

## Audit and Risk Assurance Committee

### Terms of Reference

#### Responsibilities

- 1) The Board has established an Audit and Risk Assurance Committee<sup>1</sup> to review and to offer its views about such matters as may be referred to it by the Board or the Accounting Officer or such other relevant matters as the Committee may determine, in accordance with these Terms of Reference<sup>2</sup>.
- 2) These matters may include, but are not limited to:
  - a) risk management, financial and other controls, and the Governance Statement;
  - b) considering and scrutinising a draft of the annual budget of LSB;
  - c) the accounting policies, the accounts and the annual report of LSB, including the process for reviewing the accounts prior to submission for audit, levels of error identified and management's letter of representation to the external auditor;
  - d) proposals for tendering for internal audit services or for the purchase of non-audit services from contractors who provide audit services;
  - e) the planned activity and results of both internal and external audit;
  - f) the adequacy of management's response to issues identified by audit activity, including the external auditor's management letter;
  - g) assurances offered by the Executive relating to the corporate governance requirements for LSB;
  - h) an annual review of Board Members and senior colleagues' expenses;
  - i) anti-fraud policies, whistle-blowing processes and arrangements for special investigations; and
  - j) the outcomes of its periodic reviews of its own effectiveness and these terms of reference.

#### Authorities

- 3) The Committee is authorised by the Board:
  - a) to investigate any activity or topic covered by these Terms of Reference;
  - b) to demand any information it requires from LSB colleagues, all of whom are directed to co-operate with any request for such information;
  - c) to procure at the expense of LSB external financial, legal or other independent professional advice or training, subject to budgets agreed by the Board; and

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<sup>1</sup> Legal Services Act 2007, Schedule 1, para. 20(1).

<sup>2</sup> *Ibid.*, para. 21.

- d) to appoint, remove and approve the terms and conditions of appointment of professional advisers to the Committee.

### **Membership**

- 4) The Committee and its Chair will be appointed by the Board from amongst its ordinary, non-executive Members<sup>3</sup>.
- 5) A majority of the Committee's Members will be lay persons<sup>4</sup>.

### **Access**

- 6) The internal and external auditors will have free and confidential access to the Chairman of the Committee.

### **Meetings**

- 7) The Committee will meet at least three times a year.
- 8) The quorum for a meeting of the Committee will be three Members<sup>5</sup>, attending in person or, in exceptional circumstances, by telephone or video-conferencing facility and decisions may also be made or ratified following a suitable exchange of correspondence, either electronically or in hard copy. A lay majority is required for all decisions. Where a meeting is not quorate it will nevertheless go ahead, with decisions to be ratified at the next meeting of the Committee or the full Board as appropriate.
- 9) The Accounting Officer, the Corporate Director, the Director of Finance and Services and normally not more than two representatives of each of the internal and external auditors will attend meetings of the Committee. The Board Chair shall attend no more than one ARAC meeting in each year, thus strengthening the independence of the Committee. Board Members will have a standing invitation to attend meetings of the Committee, and will receive a full set of Committee papers prior to each meeting. Other LSB colleagues will attend meetings at the invitation or direction of the Committee or the Accounting Officer.
- 10) The Committee will have the right to direct those attending a meeting to withdraw to facilitate the open and frank discussion of particular matters. The Committee may direct all LSB colleagues to withdraw during private discussions with either or both the internal and external auditors.
- 11) A Board Member or the internal and external auditors may request the Chairman of the Committee to convene an additional meeting of the Committee.
- 12) The Corporate Governance Manager, in the capacity of Board Secretary, will be secretary to the Committee.

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<sup>3</sup> *Ibid.*, para. 20(3), restricts the membership of the Committee only to Board Members.

<sup>4</sup> *Ibid.*, para. 20(4).

<sup>5</sup> *Ibid.*, para. 21(2).

## **Reporting**

- 13) Draft minutes of each meeting will be circulated by the Corporate Governance Manager within five working days of each meeting.
- 14) The minutes and papers of each meeting of the Committee will be circulated to the Board.
- 15) The Chairman of the Committee will present a written report about each meeting of the Committee to the next appropriate meeting of the Board.
- 16) The Chairman of the Committee will present to the Accounting Officer and the meeting of the Board that is scheduled to consider and to agree the LSB's Annual Report and Accounts for the preceding financial year a written report about the activity of the committee relevant to that financial year.

Approved by the Board on 26 October 2016