



# **BOARD AUDIT COMMITTEE**

## **TERMS OF REFERENCE**

# **CONTENTS**

	<b>Page</b>
<b>CONSTITUTION</b>	<b>2</b>
<b>MEMBERSHIP OF THE COMMITTEE</b>	<b>2</b>
<b>ATTENDANCE</b>	<b>2</b>
<b>FREQUENCY OF MEETINGS</b>	<b>2</b>
<b>AUTHORITY</b>	<b>3</b>
<b>DUTIES</b>	<b>3</b>
<b>REPORTING</b>	<b>5</b>
<b>OTHER MATTERS</b>	<b>5</b>

## **1. CONSTITUTION**

The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (The Committee). The Committee is a non-executive committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference.

## **2. MEMBERSHIP OF THE COMMITTEE**

The Committee shall be appointed by the Board from amongst the Non-Executive directors of IASIO, and shall consist of not less than three members. A quorum shall be two members. One of the members will be appointed Chair of the Committee by the Board. The Chairman of the organisation shall not be a member of the Committee.

## **3. ATTENDANCE**

The Finance Executive and appropriate Internal and External Audit representatives shall normally attend meetings. However at least once a year the Committee should meet privately with the External and Internal Auditors.

The Chief Executive should be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director.

The Secretary, or whoever covers these duties, shall be Secretary to the Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chairman and committee members.

## **4. FREQUENCY OF MEETINGS**

Meetings shall be held not less than three times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

## **5. AUTHORITY**

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **6. DUTIES**

The duties of the Committee can be categorised as follows:

### **Governance, Risk Management and Internal Controls**

The Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities that supports the achievement of the organisation's objectives.

In particular the Committee will review:

- ◆ the adequacy of all risk and control related disclosure statements together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board
- ◆ the adequacy of the underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements
- ◆ the adequacy of the policies for ensuring compliance with relevant regularity, legal and code of conduct requirements, including the IASIO's Standing Orders and Standing Financial Instructions
- ◆ the adequacy of the policies and procedures for all work related to fraud and corruption as required

In carrying out its work, the Committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these functions. It will also seek reports and assurances on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

This will be evidenced through the Committee's use of an effective Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

### **Internal Audit**

The Committee shall ensure that there is an effective internal audit function established by management that meets the Government Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board. This will be achieved by:

- ◆ consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal
- ◆ review and approval of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the Assurance Framework
- ◆ consideration of the Chief Internal Auditor's annual report, major findings of internal audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources
- ◆ ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation
- ◆ annual review of the effectiveness of internal audit

## **External Audit**

The Committee shall review the work and findings of the External Auditor and consider the implications of, and management's responses to, their work. This will be achieved by:

- ◆ consideration of the performance of the External Auditor
- ◆ discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan
- ◆ discussion with the External Auditors of their local evaluation of audit risks and assessment of IASIO
- ◆ review of all External Audit reports, including consideration of the annual Management Letter before submission to the Board and any work carried out outside the annual audit plan, together with the appropriateness of management responses.

## **Other Assurance Functions**

The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the organisation and consider the implications for the governance of the organisation.

## **Financial Reporting**

The Audit Committee shall review the financial extract of IASIO's Annual Report and the Financial Statements before submission to the Board, focussing particularly on:

- ◆ changes in, and compliance with, accounting policies and practices
- ◆ unadjusted mis-statements in the financial statements
- ◆ major judgemental areas
- ◆ significant adjustments resulting from the audit

The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

## **Value For Money**

The Audit Committee shall oversee the adequacy of IASIO's arrangements for ensuring that value for money is obtained in the expenditure of all public funds entrusted to its care. This will include a review of the findings from, and management's response to, all value for money audit reports.

## **REPORTING**

The minutes of Audit Committee meetings shall be formally recorded by the Secretary and submitted to the Board. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action.

The Committee will report to the Board annually on its work, the completeness and embeddedness of risk management in the organisation, the integration of governance arrangements.

## **OTHER MATTERS**

The Committee shall be supported administratively by the Secretary, whose duties in this respect will include:

- ◆ Agreement of agenda with the Chairman and attendees
- ◆ Collation and distribution of papers sufficiently in advance of each meeting to facilitate their full consideration and discussion at the meeting
- ◆ Taking the minutes and keeping a record of matters arising and issues to be carried forward
- ◆ Advising the Committee on pertinent areas.