

Audit and Risk Assurance Committee – Terms of reference

Role

The role of the Audit and Risk Assurance Committee is to advise the Commission, and its Accounting Officer on matters of probity, regularity (including compliance and financial reporting), prudent and economical administration, efficiency and effectiveness as identified by internal and external audit and through the Commission's system of internal control.

It also exercises scrutiny of the operation of the Commission's Risk Management Policy to provide assurance to the Commission that key risks are being managed effectively.

Scope and remit

The scope and remit of the Committee takes into account the model and guidance set out in the Audit Committee Handbook published by HM Treasury.

The Committee will consider and advise the Commission and Accounting Officer on the following matters:

Financial reporting

- The accounting policies, the accounts (and the annual report as required), including the process for review of the accounts prior to submission for audit, levels of errors identified, and managements letter of representation to the external auditors.
- Assurances about the financial systems which provide the figures for the accounts.
- The quality of the control arrangements over the preparation of the accounts by the Head of Finance (or equivalent).
- Key judgements made in preparing the accounts.
- Any disputes arising between those responsible for preparing the accounts and the auditors.

External audit

- The nature and scope of the external audit, including audit strategies and audit risks reported.
- The external auditor's Management Letter (or completion report) and the response of management.
- The plans and progress of management action relating to these matters.

Internal audit

- The internal audit strategy, plans, risk analysis and annual programme; in particular, that these reflects the assessment of strategic and operational risks.
- The internal auditor's annual report on systems of internal control.
- Reports from the internal auditors on audits completed, including value for money and risk management, arrangements for their implementation.
- The plans and progress of management action relating to these matters.

- Liaison between internal and external auditors.
- The overall performance of the internal auditor; in particular whether the service complies with appropriate government guidance and meets agreed levels of service.

Internal controls

- Key policies defining internal controls in order to advise on compliance with best practice and procedures consistent with Managing Public Money.
- At least on an annual basis, the governance arrangements in place within the Commission, particularly in terms of their practical application and effectiveness.
- The effectiveness of the internal control systems established to ensure that the aims, objectives and key performance targets of the Commission are achieved in the most economic and effective manner.
- Any changes to Financial Instructions.
- Any case in which Financial Regulations have been waived.
- A schedule of losses and special payments.
- Reports from the Accounting Officer in respect of cases of fraud, irregularity or misappropriation.
- Gifts and hospitality annual reporting.
- Any matters referred to it under the Commission's whistle-blowing policy.
- Annual report by the Chair of Remuneration and Appointments Committee detailing whistleblowing incidents, if any.

Scrutiny of risk management

The Committee will provide assurance to the Commission that key risks are being managed effectively, and, in particular, will:

- Scrutinise the LGSCO Assurance Map, based upon the strategic risk register,
- Conduct detailed 'deep dive' scrutiny of key areas of strategic risk with individual risk and assurance managers to satisfy themselves that action plans are adequate to mitigate and control strategic risks to the organisation,
- Identify any new risks that have been exposed through the Committee's work.

The Committee will:

- Receive a copy of the Strategic Risk Register at every meeting, and
- Maintain a forward programme setting out the priority risks that it wishes to examine in greater depth.

Membership and attendance

The members of the Committee are the three independent members, one of whom will be appointed as the Chair.

The Chair of the Commission may also attend Committee meetings, at the Committee's invitation, as an observer and to assist the Committee in its deliberations.

The Commission's Accounting Officer and the Head of Finance/Senior Finance Officer will be in attendance and will be principal advisers to the Committee. Directors and other senior staff will attend as required.

A quorum for Committee meeting shall be two members.

The appointed external auditor and internal audit representatives shall attend meetings to present their reports.

In the event the Committee feels it needs specialist advice or experience to undertake any element of its' duties, it has the option to get the advice from a specialist or co-opt an individual to the Committee, for a certain period, to obtain the advice it requires.

Access

The internal and external auditors shall have free and confidential access to the Chair of the Audit and Risk Assurance Committee.

Reporting

The Committee will report formally in writing to the Commission and Accounting Officer after each meeting by presenting their minutes.

The Committee will provide the Commission and Accounting Officer with an Annual Report timed to support finalisation of the accounts and the Governance Statement, summarising the Committee's conclusions from the work it has done during the year.

Arrangements for meetings

Meetings of the Committee shall be held four times a year. Additional meetings may be called at such times as may be considered necessary.

Agendas specifying the business to be discussed will normally be circulated no less than seven days before the meeting. In the case of additional meetings, called at shorter notice in case of urgency, members will be notified of the reason for calling the meeting and, if possible, will be provided with an agenda at least 48 hours before the meeting.

The appointed external auditor may request a meeting of the Committee to consider any matter which he/she deems appropriate for such action.

At meetings of the Committee when a vote is held the Chair (or in his/her absence a member of the Committee appointed as acting Chair) will have a second casting vote in the event of equality of votes.

In the absence of a quorum any business remaining shall be taken at the next meeting of the Committee.

Minutes of each meeting of the Committee will be prepared and these, together with any decisions or recommendations, shall be reported to the next meeting of the Committee and the Commission.

Reviews

The Committee will periodically review its own effectiveness and report the results to the Commission.

These terms of reference will be reviewed every two years by the Commission with the advice of the Committee.

Last reviewed: 20 June 2019