

**BIG LOTTERY FUND
AUDIT AND RISK COMMITTEE**

TERMS OF REFERENCE

1. Constitution

- 1.1 The Board has established an Audit and Risk Committee to support it in its responsibilities for issues of risk, control and governance and associated assurance. The Audit and Risk Committee takes decisions and provides advice to the Board on matters covered by its role and responsibilities as defined below in section 8 of these Terms of Reference.
- 1.2 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 non-executive Board Members and shall consist of not more than 4 such members. In addition there shall be provision for up to two external 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. At least one of those members shall be external to the Big Lottery Fund.
- 2.2 The Chair of the Audit and Risk Committee shall be appointed by the Board Chair.
- 2.3 The Committee shall be enabled to co-opt non-executive 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 external 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 external members shall be eligible to vote. In the event of a tied vote, the Chair shall have the casting vote.

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.

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 Director of Finance and Corporate Services. Board Members who are not members of the Committee will have the right of attendance.
- 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.
- 5.3 The secretariat support to the Committee shall be provided by the Corporate Manager (Governance – Board) or other appropriate officer.

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 shall meet informally the Head of Internal Audit for a short session, without officers present, as required before the Committee meeting.
- 6.3 The Committee shall meet informally the National Audit Office for a short session without officers present, as required before the Committee meeting.
- 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.

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:
 - (i) review the Big Lottery 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;
 - (ii) advise the Board on the necessary assurances relating to the corporate governance requirements of the Fund;
 - (iii) review the necessary assurances relating to information security;
 - (iv) advise the Board on the Fund's arrangements for managing its cyber risk;
 - (v) 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;
 - (vi) review whether effective anti-fraud and corruption policies and procedures are in place and operating effectively;
 - (vii) ensure that the Fund is operating appropriate and effective whistleblowing practices.

- (2) Review the annual Financial Statements and Annual Report before they are submitted to the Board, focussing on:
 - (i) any changes in accounting policies and practices;
 - (ii) significant judgements applied by management and any adjustments resulting from the audit;
 - (iii) compliance with accounting standards, Financial Directions and 'Managing Public Money'.
 - (iv) reviewing the Letter of Representation prior to management sign off
 - (v) 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 Governance Statement before endorsement by the Board, challenge Management and gain any necessary assurances. In particular to review:
 - (i) procedures for identifying business risks and controlling their impact on the Big Lottery Fund;
 - (ii) procedures for preventing and detecting fraud;
 - (iii) the Fund's policies for ensuring that it complies with all legal and regulatory requirements,
 - (iv) 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.

- (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) Consider the results of internal audit work and the adequacy of management responses to issues identified.
- (4) 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.
- (5) Receive the Head of Internal Audit annual opinion on overall assurance.
- (6) 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

9. Reporting Procedure

- 9.1 The Chair of the Audit and Risk Committee shall report significant issues regularly to the Board. An annual report from the Committee will be submitted to a meeting of the Board timed to support the Fund's Governance Statement. In that report, it shall review its effectiveness.
- 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 Big Lottery Fund officers as appropriate, and shall be made available on the intranet.

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