

Appendix 3: Audit and Risk Committee terms of reference

Introduction

1. In accordance with Paragraph 8 of Schedule 4 of the Gambling Act 2005 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 authority of the Chief Executive as Accounting Officer.

Purpose

4. The purpose of the Audit and Risk Committee is to support the Board of Commissioners and Accounting Officer by:
 - 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 three 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.
8. The Chairman of the Board will not normally be appointed to Chair the Audit and Risk Committee.

Delegated Powers

9. Investigate any activity within its terms of reference. Any investigation will normally be initiated in consultation with the Accounting Officer.
10. Seek any information it may require from any Commissioner or employee. All members and employees must co-operate with the Committee. (It will be normal practice to channel such requests through the Accounting Officer).
11. Obtain legal or other professional advice, subject to budgetary provision agreed in advance by the Accounting Officer and the Board, and to secure the attendance at committee meetings of anyone it considers has relevant experience, expertise or knowledge.
12. 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

13. Recommend the appointment and removal of the internal auditors and provide advice to the Board and Accounting Officer, on the internal audit fee, the terms of engagement and the internal audit strategy and plan.
14. Recommend to the Board and the Accounting Officer approval of the external audit fee and terms of engagement of the external auditor and the external audit strategy and plan.

Functions and Duties

15. 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 to the Board of Commissioners, 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. Review the delegated authorities and governance structure annually, report to the Board of Commissioners on whether they are adequate and make any recommendations to the Board of Commissioners.
- ii. Monitor the integrity of the system of internal controls. In particular, 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. Review the comprehensiveness, reliability and integrity of the assurances provided in relation to governance, internal control and risk management.
- v. 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).
- vi. Provide assurance to the Board of Commissioners on the adequacy and effectiveness of the risk management processes. This involves reviewing the Corporate Risk Register, obtaining assurance on risk

management arrangements from internal auditors, and reviewing the status and trends of all risk in the strategic risk register.

- vii. To undertake a “deep dive” review of individual risks as per an agreed schedule of reviews.

c. Internal Audit

- i. Review the internal audit programme and ensure that the function is adequately resourced and has appropriate standing within the Commission.
- ii. Consider and monitor management's responses to all internal audit recommendations.
- iii. 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.
- iv. 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. Consider and make recommendations to the Board of Commissioners on the appointment, reappointment and removal of the external auditors.
- ii. 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.
- iii. 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.
- iv. Monitor and review the effectiveness and quality of the audit, assessing annually their independence and the relationship with the auditor as a whole, including the provision of any non-audit services, and value for money.

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.
- ii. Review the Commission's policies for both internal and external whistleblowing.
- iii. Review the anti-fraud and bribery policies and arrangements in place for special investigations.

f. Information security

- i. Oversee the Commission's approach to information security to ensure it meets all relevant requirements of the Information Commissioner's Office and other agencies.

- 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. Periodically review its own effectiveness and report the results of that review to the Board of Commissioners.

Quorum

16. 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

17. 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.
18. The Chairman of the Board, the Board of Commissioners or 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.
19. Meetings of the Audit and Risk Committee may take place via telephone conference or Skype.

Attendance at meetings

20. 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
21. The Audit and Risk Committee may ask any other employees of the Commission to attend meetings to assist with discussions on any particular matter.
22. The Audit and Risk Committee may ask any or all of those who normally attend, but who are not members, to withdraw.

Reporting

23. 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.
24. The Board and Accounting Officer shall be provided with minutes of the Audit and Risk Committee's proceedings after each meeting.
25. 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.