

NIO AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

INTRODUCTION

1. The Board has established an Audit and Risk Assurance Committee as a Committee of the Board to support them in their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

MEMBERSHIP

2. The members of the Audit and Risk Assurance Committee are:

- Non-executive Board members:
Dawn Johnson

- Independent External members:
Chris Flatt
Sian Osborne

3. The Audit and Risk Assurance Committee will be chaired by Dawn Johnson.

4. The Audit and Risk Assurance Committee will be provided with a secretariat function by the Corporate Governance Team.

REPORTING

5. The Audit and Risk Assurance Committee will formally report in writing to the Board and Accounting Officer after each meeting.

6. The Audit and Risk Assurance Committee will provide the Board and Accounting Officer with an Annual Report, timed to support finalisation of the

accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.

RESPONSIBILITIES

7. The Audit and Risk Assurance 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 and all bodies within the accounting boundaries, 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 management of risk and corporate governance requirements for the organisation;
- (where appropriate) proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services; and
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

8. The Audit and Risk Assurance Committee will also periodically review its own effectiveness and report the results of that review to the Board.

Rights

9. The Audit and Risk Assurance Committee may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience;

- procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board.

Access

10. The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit and Risk Assurance Committee.

Meetings

11. The Audit and Risk Assurance Committee will meet at least four times a year. The Chair of the Audit and Risk Assurance Committee may convene additional meetings, as they deem necessary.

12. A minimum of two members of the Audit and Risk Assurance Committee will be present for the meeting to be deemed quorate.

13. Audit and Risk Assurance Committee meetings will normally be attended by the Accounting Officer or his nominee, the Head of Finance, a senior manager from the Governance team, Head of Internal Audit, and a representative of External Audit;

14. The Audit and Risk Assurance Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter;

15. The Audit and Risk Assurance 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;

16. The Board or the Accounting Officer may ask the Audit and Risk Assurance Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

Information requirements

17. For each meeting the Audit and Risk Assurance Committee will be provided (well ahead of the meeting) with:

- a report summarising any significant changes to the organisation's strategic risks and a copy of the strategic/corporate Risk Register.
- a progress report from the Head of Internal Audit summarising:
 - work performed (and a comparison with work planned)
 - key issues emerging from the work of internal audit
 - management response to audit recommendations
 - changes to the agreed internal audit plan and
 - any resourcing issues affecting the delivery of the objectives of internal audit.
- a progress report (written/verbal) from the External Audit representative summarising work done and emerging findings (this may include, where relevant to the organisation, aspects of the wider work carried out by the NAO, for example, Value for Money reports and good practice findings).

18. 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 Head of Internal Audit's Annual Opinion and Report
- all internal audit reports
- quality Assurance reports on the internal audit function
- the draft accounts of the organisation
- the draft Governance Statement
- a report on any changes to accounting policies
- external Audit's management letter
- a report on any proposals to tender for audit functions
- management stewardship statements
- a report on co-operation between internal and external audit; and
- the organisation's Risk Management strategy.