

## Audit and Risk Committee terms of reference

### 1. Purpose

- 1.1. The Audit and Risk Committee supports the Management Board in its role in respect of the effectiveness of the ICO's risk management system and procedures and its internal controls; by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report. It should lead the assessment of the annual governance statement for the Board.
- 1.2. The Committee will have particular engagement with the work of internal audit, risk management, the external auditor and financial management and reporting issues.
- 1.3. In relation to risk management, the Audit and Risk Committee is part of the third line of defence in the ICO's risk management framework.
- 1.4. The Committee does not have any executive responsibilities.

### 2. Responsibilities

- 2.1. The Committee should ensure that arrangements are in place to enable it to discharge its responsibilities effectively, including:
  - formal procedures for the appointment of new Committee members;
  - allowing sufficient time for the Committee to discharge its collective responsibilities effectively; an
  - induction for new members on joining the Committee;
- 2.2. The Committee should agree and document an appropriate system to record and manage conflicts and potential conflicts of interest of Committee members.
- 2.3. After each meeting of the Committee a report should be prepared for the Board summarising the business undertaken by the Committee and offering the views of and advice from the Committee on issues which they consider the Board should take action. This can be by way of the minutes.

2.4. The Committee should provide an Annual report timed to support the preparation of the governance statement. The report needs to be open and honest in presenting the Committee's views. It should summarise the Committee's work for the year past and present the Committee's opinion on:

- the effectiveness of governance, risk management and control
- the comprehensiveness of assurances in meeting the Board and accounting officer needs
- the reliability and integrity of these assurances
- whether the assurance available is sufficient to support the Board and accounting office in their decision taking and accountability obligations
- the implications of these assurances for the overall management of risk
- any issues the Committee considers pertinent to the governance statement and any long term issues the Committee thinks the Board and accounting officer should give attention to
- financial reporting for the year
- the quality of both internal and external audit and their approach and responsibilities; and
- the Committee's views of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.

### 3. Authority

3.1. The Committee's authority derives from the Board.

### 4. Composition

4.1. The Committee consists of:

- The chair (a Non-executive Director)
- A Non-executive Director member
- An independent member

4.2. Members should have relevant experience and skills and at least one or more of the members should have recent and relevant financial experience.

- 4.3. Senior managers with financial responsibility should routinely attend the Committee meetings, along with the Head of internal audit and a representative of the external auditors.
- 4.4. The Information Commissioner is invited to attend all meetings of the Committee and may attend if they wish. The Commissioner is required to attend the meeting at which the Committee reviews the ICO's annual report and financial statements with a view to recommending this to the Commissioner to sign off, as the Accounting Officer (usually in June each year). The Chair may also ask the Commissioner to attend any specific meeting.
- 4.5. The Committee may ask any other officials of the ICO to attend to assist it with its discussions on any particular matter.
- 4.6. The 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.

## 5. Quorum

- 5.1. The Committee is quorate with the following members present:
  - At least two members of the Committee.

## 6. Information requirements

- 6.1. The Committee should ensure that arrangements are in place to enable it to discharge its responsibilities effectively, including the timely provision of information in an appropriate form and quality. This should include:
  - a report summarising any significant changes to the organisation's strategic risks and a copy of the strategic/corporate risk register
  - 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 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)

- management assurance reports; and
- reports on the management of major incidents, “near misses” and lessons learned.

6.2. As and when appropriate the Committee will also be provided with:

- the internal audit strategy
- the Head of Internal Audit’s Annual Opinion and Report
- 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
- a report on co-operation between internal and external audit; and
- the organisation’s Risk Management strategy

## 7. Access to the Chair of the Committee

7.1. The Head of Internal Audit and the representative of the external auditors have free and confidential access to the Chair of the Audit and Risk Committee.

## 8. Budget

8.1. The Audit and Risk Committee is not responsible for a specific budget.

## 9. Secretariat

9.1. Secretariat is provided by the Corporate Governance Team.

## 10. Frequency of meetings

10.1. The Committee should meet at least quarterly.

## 11. Evaluation

11.1. The Committee should ensure that arrangements are in place to enable it to discharge its responsibilities effectively, including a formal annual evaluation of the Committee's performance.