Audit and Risk Assurance Committee

Terms of reference

Purpose

1. The purpose of the Audit and Risk Assurance Committee is to advise the Accounting Officer (the Chief Executive) and the Board on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control, with a view to enabling the Board to assure itself of the effectiveness of the CMA's risk management system and procedures and its internal controls including business continuity and information technology.

Status

2. The Audit and Risk Assurance Committee acts only in an advisory capacity and has no executive powers.

3. The Audit and Risk Assurance Committee is authorised to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any Member or employee of the CMA and all Members and employees of the CMA are directed to co-operate with any reasonable request made by the Audit and Risk Assurance Committee.

4. The Audit and Risk Assurance Committee is authorised to obtain independent professional advice (including legal advice) and to arrange for the attendance of persons who are not CMA employees with relevant experience and expertise if it considers this necessary.

Terms of reference

5. The Audit and Risk Assurance Committee’s remit encompasses all aspects of corporate governance, risk management and internal control within the CMA. In particular, the Audit and Risk Assurance Committee shall review, advise, and prepare a report, as appropriate, in relation to the following:
• the effectiveness of mechanisms employed for the identification, assessment and management of risk

• the robustness of internal control systems, including the statements to be included in the annual report concerning internal controls and risk management

• compliance with the Government's policies on Corporate Governance, together with such generally accepted principles of good corporate governance as it is reasonable to regard as applicable to the CMA

• the suitability of the whistle-blowing arrangements, whereby employees can raise concerns in confidence about possible wrong doing in financial reporting or other matters, including the proportionate and independent investigation of such matters and the appropriateness of any follow-up action

• the effectiveness of the procedures for detecting fraud

• the Annual Account and Trust Statement, focussing particularly on:
  - the quality of financial reporting and ensure that such reporting presents a balanced and understandable assessment of the position and performance of the CMA
  - critical accounting policies and practices, including the consistency of accounting policies on a year to year basis
  - major financial reporting issues and judgmental areas
  - the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
  - the propriety of major adjustments processed at year end
  - significant adjustments resulting from the audit

• external audit reports, including:
  - meeting with external auditors at least twice a year, once at the planning stage, where the scope of the audit will be considered, and once at the reporting stage
  - discussing problems and reservations arising from the audit, and any matters the auditor may wish to discuss (where requested by the Audit and Risk Assurance Committee, in the absence of Executive Members and
any other person who is not a member of the Audit and Risk Assurance Committee)

- reviewing the external auditors' proposed audit opinion
- reviewing the external auditors management letter and management's response
- facilitating the resolution of any difference between management and the auditor regarding financial reporting;

- the effectiveness of the internal audit function in the context of the overall risk management system, including:
  - the internal audit strategy and plan
  - its remit and resourcing
  - its standing and freedom from management and other restrictions
  - reviewing all internal audit reports promptly
  - the adequacy of management responses to audit reports
  - the performance of the internal auditor; and
  - the Accounting Officer's CMA governance statement.

6. The Audit and Risk Assurance Committee shall recommend to the Board, Executive Committee and Accounting Officer, as appropriate, such changes to existing practices and systems as is necessary.

**Membership**

7. The Audit and Risk Assurance Committee shall comprise, so far as possible, Non-executive Members of the Board and one independent member. In circumstances where this is not possible, the Audit and Risk Assurance Committee shall comprise at least two Non-executive Members and at least one co-opted member who is not an employee of the CMA. The Committee shall have the power to co-opt a person or persons with appropriate specialist qualifications and/or experience subject to the approval of the appointment by the Board.

8. The Chair of the CMA Board, the Chief Executive (in his role as Accounting Officer), the Executive Director for Corporate Services, the Director of Finance and Procurement and the Head of Internal Audit may also attend at the discretion of the Audit and Risk Assurance Committee.
9. A Non-executive Member or other independent co-opted member shall chair the Audit and Risk Assurance Committee.

10. The Chair of the Audit and Risk Assurance Committee shall be rotated on an appropriate cycle to provide for objectivity in the long term and to avoid over or under representation of particular aspects of the CMA’s business and administrative interests.

11. A quorum shall be three members.

Meetings

12. The Audit and Risk Assurance Committee shall meet as required, at least four times each year.

Reporting

13. The Corporate Services Directorate supports the work of the Audit and Risk Assurance Committee.

14. The Audit and Risk Assurance Committee is a sub-committee of the Board and its minutes shall be circulated to the Board.

15. The Chair of the Audit and Risk Assurance Committee shall report once a year to the Accounting Officer, and inform the Board, on the findings and conclusions of the Audit and Risk Assurance Committee for the past year.

Access rights

16. The Head of Internal Audit and the representation of the External Audit team have the right of access to the Audit and Risk Assurance Committee and/or the Audit and Risk Assurance Committee Chairman and shall normally be present at meetings (as attendees rather than members).

Conflicts of interest

17. Members of the Audit and Risk Assurance Committee will:

- have regard to the policy of the CMA on conflicts of interest, which can be found on the CMA website

- review before each meeting whether there are any interests which may conflict with their duties as members of the Audit and Risk Assurance Committee and, if so, disclose them to the secretary of the Audit and Risk Assurance Committee and, where appropriate, the CMA Compliance Officer
• be asked by the Chair of the Audit and Risk Assurance Committee at each meeting to confirm they have carried out such a review and made such disclosure

• not participate in any activity of the Audit and Risk Assurance Committee in relation to which they believe they have a conflict or possible conflict of interest without the consent of the Chair of the Audit and Risk Assurance Committee.

**Review**

18. These terms of reference will be reviewed by the Audit and Risk Assurance Committee on a regular basis and be updated as considered necessary.

**Version control**

19. These terms of reference were last updated in July 2014.