

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

### **1 Constitution**

- 1.1 The board has established an Audit and Risk Assurance Committee, in accordance with HM Treasury guidelines, as a committee of the Board to support them in their responsibilities for issues of risk control and governance by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

### **2 Membership**

- 2.1 The Committee shall be appointed by the Board from amongst the members of the AHDB Board, and from members of Sector Councils and shall consist of no more than seven members; at least two of which will be AHDB Board members with the remaining being members of the Sector Councils. All Committee members will be appointed on the basis that they hold appropriate skills and experience to the work of the Committee.
- 2.2 Committee members will collectively possess knowledge and skills in risk management, audit, financial governance and technical issues relevant to the remit of the Committee. At least one Committee member shall hold formal qualifications in one or more of these areas.
- 2.3 The Chair of the Committee, who shall be a member of the AHDB Board other than its Chair, shall be appointed by the AHDB Chair.
- 2.4 The AHDB Board Chair shall not be a member of the Audit and Risk Assurance Committee.

### **3 Attendance at meetings and quorum**

- 3.1 The CEO of AHDB (as Accounting Officer), its Finance & Operations Director, Company Secretary & Governance Director, Governance Manager and representatives of the external and internal auditors shall normally attend meetings.
- 3.2 The quorum required for any meeting of the Committee shall be three members, provided there is one AHDB Board member and one Sector Council member present. For the purposes of quoracy a Committee member who is an AHDB Board member and a Sector Council Chair, will be classed as attending the Committee as a Sector Council member. "Present" includes attendance virtually, via conference call or similar.
- 3.3 In situations where urgent decisions are required, decisions will be completed via round robin resolution.
- 3.4 AHDB Board members who are not members of the Committee shall have the right of attendance as observers.
- 3.5 The Committee may at its discretion ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters. The Committee will hold at least one meeting per year with only internal and external audit representatives present.
- 3.6 The representatives of the internal auditors and the external auditors will have free and confidential access to the Chair of the Audit and Risk Assurance Committee.
- 3.7 The Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter.

#### **4 Frequency of meetings**

- 4.1 Meetings shall be held as necessary and normally four times a year (one of which will be to consider the Annual Report & Accounts) to coincide with the audit cycle. The internal or external auditors may request a meeting if they consider that one is necessary.

#### **5 Scope**

- 5.1 The Committee will cover all aspects of the operations of AHDB and its Sectors and subsidiaries.

#### **6 Information requirements**

- 6.1 For each meeting the Audit and Risk Assurance Committee will be provided with:
- a) a report summarising any significant changes to the organisation's Risk Register, and at least annually the full Risk Register;
  - b) a progress report from the Head of Internal Audit summarising:
    - work performed (and a comparison with work planned);
    - key issues emerging from internal audit work;
    - management response to audit recommendations;
    - changes to the agreed internal audit plan;
    - any resourcing issues affecting the delivery of internal audit objectives;
  - c) a progress report from the external auditors summarising work done and emerging findings.
  - d) the most recent monthly management accounts
  - e) reports on the management of major incidents, "near misses" and lessons learned
- 6.2 As and when appropriate the Committee will also be provided with:
- proposals for the terms of reference of internal audit;
  - the internal audit Strategy;
  - the internal auditors Annual Opinion and Report;
  - reports on risk management from the Executive and CEO including the Annual Report on Risk Management Effectiveness;
  - quality assurance reports on the Internal Audit function;
  - the draft annual statutory accounts of the organisation;
  - the draft Governance Statement;
  - a report on any changes to accounting policies;
  - the external auditors' management letter;
  - a report on any proposals to tender for audit functions;
  - assurance on cooperation between internal and external audit;
  - the organisation's risk management strategy.

#### **7 Authority**

- 7.1 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.
- 7.2 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.

## **8 Responsibilities**

8.1 Audit and Risk Assurance Committee members will be supplied with the HM Treasury Audit and Risk Assurance Committee Handbook and will be expected to request additional training and guidance as appropriate.

8.2 The Audit and Risk Assurance Committee will advise and/or report to the Board and Accounting Officer on:

- The effectiveness of the strategic processes for risk, control and governance and the Governance Statement
- the effectiveness of the arrangements for demonstrating value for money for levy payers from activities and projects carried out by AHDB
- the effectiveness of the arrangements for project, programme and activity management, monitoring and reporting
- concerns about the performance or quality of assurances around particular mission critical projects or activities
- the appropriateness of the Governance Statement for inclusion in the Annual Report and Accounts;
- the accounting policies, the accounts, and the annual report of the organisation including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the corporate governance requirements for the organisation;
- any significant issues of concern it may have arising from its deliberations;
- changes proposed to the Risk Management Policy;
- proposals for tendering and appointment of contractors who provide audit services for internal audit on the basis that the formal approval rests with the Board;
- Anti-fraud policies, whistle-blowing processes (see Para 9 below) and arrangements for special investigations;
- The Audit and Risk Assurance Committee will also periodically review its own effectiveness and report the results of the review to the Board.

## **9 Whistle Blowing**

9.1 The Audit and Risk Assurance Committee shall review the AHDB's arrangements for its employees to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters, every three years, or if specific need arises outside that cycle. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

## **10 Reporting procedures**

10.1 The minutes of the Audit and Risk Assurance Committee meetings will be issued to all members of the Board.

10.2 The Audit and Risk Assurance Committee will provide the Board and Accounting Officer with an annual report, timed to support finalisation of the Accounts and the Governance Statement, summarising its conclusions from the work it has done or has had commissioned during the year.