Risk Committee may undertake the following actions.
13. Investigate any activity within its terms of reference.
14. Seek any information it may require from any Commissioner or employee. All members and employees must co-operate with the Committee.
15. Obtain legal or other professional advice and to secure the attendance at committee meetings of anyone it considers has relevant experience, expertise or knowledge.
16. Review the accounts, the accounting policies and other accounting information, the Governance Statement, and the assurances relating to corporate governance and legality contained in the Annual Report, including the process for review of:
 - a. the accounts prior to submission to external audit
 - b. the levels of error identified by external audit
 - c. management's letter of representation to the external auditors
17. Recommend the appointment and removal of the internal auditors and approval of the internal audit fee, the terms of engagement and the internal audit strategy and plan. Recommend to the Board and the Accounting Officer approval of the external audit strategy and plan.
18. The Committee should advise the Accounting Officer of any concerns with the external auditor or with any contractors engaged by the external auditor, in relation to their work with the Commission.

Functions and Duties

19. In particular the Audit and Risk Committee is responsible for the following:
 - a. Financial reporting
 - i. Review the Annual Report and Financial Statements before submission to the Board of Commissioners and Accounting Officer for approval, focusing particularly on the wording in the Governance Statement and other disclosures relevant to the Terms of Reference of the Committee including:
 1. changes in, and compliance with, accounting policies and practices
 2. unadjusted misstatements in the financial statements
 3. major judgemental areas
 4. significant adjustments resulting from the audit
 5. external audit's management letter
 6. management's letter of representation to the external auditors
 - ii. Ensure that the systems for financial reporting, including those of budgetary control, are subject to periodic review by internal audit as to completeness and accuracy of the information provided to the Board of Commissioners.
 - b. Governance, Risk Management and Internal Control
 - i. Periodically review the delegated authorities and governance structure and make recommendations on whether they are adequate.

- ii. Monitor the integrity of the system of internal controls. In particular, to review management's and the internal auditors' reports on the effectiveness of the system of internal control, including Health and Safety.
 - iii. Assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor significant risks.
 - iv. Ensure that risk monitoring arrangements are fit for purpose and proportionate.
 - v. Review the comprehensiveness, reliability and integrity of the assurances provided in relation to governance, internal control and risk management.
 - vi. At the request of the Board of Commissioners, advise it on matters of corporate governance (but without prejudice to the Committee's power to make recommendations to the Board of Commissioners on corporate governance issues arising from the work of the auditors).
 - vii. Advise on the Strategic process for risk, control and governance.
 - viii. Provide assurance on the adequacy and effectiveness of the risk management processes. This involves reviewing the Corporate Risk Register, the Board Assurance Framework, obtaining assurance on risk management arrangements from internal auditors, and reviewing the status and trends of all risk in the strategic risk register.
 - ix. To undertake a “deep dive” review of individual risks as per an agreed schedule of reviews.
- c. Internal Audit
- i. Review and recommend for approval the internal audit programme, ensuring that the programme reflects the risks that the Committee deems more important to address.
 - ii. Ensure that the function is adequately resourced and has appropriate standing within the Commission.
 - iii. Consider the adequacy of management's responses to all internal audit recommendations.
 - iv. Meet with the internal auditors at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. The internal auditors should be given the right of direct access to the Chair of the Commission and the Committee.
 - v. Monitor and review the effectiveness and quality of the internal audit function to ensure it provides appropriate independent assurance to the Board of Commissioners and value for money.
- d. External Audit
- i. Review the findings of the audit with the external auditor considering any material issues which arose during the audit, any accounting and audit judgements and levels of errors identified during the audit.
 - ii. Meet with the external auditors at least once year, without the management being present, to discuss their remit and any issues arising from the audit.

- iii. Make recommendations on any provision of any non-audit services, and value for money
 - iv. Monitor and review the effectiveness and quality of the audit and the relationship with the auditor as a whole.
- e. Public Interest Disclosure, fraud and investigations:
- i. Review the Commission's arrangements for employees, Commissioners and third parties to raise concerns about possible wrongdoing in financial reporting or other matters and ensure that they allow proportionate and independent investigation. Review the Commission's policies for both internal and external public interest disclosure. Updates on these matters to be standing items on the Committee agenda.
 - ii. Review the anti-fraud and bribery policies and arrangements in place for special investigations.
 - iii. Periodically review relevant policies for example Health & Safety or Business continuity
- f. Information security
- i. Oversee the Commission's approach to information security, including cyber security, to ensure it meets all relevant requirements of the Information Commissioner's Office and other agencies. Updates on these matters to be standing items on the Committee agenda.
 - ii. Review the Commission's policies and assurance frameworks on information and personal data security management.
 - iii. Assess the Commission's response to major information security failures following reports submitted by the Senior Information Risk Officer.
- g. Review of effectiveness
- i. Annually review its own effectiveness and report the results of that review to the Board of Commissioners.

Quorum

20. The quorum shall be two members of the Committee, provided one of those present is the Chair of the Audit and Risk Committee, otherwise the quorum is three members of the Audit and Risk Committee.

Meetings

21. The Audit and Risk Committee shall meet at least four times in each financial year. The Chair of the Audit and Risk Committee may convene additional meetings when considered necessary.
22. The Chairman of the Board, the Board of Commissioners or the Accounting Officer may ask the Audit and Risk Committee to convene additional meetings to discuss particular issues on which they want the Committee's advice.
23. Meetings of the Audit and Risk Committee may take place via telephone conference or Skype.

Attendance at meetings

24. Meetings of the Audit and Risk Committee will normally be attended by:
- a. the Accounting Officer
 - b. the Chief Operating Officer
 - c. the Head of Finance
 - d. the Financial Controller
 - e. the Head of Governance
 - f. the Head of Internal Audit (or equivalent)
 - g. a representative of External Audit
25. The Audit and Risk Committee may ask any other employees of the Commission to attend meetings to assist with discussions on any particular matter.
26. The Audit and Risk Committee may ask any or all of those who normally attend, but who are not members, to withdraw.

Reporting

27. A note will be taken of each meeting. Minutes and action points will be circulated to all Committee members, to meeting attendees and to others as necessary.
28. The Chair of the Audit and Risk Committee will report on matters considered by the Audit and Risk Committee at the next meeting of the Board.
29. The Board and Accounting Officer shall be provided with approved minutes of the Audit and Risk Committee.
30. The Audit and Risk Committee will make a written report at least annually on its activities to the Board. The Audit and Risk Committee's activities will be reported in time to support the final approval of the annual accounts and the Governance Statement, and will include a summary of the conclusions drawn from work carried out during the year.