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## Risk and Audit Committee

### Terms of Reference

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Approved by the Ofcom Board on:	15 March 2023
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# Risk and Audit Committee: Terms of Reference

(approved 15 March 2023, effective 1 April 2023)

## Purpose

1. The Risk and Audit Committee (“the Committee”) is a Committee of the Ofcom Board (“the Board”) from which it receives its delegated authorities.
2. The principal purpose of the Committee is to provide assurance to the Board by exercising oversight of the appropriateness and effectiveness of Ofcom’s risk management, risk governance, internal systems and controls, budget and financial systems.

## Duties

### Risk management

3. **Advise** the Board and Accounting Officer on the definition of Ofcom’s risk appetite, which includes advising on risk tolerance and on the types of risks Ofcom is willing to take in order to achieve its long-term strategic objectives.
4. **Recommend** to the Board the Strategic Risk register and review each quarter a report summarising any significant changes to Ofcom’s Strategic risks. The Committee will advise the Board of any such changes as necessary.
5. **Oversee** risk management, including by ensuring that Ofcom has in place appropriate processes to identify, evaluate, quantify and mitigate key Strategic risks as well as critical and significant risks in projects and programmes at Group level, and any emerging risks facing Ofcom.
6. **Review** the effectiveness of the Risk Management Policy and advise whether it is consistent with the Board’s approach towards risk, and to provide assurances to the Board and Accounting Officer as to the appropriateness and robustness of such policy.
7. **Consider** the implications of changes proposed to regulations and legislation that are material to Ofcom’s Risk Management Policy and conduct of business; to ensure that the risk management function has adequate independence of Ofcom’s management and is free from other restrictions.

### Internal controls

8. **Review** Ofcom’s internal control systems (including financial controls) and advise the Board on the adequacy and effectiveness of those internal controls.
9. **Review** Ofcom’s processes and policies with regards to anti-fraud, bribery and corruption, modern slavery, data protection and whistleblowing in accordance with the review cycle. With regards to Whistleblowing, ensure there are processes and arrangements for special investigations maintained by Ofcom for internal colleagues and external stakeholders.
10. **Review** the overarching policy framework annually and provide assurance to the Board on the adequacy of that framework.

## Financial matters

11. **Consider** routine reports on financial performance, including progress against the agreed budget and provide assurance to the Board on the budget setting and monitoring process.
12. **Approve** any major changes to the accounting principles and policies adopted by Ofcom and monitor and review the consistency of those policies and principles.
13. **Approve for recommendation to the Board** the Financial Authorities Framework.

## Financial Statements and Annual Report

14. **Monitor and review** the integrity of the financial statements, including the draft annual financial accounts, to ensure they present a fair, balanced and understandable assessment.
15. **Review** the Governance Statement, the process for review of the accounts, the level of error identified, and management's letter of representation to the external auditors.
16. **Review and approve** the statements to be included in the Annual Report & Accounts concerning internal controls and risk management.

## External audit

17. **Discuss and approve** the nature and scope of the audit and proposed audit fee.
18. **Consider** any issues arising from the interim and final audits, and any matters which the External Auditors may wish to discuss (in the absence of Ofcom Executive colleagues, if the Committee so determines).
19. **Review** the external auditor's management letter and management's response and action plan; to consider wider work carried out by the external auditors, for example Value for Money reports and good practice findings.

## Internal audit

20. **Approve** the appointment or dismissal of the Internal Auditors and oversee the appointment process including the proposals for tender and the internal audit fee and consider / advise on any questions regarding the performance, capability, resignation or dismissal of the Internal Auditors.
21. **Review and approve** the internal audit plan to ensure it is aligned with the key risks of the organisation.
22. **Review** progress reports from the Internal Auditors summarising the work performed, key issues emerging, management responses to audit recommendations, changes to the internal audit plan and any resourcing issues affecting the delivery of the objectives of the internal audit.
23. **Review and consider** the results of internal audit reports and management's responses to issues raised. The Committee should advise the Board on any major findings if considered appropriate.
24. **Consider and advise the Board** on the annual internal audit opinion.
25. Annually **review** the effectiveness of the Internal Auditors, including on conformance with applicable standards and expected performance measures.

26. **Ensure** the internal auditor has direct access to the Committee chair, providing independence from the executive and accountability to the Committee.

## Other duties

27. **Consider and advise** on Ofcom's procedures for business continuity planning and disaster recovery and to report to the Board, as appropriate.
28. **Review**, at least annually, the most significant conflicts of interest across Ofcom, gaining assurance that they are being appropriately managed.
29. **Consider** other topics, and oversee other activities, as directed by the Ofcom Board or suggested by the Accounting Officer.

## Membership

30. The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. Additional members from outside the Board may be appointed when deemed appropriate. The Committee shall include at least one member with appropriate expertise in financial accounting or auditing. The Committee as a whole shall maintain a good understanding of financial matters and good knowledge and understanding of Ofcom's risks and controls.
31. Members of the Committee shall be appointed by the Board.
32. Only members of the Committee have the right to attend Committee meetings. However, the Accounting Officer, the Chief Operating Officer, the Finance Director, the Financial Controller, the Head of Risk Management and the Corporation Secretary or their nominee, together with a representative from the Internal and External auditors will be expected to attend meetings of the Committee on a regular basis. Other individuals may be invited to attend all or part of any meeting as and when appropriate.
33. The Board shall appoint the Committee Chair. In the absence of the Committee Chair the remaining members present shall elect one of themselves to chair the meeting.

## Secretary

34. The Corporation Secretary, or their nominee, shall act as the secretary of the Committee and will ensure that the Committee receives information and papers no later than five working days before the date of the meeting, to enable full and proper consideration to be given to issues.

## Quorum

35. The quorum necessary for the transaction of business shall be two members, including for written resolutions.

## Frequency and conduct of meetings

36. The Committee shall meet at least four times a year at appropriate times and otherwise as required.
37. Member attendance through virtual meeting platforms (i.e. Teams) or telephone is permissible.

38. Where the Committee Chair considers it appropriate, decisions may be taken by written resolution either by email or via the Board Portal software. The decision should be formally noted at the following meeting.
39. The Committee shall meet with both the External and Internal Auditors without any Executive Board Members, Group Directors or other attendees present, at least annually.

## **Notice of meetings**

40. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair or any of its members. Meetings may also be called at the request of the Accounting Officer, the External Audit Lead Partner or the Head of Internal Audit if they consider it necessary.
41. If draft financial statements are required to be provided to DCMS outside the quarterly meeting cycle, an additional meeting may be held to approve the release of the draft financial statements and to consider the related assurance from both the Internal Auditors and External Auditors.
42. Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and any other person required to attend no later than five working days before the date of the meeting.

## **Minutes of meetings**

43. The secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.
44. Draft minutes of Committee meetings shall be circulated to all members of the Committee at the following meeting. Once approved, minutes should be circulated to all members of the Board unless, exceptionally, it would be inappropriate to do so.

## **Reporting responsibilities**

45. The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
46. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
47. The Committee shall compile a report of its activities to be included in Ofcom's annual report, describing the work of the Committee.

## **Other matters**

48. The Committee shall:
  - a) Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.
  - b) Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

- c) Give due consideration to all relevant laws and regulations, the provisions of the [UK Corporate Governance Code](#) and the [Code of Good practice in central government departments](#), including relevant Guidance and the provisions of Managing Public Money.
- d) Work and liaise as necessary with all other Board Committees ensuring interaction between Committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls on the work of other Committees.
- e) At least annually, review its constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval as part of the annual Board and Board Committee effectiveness review cycle.

## Authority

49. The Committee is authorised by the Ofcom Board to:

- a) Undertake and investigate any activity within its Terms of Reference.
- b) Request the attendance of any Ofcom Colleague at a meeting of the Committee and/or seek any information it requires from any employee of the company in order to perform its duties.
- c) Obtain, at Ofcom’s expense, independent legal or other professional advice on any matter within its terms of reference if it believes it necessary to do so.

Date of approval  
 March 2023  
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Date of next review  
 March 2024  
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