



## **Audit and Risk Committee Terms of Reference**

### **Purpose**

The Children's Commissioner has established an Audit and Risk Committee to provide a means of independent assurance and objective review of financial systems, financial information, information data security, risk management systems, governance arrangements and internal control mechanisms, thus ensuring that assets are safeguarded, the risk of illegal or improper acts is reduced and confidence in the objectivity and fairness of financial reporting is increased.

### **Constitution**

The Audit and Risk Committee provides advice, challenge and scrutiny to the Children's Commissioner / Accounting Officer albeit recognising that the Children's Commissioner is a corporation sole.

One member of the Committee must be a qualified accountant. The other members shall have a range of backgrounds and experience.

The Committee will be fully compliant with the Nolan Principles on good corporate governance.

### **Membership**

The Committee is made up of four to five members including the Chair.

The term of office for the Chair and members is three years. However, there may be occasions when their terms of office can be extended.

The Chair of the Committee and the Children's Commissioner select members of the committee using an open recruitment process.

The Chair is selected from within the members.

If the committee has five members the meeting is quorate when three members are present, If the committee has four members the committee is quorate when two members are present.

Observer status is held by a representative of the sponsoring Department of Government, (the Department for Education) and both internal and external auditors.

## **Duties and Authority**

The Audit and Risk Committee is authorised 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 Audit and Risk Committee. The Audit and Risk Committee is authorised 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

Duties include:

- Internal Control and Risk Management
- Internal Audit
- External Audit
- Financial Reporting

## **Frequency of Meetings**

Meetings are held not less than five times a year. The External Auditor or representative of Internal Audit may request a meeting if they consider that one is necessary. Both Internal and External Audit would also have access to the Chair and/or other committee members outside of formal meetings.

## **Reporting**

The minutes of Audit and Risk Committee meetings are formally recorded and submitted to the Children's Commissioner.

The Chair reports regularly to the Children's Commissioner on the work of the Committee, and submits an annual report to the Children's Commissioner (on behalf of the Committee) to support the Governance Statement that will be signed by the Children's Commissioner and form part of the Annual Accounts.

## **Attendance**

The Children's Commissioner attends all meetings, as well as a representative from the Internal Audit team, a representative of the External Auditors [National Audit Office] and an observer from the Sponsoring Department. The Committee will meet with the External and Internal Auditors prior to the start of all meetings.

## **Meeting Schedule**

Quarterly + extra meeting to consider annual reports and accounts.

## **Date of Next Review**

November 2017

## Responsibilities of the Audit and Risk Committee Members

### **The Role of the Audit and Risk Committee**

The Audit and Risk Committee provides a means of independent assurance and objective review of the Office of the Children's Commissioner's financial systems, financial information, information data security, risk management system, governance arrangements and internal control mechanisms, thus ensuring that assets are safeguarded, the risk of illegal or improper acts is reduced and confidence in the objectivity and fairness of financial reporting is increased.

Duties of the Audit and Risk Committee are as follows:

### **Internal Control and Risk Management**

The Audit and Risk Committee reviews the establishment and maintenance of an effective system of internal control and risk management. In particular, the Audit and Risk Committee will review the adequacy of:

- All risk and control-related disclosure statements, together with any accompanying Internal Audit statement, prior to endorsement by the Children's Commissioner.
- The governance arrangements, structures, processes and responsibilities for identifying and managing key risks facing the organisation.
- The effectiveness of controls over data security, incidents of data lapses and loss.
- The policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements as set out in the Controls Assurance Standards and other relevant guidance.
- The operational effectiveness of policies and procedures.
- The policies and procedures for all work related to fraud and corruption.
- The policies and procedures relating to whistle blowing.

### **Internal Audit**

To consider the appointment of the internal audit service, the audit fee and any questions regarding resignation and dismissal:

- To review the internal audit programme, consider the major findings of internal audit investigations (and management's response), and ensure co-ordination between the Internal and External Auditors.
- To approve any changes to the planned work.
- To ensure that the Internal Audit function is adequately resourced and has appropriate standing within the organisation.

- Review the Head of Internal Audit's annual report.

### **External Audit**

- Discuss with the External Auditor, before the audit commences, the nature and scope of the audit, and ensure coordination, as appropriate.

Review External Audit reports, including value for money reports, annual audit letters and other reports to management, together with the management response.

### **Financial Reporting**

Review the annual financial statements before submission to the Accounting Officer [Children's Commissioner], focusing particularly on:

- Changes in, and compliance with, accounting policies and practices;
- Major judgemental areas;
- Any unadjusted errors;
- Significant adjustments resulting from the audit; and
- Statement of Internal Controls.

All members of the Audit and Risk Committee should have, or acquire as soon as possible after appointment:

- Understanding of the objectives of the Children's Commissioner and current significant issues;
- Understanding the Children's Commissioner's structure, including key relationships such as that with Parliament;
- Understanding of any relevant legislation or other rules governing the Children's Commissioner;
- Broad understanding of the government environment, particularly accountability structures and current major initiatives.

The Audit and Risk Committee as a whole (i.e. including members and those in attendance) should corporately possess:

- Knowledge/ skills/ experience (as appropriate and required) in:
  - Accounting;
  - Risk management;
  - Audit.
- Technical or specialist issues pertinent to the organisation's business.
- Experience of managing similar sized organisations;
- Understanding of the wider relevant environments in which the Children's Commissioner

operates;

- Detailed understanding of the government environment and accountability structures.

## **MEMBERS MATTERS**

### **Remuneration**

Members are not paid a fee but those appointed will also be eligible to claim duly incurred expenses for travel and subsistence costs necessarily incurred on the Children's Commissioner's business.

### **Appointment and tenure of office**

The initial appointment will be for 3 years, subject to performance. Members are not employees of the Children's Commissioner's Office. The Children's Commissioner may renew the appointment at the end of the first period of office, subject to consistently good performance. There should therefore be no expectation of automatic reappointment.

The Children's Commissioner is a Corporation Sole and the Audit and Risk Committee is therefore the Commissioner's body. If she/he has proven reason to believe that an Audit and Risk Committee member has failed to fulfil the highest standards of conduct expected of this role, which is bound by the Code of Conduct for the Civil Service supplied as part of these recruitment materials, she/he may terminate Audit and Risk Committee members' roles.

### **Co-opting**

- The Audit and Risk Committee can elect to co-opt a Member to the Audit and Risk Committee for a fixed period of time, with the agreement of the Children's Commissioner under the following circumstance:
- Where this is a requirement for a Member with specific skills and experience to advise the Audit and Risk Committee.

### **Time commitment**

Members commit to attend meetings, at which attendance is recorded, and then published as part of the annual reporting cycle. Meetings are held quarterly.

### **Location**

Meetings take place at the Children's Commissioner's Office, Sanctuary Buildings, Great Smith Street, London, SW1P 3BT.

### **Standards in public life**

Members are expected to demonstrate high standards of corporate and personal conduct.

The Children's Commissioner's Office abides by the standards of probity required by public appointees outlined in the "Seven Principles of Public Life" set out by the Committee on Standards in Public Life (see Appendix 1).

All of the Audit and Risk Committee's business, conducted both within and outside of all its meetings and whether verbal or on paper, is strictly confidential. Breaches of confidentiality will result in immediate termination of the relevant member's or members' roles on the Audit and

Risk Committee.

### **Disqualification for appointment**

There are circumstances in which an individual will not be considered for appointment. They include:

- people whose basic level Criminal Records Bureau (CRB) check returns details of offences that would preclude the applicant from working in organisations whose core business is with or on behalf of children;
- people who have received a prison sentence or suspended sentence of 3 months or more in the last 5 years;
- people who are the subject of a bankruptcy restrictions order or interim order;
- in certain circumstances, those who have had an earlier term of appointment terminated;
- anyone who is under a disqualification order under the Company Directors Disqualification Act 1986;
- anyone who has been removed from trusteeship of a charity.

### **Conflict of Interests**

Members must declare any conflict of interest that may arise in the course of business of the Children's Commissioner, and the need to declare any relevant business interests, positions of authority or other connections with organisations relevant to the business of the Office. Declarations of conflicts of interest will be recorded at the start of each meeting.

### **The Seven Principles of Public Life**

All applicants for public appointments are expected to demonstrate a commitment to, and an understanding of, the value and importance of the principles of public service. The seven principles of public life are:

#### **Selflessness**

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

#### **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

#### **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

#### **Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

#### **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

#### **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

#### **Leadership**

Holders of public office should promote and support these principles by leadership and example.