



Audit and Risk Assurance Committee Terms of Reference

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Document Control

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Version No	Lead	Date change implemented	Reason for change
1	Ian Reid	No change	Not applicable
2	Anita Jones & Sarah Harrod	3 June 2019	1) Amendments to Committee's duties to reflect need to review finance policies and fraud responsibilities. 2) Amendment to Committee name to reflect change to Audit and Risk Assurance Committee. 3) Document control page added
3	Sarah Harrod	17 June 2019	1) Reviewed and amended to align with ARAC committee handbook (March 2016)
4	Sarah Harrod	2 March 2021	1) Reviewed and amended to incorporate the review of the Scheme of Financial Delegation.

Consultation History

Position	Organisation
Simon Ball	Commonwealth Games England & ARAC Chair
Helen Judge	Department for Digital, Culture, Media and Sport & ARAC Committee Member
Ian Ward	Birmingham City Council & ARAC Committee Member

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Constitution

1. The Board hereby resolves to establish a Committee of the Board to be known as the Audit and Risk Assurance Committee (“ARAC”). The ARAC will support the Board 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. An effective ARAC must have members who are both independent and objective.
3. The ARAC members should not have any executive responsibilities, the committee should comprise of at least three members.
4. The Chair of the ARAC should be a Non-Executive Board Member with relevant experience. There should be at least one other NEBM on the committee; the committee may need to seek further independent, non-executive membership from sources other than the board in order to ensure an appropriate level of skills and experience. The Chairman of the ARAC shall be appointed by the Board from amongst the Board Directors of the Company. As a minimum there should be one nominee member from each of the Games funders – DCMS and BCC.
5. The members should be independent and objective; in addition, each member should have a good understanding of the objectives and priorities of the organisation and of their role as an ARAC member.
6. The ARAC should corporately own an appropriate skills mix to allow it to carry out its overall function.

Communication and reporting

7. The Audit and Risk Assurance Committee will formally report in writing to the Board and Accounting Officer after each meeting.
8. 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.
9. The Audit and Risk Assurance Committee should ensure that it has effective communication with all key stakeholders, for example, the Board, the Group Chief Internal Auditor, Head of Internal Audit, the External Auditor, Risk Manager and other relevant assurance providers.
10. The secretariat will be responsible for timeously circulating the minutes of meetings of the Committee to all members of the Board.
11. The Committee members shall conduct an annual review of its own effectiveness and

report the results of that review to the Board.

12. The duties and results of the Committee's activities during the year shall be disclosed in the annual financial statements.

Attendance at Meetings

13. A minimum of three members of the Audit and Risk Assurance Committee will be present for the meeting to be deemed quorate.
14. ARAC meetings will normally be attended by the Accounting Officer, the Chief Financial Officer, Director of Programme Management and Integrated Planning, Head of Internal Audit, and a representative of External Audit.
15. The ARAC may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter
16. The ARAC 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
17. The Board or the Accounting Officer may ask the ARAC to convene further meetings to discuss particular issues on which they want the Committee's advice.
18. The Chairman of the Board and Chief Executive Officer can attend all meetings of the Committee. Other Board members shall attend by invitation of the Committee.
19. There should be at least one meeting a year, or part thereof, where the external auditors attend without executive management present.
20. There should be at least one meeting a year, or part thereof, where the internal auditors attend without executive management present
21. The OC shall provide secretarial support to the Committee.

Frequency of Meetings

22. The ARAC will meet at least four times a year to coincide with key dates in the OC's financial reporting cycle. The Chair of the ARAC may convene additional meetings, as they deem necessary.
23. External auditors may request a meeting normally through the Chairman of the Committee if they consider that one is necessary to consider urgent issues.

Authority

24. The Committee is authorised by the Board to:
- (i) investigate any activity within its terms of reference;
 - (ii) seek any information that it requires from any employee of the Company and all employees are directed to co-operate with any request made by the Committee;
 - (iii) obtain outside legal or independent professional advice and such advisors may attend meetings as necessary.

Rights

25. The ARAC 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

26. The Internal Audit Partner and the representative of External Audit will have free and confidential access to the Chair of the ARAC.

Duties - Audit

27. The duties of the Committee shall be to:
- (i) discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
 - (ii) review the external auditor's management letter and adequacy of management's response;
 - (iii) review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
 - (iv) consider the adequacy of management's response to internal audit recommendations made either through the internal audit function or external auditors.
 - (v) consider and if appropriate ratify the appointment or dismissal of the Head of Internal Audit;
 - (vi) Consider the planned activity and results of both internal and external audit;

- (vii) review treasury policy including foreign exchange exposure;
- (viii) review key financial policies and ensure they are aligned to the complexity of the OC;
- (ix) oversee the management's implementation of systems for financial control, financial reporting and risk management;
- (x) review, and challenge where necessary, the actions and judgements of management, in relation to the annual financial statements before submission to the auditors and Board, paying particular attention to:
 - a. critical accounting policies and practices, and any changes in them;
 - b. the accounts and the annual report of the OC, including the process for review of the accounts prior to submission for audit, level of errors identified;
 - c. decisions requiring a major element of judgement;
 - d. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - e. the clarity of disclosures;
 - f. significant adjustments resulting from the audit;
 - g. compliance with accounting standards;
 - h. management's letter of representation to the external auditors;
 - i. compliance with the relevant elements of the Management Agreement with the Department for Culture, Media and Sport;
 - j. compliance with all statutory requirements and other requirements of regulatory bodies including the Commonwealth Games Federation in relation to financial accounting and reporting;
 - k. review the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company.
- (xi) receive reports from management on any circumstances regarding significant fraud, misappropriation of assets or unethical behaviour which could lead to significant financial loss;
- (xii) consider other topics, as defined by the Board;
- (xiii) consider proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services;
- (xiv) review the financial performance of the OC against the approved budget;
- (xv) Annual review of the Scheme of Financial Delegation to confirm delegation levels remain appropriate.

Duties - Risk

28. The responsibilities of the Committee shall be to:
- (i) review the risk framework, procedures, policies and governance and identify areas for potential improvement.
 - (ii) review the utilisation of funds for the management of risk across the company and amend strategies as appropriate.
 - (iii) review and assess the appropriateness and effectiveness of the Company's systems of non-financial internal controls.
 - (iv) consider major findings of any internal investigations and management's responses;
 - (v) consider other topics, as referred to from time to time by the Board;
 - (vi) advise the Board and Accounting officer on the strategic processes for risk, control and governance and the Governance Statement.
 - (vii) advise of the assurances relating to the management of risk and corporate governance requirements for the OC.

Duties – Fraud

29. The responsibilities of the Committee shall be to support the OC in line with the Fraud Response Plan when advice is sought.
30. The Committee shall advise the Board and Accounting Officer on anti-fraud policies, whistle-blowing processes, and arrangements for special investigations;

Information requirements

31. For each meeting the Audit and Risk Assurance Committee will be provided (well ahead of the meeting) with:
- (i) a report summarising any significant changes to the organisation's strategic risks and a copy of the strategic/corporate Risk Register
 - (ii) a progress report from the Head of Internal Audit summarising:
 - a. work performed (and a comparison with work planned)
 - b. key issues emerging from the work of internal audit
 - c. management response to audit recommendations
 - d. changes to the agreed internal audit plan; and
 - e. any resourcing issues affecting the delivery of the objectives of internal audit
 - (iii) 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)
- (iv) management assurance reports; and
 - (v) reports on the management of major incidents, “near misses” and lessons learned.
32. As and when appropriate the Committee will also be provided with:
- (i) proposals for the terms of reference of internal audit / the internal audit charter
 - (ii) the internal audit strategy
 - (iii) the Head of Internal Audit’s Annual Opinion and Report
 - (iv) quality Assurance reports on the internal audit function
 - (v) the draft accounts of the organisation
 - (vi) the draft Governance Statement
 - (vii) a report on any changes to accounting policies
 - (viii) external Audit’s management letter
 - (ix) a report on any proposals to tender for audit functions
 - (x) a report on co-operation between internal and external audit; and
 - (xi) the organisation’s Risk Management strategy

Other

- 33. The Committee will have access to sufficient resource to carry out its duties.
- 34. The Committee will be provided with appropriate and timely training.