

# THE NATIONAL LOTTERY COMMUNITY FUND

## AUDIT AND RISK COMMITTEE

### TERMS OF REFERENCE

#### 1. Constitution

The Board has established Committee to support the Board and Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment, the integrity of financial statements and the annual report. The Audit & Risk Committee provides advice to the Board and Accounting Officer on matters covered by its role and responsibilities as defined below in section 8 of these Terms of Reference.

- 1.1. These Terms of Reference shall be reviewed annually by the Committee and the Board.

#### 2. Membership

- 2.1. The Audit and Risk Committee shall be appointed by the Board from amongst the Board Members and shall consist of not more than 4 such members. In addition, there shall be provision for up to two independent members of the Audit & Risk Committee with specific skills to be appointed by the Chair of the Audit & Risk Committee in consultation with the Accounting Officer.
- 2.2. The Chair of the Audit and Risk Committee shall be appointed by the Board Chair, subject to the consent of the Secretary of State for the Department for Culture, Media and Sport.
- 2.3. At the Chair's discretion, one of the members may be appointed as Vice Chair. The Vice Chair shall deputise in the absence of the Chair, at the specific request of the Chair or when the Chair has declared a conflict of interest.
- 2.4. The Committee shall be enabled to co-opt Board Members with specific skills as required for a specific period.

#### 3. Quorum and Voting

- 3.1. A minimum of 3 members of the Committee (one of whom may be an independent member) will be present for the meeting to be deemed quorate. Participation by video-conferencing or teleconferencing shall count as attendance for quorum purposes.
- 3.2. If required, a vote shall be taken on the basis of a simple majority. The independent members shall be eligible to vote. In the event of a tied vote, the Chair shall have the casting vote.

- 3.3. Decisions will be taken in situ at Committee meetings, or at Committee meetings held virtually, unless there are exceptional circumstances which necessitate that a decision is taken by correspondence in-between meetings.

#### **4. Chair's Action**

- 4.1. The Chair of the Audit and Risk Committee shall be authorised to take a decision on business within the Committee's responsibility if:
- (a) an urgent consideration of an issue is required, and a meeting of the Committee would be too far delayed
  - (b) requested to do so by the Committee at a prior meeting.

In such cases the Chair shall have delegated authority to take action in the form of:

- a) Consulting with at least one (1) additional member of the Committee by correspondence; or
  - b) Calling a special meeting of the Committee
- 4.4 Any decision taken by Chair's Action will be recorded, documented and circulated to all Committee members, the Accounting Officer and other relevant officers and reported to the next Committee meeting. Where no decision has been made through Chair's Action, this will also be reported to Committee as 'nil response'

#### **5. Attendance at Meetings**

- 5.1. Audit and Risk Committee meetings will normally be attended by the Chief Executive /Accounting Officer, Head of Internal Audit, and Finance Director. Other individuals including Board members may be invited to attend all or part of a meeting as and when appropriate.
- 5.2. A representative from the Department for Culture, Media and Sport (DCMS) shall have a standing invitation to attend Committee meetings.
- 5.3. The NAO (including their sub-contractor for audit services) and the sub-contractor appointed for the provision of internal audit services will normally be invited to attend meetings.
- 5.4. The secretariat support to the Committee shall be provided by the Head of Governance or other appropriate officer. Papers will be circulated in good time and as far as is practicable, at least 7 days in advance of the meeting.

#### **6. Frequency of Meetings**

- 6.1. The Audit and Risk Committee will meet at least four times per year. The Chair may convene additional meetings at any time, or if requested by the National Audit Office, Head of Internal Audit or the Chief Executive as Accounting Officer.
- 6.2. The Committee will meet at least annually in private with no officers present with each of internal audit and external audit.

- 6.3. The Head of Internal Audit and the representative of the External Audit will have free and confidential access to the Chair of the Audit and Risk Committee.
- 6.4. An annual schedule of the meetings of the Audit and Risk Committee, together with an annual plan of work, shall be determined in advance of the start of the financial year in question.
- 6.5. Outside of the formal meeting programme the Committee Chair shall maintain a dialogue with key individuals involved in the Fund's governance including the Board Chair, Accounting Officer, Finance Director and Head of Internal Audit and the external lead audit partner.

## **7. Authority**

- 7.1. The Audit and Risk Committee is authorised by the Board to decide on and/or investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees shall be directed to cooperate with any request made by the Committee.
- 7.2. The Audit and Risk Committee is authorised to ask officers to obtain independent and professional advice if it considers this necessary.

## **8. Roles and Responsibilities**

8.1 The duties of the Committee are to:

### **(a) General Duties**

- 1) Advise the Board on the strategic processes for risk, control and governance and in particular to:
  - a) review The National Lottery Community Fund's strategic approach to risk management, advising the Board as necessary on the risk management policies and procedures adopted within the Fund, and on the major risks facing the Fund;
  - b) advise the Board on the necessary assurances relating to the corporate governance requirements of the Fund;
  - c) review the necessary assurances relating to information security;
  - d) advise the Board on the Fund's arrangements for managing its cyber risk;
  - e) review the effectiveness of the Fund's internal control system established to ensure that the aims, objectives and key performance targets are achieved in the most economic and effective manner;
  - f) review whether effective anti-fraud and corruption and anti-bribery policies and procedures are in place and operating effectively;
  - g) seek assurance that the Fund is operating appropriate and effective whistleblowing practices.
  - h) receive reports on major incidents and near misses as well as details of special investigations, including any whistleblowing cases.

- 2) Review the annual Financial Statements and Annual Report before they are submitted to the Board, focussing on:
    - a) any changes in accounting policies and practices;
    - b) significant judgements applied by management and any adjustments resulting from the audit;
    - c) compliance with accounting standards, Financial Directions and 'Managing Public Money'.
    - d) reviewing the Letter of Representation prior to management sign off
    - e) providing advice to the Board on whether the financial statements are fair and balanced, and that they provide the necessary information to assess the Fund's performance.
  
  - 3) Review the annual Financial Statements and Annual Report before they are submitted to the Board, In particular to review:
    - a) procedures for identifying business risks and controlling their impact on The National Lottery Community Fund;
    - b) procedures for preventing and detecting fraud;
    - c) the Fund's policies for ensuring that it complies with all legal and regulatory requirements,
    - d) the references to information assurance.
- (b) Internal Audit Related Duties
- 1) Review the long-term and annual internal audit plans, how well they reflect the Fund's risk exposure and ensuring coordination between Internal Audit and the National Audit Office and recommend the internal audit plans to the Accounting Officer for approval
  - 2) Monitor whether the internal audit function is adequately resourced, has appropriate standing within the Fund and generally meets all the requirements of the Public Sector Internal Audit Standards.
  - 3) Advise on proposals for tendering for internal services or for purchase of non-audit services from contractors who provide audit services;
  - 4) Consider the results of internal audit work and the adequacy of management responses to issues identified.
  - 5) Regularly review the outstanding audit recommendations to ensure that management are dealing with these recommendations in reasonable time, and that the registers are being kept up to date.
  - 6) Receive the Head of Internal Audit annual opinion on overall assurance.
  - 7) At least annually review the effectiveness of the internal audit service.
- (c) External Audit Related Duties
- 1) Discuss with the National Audit Office the nature and scope of each forthcoming audit and satisfy itself that:
    - the National Audit Office has the full cooperation of staff
    - audits are conducted in a manner compliant with auditing standards

- audit planning adequately reflects the key risks facing the organisation
- 2) Consider all relevant reports by the National Audit Office, including reports on the Fund's accounts achievement of value for money and the Fund's response to any external audit Management Letters.
  - 3) Assess with the support of management, at least annually, the effectiveness of the external audit services and ensure that audit fee is reasonable and approved prior to commencement of the external audit.
  - 4) Satisfy itself that any "non audit" work carried out by the external auditors does not create a conflict of interest
- (d) Risk Management Related Duties
- 1) At least annually, review the risk management and assurance framework within the Fund to ensure that they remain appropriate to the organisation and support the achievement of the mission, aim and objectives
  - 2) In doing this undertake the following activities:
    - a) Review the Risk Appetite statement for the Fund.
    - b) Review the Organisation Risk register and the key strategic risks for the Fund in order to satisfy itself that organisational risks are being appropriately identified and managed
    - c) Receive assurances (including from executives and managers) over the effective operation of the risk management policies and procedures across the Fund.
    - d) Advise the Board as necessary on the major risks facing the Fund
- (e) Audit & Risk Committee Effectiveness Review
- 1) The Audit & Risk Committee shall also periodically review (at least annually) its own effectiveness and report the results of that review to the Board. The Chair may consider commissioning an external review if considered necessary.

## **9. Reporting Procedure**

- 9.1. The Chair of the Audit & Risk Committee shall report significant issues regularly to the Board. The ARAC shall provide the Board and accounting officer with a written Annual Report, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions on the effectiveness of the control framework in place from the work it has done during the year.
- 9.2. Notification and the minutes of the Audit and Risk Committee shall be circulated to all members of the Committee, all Members of the Board, the Senior Management Team, Head of Internal Audit, the National Audit Office and other The National Lottery Community Fund officers as appropriate.

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