

## AUDIT COMMITTEE

### TERMS OF REFERENCE

#### A. Functions

1. The Audit Committee is an advisory body with no executive powers, other than those granted to it in Section F below, established by the Commissioners of the National Lottery Commission. Its main functions are:
  - a. to help promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of those funds;
  - b. to improve the quality of financial reporting by reviewing internal and external financial statements on behalf of the Commission;
  - c. to promote a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement
  - d. monitor the Commission's achievement of value for money in its operations.
  - e. to promote the development of internal control systems which will help satisfy the Commission that it will achieve its key objectives and targets and is operating:
  - f. in accordance with any statutory requirements for the use of public funds;
  - g. within delegated authorities laid down by the sponsor department and the Commission's own rules on what matters should be referred to the full Commission;
  - h. in a manner which will make most economic and effective use of resources available.
  - i. to monitor the systems and procedures the Commission has in place to manage risk and promote the active management of risk by reviewing the risk register at each meeting.
  - j. in the event of the discovery of irregular actions on the part of the Accounting Officer the Committee will advise the Commissioners to proceed according to the actions laid down in the NLC's "Whistle Blowing Policy".

#### B. Membership and Attendance

1. The Audit Committee will be chaired by a member of the Commission other than the Chairman, who has relevant experience and expertise, and his/her appointment will be for a period of three years. Other members of the Committee will be Commission members appointed at a full meeting of the Commission. Membership of the Committee will be reviewed annually.

2. The Audit Committee will be provided with a secretariat function by the Commission Secretariat Manager who will circulate papers and minutes of meetings of the Audit Committee to all members of the Commission.
3. New members of the Audit Committee shall be provided with suitable induction training to allow them to understand the organisation and effectively contribute to the achievement of the Committee's Terms of Reference.
4. Commissioners who are not members of the Audit Committee shall have the right of attendance.
5. The Chief Executive in his role as Accounting Officer, the Director of Resources, and the Head of Finance and Resources will normally attend meetings of the Committee.
6. The Commission's internal and external auditors shall be invited to attend Committee meetings, as appropriate, and shall have a right of attendance at the sole discretion of the Committee.
7. The Audit Committee may ask any other officials of the organisation to attend, to assist it with its discussions on any particular matter.
8. The Audit Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussions of particular matters.

## **C Frequency of Meetings**

1. The Committee shall have at least three meetings each year.
2. The Chairman of the Audit Committee may convene additional meetings as deemed necessary.
3. The Accounting Officer or Commissioners may ask the Audit Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.
4. The external auditor or internal auditor may request an additional meeting at any time if he or she considers one necessary.
5. The members of the Committee will meet at least once per year in a private session with the internal and external auditors.
6. The timing of meetings will be arranged to allow adequate time for the business of the Committee to be conducted effectively.
7. The Chairman of the Audit Committee will hold meetings with the Accounting Officer, the Director of Resources, the Head of Finance and Resources, the Head of Internal Audit, and the External Audit representative, individually, on annual basis.
8. A minimum of two members of the Audit Committee will be present for the meeting to be deemed quorate.

**D. Access**

1. The Internal Auditor and the representative of the External Auditors will have free and confidential access to the Chairman of the Audit Committee.

**E. Reporting**

1. The Chairman of the Audit Committee will report back orally to the Commissioners, after each meeting and in writing in June/July of each year.

**F. Authority**

1. The Audit Committee is an advisory body with no executive powers. However, it is authorised by the Commission to investigate any activity within its terms of reference, and to seek any information it requires from staff who are requested to co-operate with the Committee in the conduct of its enquiries. Requests for work and reports received from Internal Audit will be channelled through the Accounting Officer, to whom the Internal Auditor reports.
2. The Audit Committee is authorised to obtain independent professional advice if it considers this necessary.

**G. Responsibilities**

The Audit Committee shall inform the Commission on work undertaken to perform the following specific duties:

- (a) to review the Commission's internal and external financial statements and reports to ensure that they reflect best practice;
- (b) to discuss with the external auditor the nature and scope of each forthcoming audit and to ensure that the external auditor has the fullest co-operation of staff;
- (c) to consider all relevant reports by the Comptroller and Auditor General or the appointed external auditor, including reports on the Commission's accounts, achievement of value for money and the response to any management letters;
- (d) to review the effectiveness of the Commission's internal control system established to ensure that the aims, objectives and key performance targets of the organisation are achieved in the most economic and effective manner;
- (e) to ensure that the Commission's internal audit service meets the standards specified in the Government Internal Audit Standards and other appropriate professional standards as the Committee may, with agreement of the Commission, propose;
- (f) complies in all other respects with these guidelines and meets agreed levels of service;
- (g) to consider and advise on the Commission's annual and long term internal audit programme;
- (h) to consider internal audit reports including value for money reports and the arrangements for their implementation;

- (i) to consider at the end of each financial year a status report from the Director of Resources outlining progress in relation to actions arising from the Standing Financial Instructions (ref. Standing Financial Instruction 14.5) and other items as required by the Committee;
- (j) to review the operation of the Commission's code of practice for Commission members and code of conduct for staff;
- (k) to formally review on an annual basis the Commission's procedures for the timely and accurate declarations of interests of the Commissioners;
- (l) to formally review the Register of Member's Interests on an annual basis This review to be carried out at the first meeting after the annual update of the Register;
- (m) to formally report the findings of these reviews to the DCMS and to the full Commission;
- (n) to review the risk register and arrangements for risk management at each meeting;
- (o) to consider any other matters where requested to do so by the Commission;

## **H. Information Requirements**

1. The Audit Committee will be provided with:

At each meeting:

- a) A report summarising any significant changes to the Commissions' Risk Register
  - b) A progress report on the work of the Internal Auditors, their findings and any issues affecting the Internal Audit Strategy for the period
  - c) A progress report from the External Audit representative summarising work done and emerging findings
2. As appropriate the reports and information which are necessary for consideration according to the work plan of Audit Committee.
  3. In addition the members of the Audit Committee will consult Annex1, 2 and 3 of the Audit Committee Handbook published by the Treasury Assurance , Control and Risk team, for guidance during their discussions.

## **I. Other**

1. Committee minutes will be copied to DCMS.
2. The meetings and proceedings of the Committee are otherwise governed by the provision of Part B of the Commission's Standing Orders.

Approved at Audit Committee November 2006.

Audit Committee – Annual Work Programme

<b>Date</b>	<b>Agenda Items</b>
Nov	<p>NAO Management Letter</p> <p>Report on work of internal audit, consideration of Internal Audit reports completed since last meeting</p> <p>Half yearly accounts to 30 September</p> <p>Review of Terms of Reference</p> <p>Review of Strategic Risk Register and corporate risk appetite</p>
Feb	<p>NAO Audit Strategy</p> <p>Internal Audit consideration of Internal Audit reports completed since last meeting</p> <p>Internal Audit Annual Plan</p> <p>Annual fraud Report</p> <p>Review of Strategic Risk Register</p> <p>Review of effectiveness of Audit Committee</p>
June/July	<p>Approval of Annual Accounts</p> <p>Internal Audit Final Reports</p> <p>Verbal report on NAO Audit and any urgent matters that will be raised in the NAO Management Letter</p> <p>Annual Report of Director of Resources</p> <p>Agree an annual report to the Commission on the discharge of its duties.</p> <p>Review of Strategic Risk Register</p> <p>Closed Session</p>