

---

**Terms of reference for:  
Risk and Audit Committee**

Revised 20 March 2019

---

# 1. Authority

- 1.1 The Risk and Audit Committee (“the Committee”) is authorised by the Ofcom Board (“the Board”) to undertake and investigate any activity within its Terms of Reference and to seek any information that it requires in connection with its purpose and duties from Ofcom colleagues. All Ofcom colleagues are directed to co-operate with any request made by the Committee.
- 1.2 The Committee is authorised, at the expense of Ofcom, to obtain external legal or other independent professional advice (within any budgetary constraints which may be imposed by the Board), and to invite such individuals to attend meetings.
- 1.3 The Committee is authorised to call any colleague to be present at a meeting of the Committee, as and when required.

# 2. Purpose

- 2.1 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 and financial statements.

# 3. Duties

## Risk appetite

- 3.1 To advise the Board and Accounting Officer on Ofcom’s overall risk appetite (i.e. the amount and type of risk Ofcom is willing to take in pursuit of its strategic goals and objectives) and to make recommendations to the Board, which retains ultimate responsibility for risk.
- 3.2 In reviewing the risk appetite, to consider the effectiveness of the risk identification process (referred to in (c) below), including the outputs, and Ofcom’s capacity including any resources and constraints.

## Risk identification and mitigation

- 3.3 To ensure that Ofcom has in place appropriate processes to identify the key Strategic risks, as well as critical and significant risks in projects and programmes at Group level, and any emerging risks facing Ofcom.
- 3.4 To provide oversight of the processes undertaken to evaluate, quantify and mitigate the Strategic risks including, but not limited to, any operational, reputational and financial risk; to review each quarter a report summarising any significant changes to Ofcom’s Strategic risks and to recommend to the Board the Strategic Risk Register.

## Risk profile

- 3.5 To monitor Ofcom’s risk profile and its consistency with the risk appetite, including reviewing reports on risk exposures and limits and breaches thereof and any risk concentrations and correlations.

## Risk management policy

- 3.6 To review, at least annually, the effectiveness of the risk management policy and whether it is consistent with the Board’s approach towards risk; to provide assurances to the Board and Accounting Officer as to the appropriateness and robustness of such policy.
- 3.7 To 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 management and is free from other restrictions.

## Financial reporting

- 3.8 To review and monitor the integrity of the financial statements, including the draft annual financial accounts; in particular, to review and challenge, where necessary, the consistency of, and any changes to, the accounting principles, policies and practices adopted by Ofcom.
- 3.9 To assess the Governance Statement, the process for review of the accounts, level of error identified, and management’s letter of representation to the external auditors.

## Internal controls

- 3.10 To advise the Board on the annual report of the Head of Internal Audit, particularly on the opinion provided of the organisation’s risk management and internal control framework.
- 3.11 To review the appropriateness of the anti-fraud policies, anti-bribery policy and “whistle blowing” processes and arrangements for special investigations maintained by Ofcom for internal colleagues and external stakeholders.

## Head of Risk Management

- 3.12 To ensure the Head of Risk Management, whilst having a direct reporting line to the Finance Director, also has a reporting line to the Chair of the Committee and a right of access to the Ofcom Board Chairman; to consider the reasons for resignation of the Head of Risk Management, should this occur.

## Internal Audit

- 3.13 To oversee the appointment of the Internal Auditors including the proposals for tender, the audit fee, and any questions regarding the performance, capability, resignation or dismissal of the Internal Auditors.

## Terms of reference for Risk and Audit Committee

- 3.14 To review the effectiveness, independence and objectivity of the Internal Auditors; to advise the Board in this respect and on the opinion of the Internal Auditors and on matters related to the provision of non-audit services.
- 3.15 To discuss with the Internal Auditors and to approve the annual strategic internal audit plan, and in each year, the nature and scope of the audit programme.
- 3.16 To review the progress report 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.
- 3.17 To consider and advise the Board regarding any major findings of Internal Audit and of management's response and action plan.
- 3.18 To ensure reports from the Internal Auditors relating to operational reviews will be presented to each meeting of the Committee on completion and in accordance with an agreed timetable.

## External Audit

- 3.19 To discuss with the External Auditors, before the audit commences, the nature and scope of the audit.
- 3.20 To 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).
- 3.21 To 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.

## Other duties

- 3.22 To recommend to the Board the Financial Authority Framework.
- 3.23 To assess Ofcom's procedures for business continuity planning and disaster recovery and to report to the Board, as appropriate.
- 3.24 To review, at least annually, the most significant conflicts of interest across Ofcom, gaining assurance that they are being appropriately managed.
- 3.25 To consider other topics, and oversee other activities, as directed by the Ofcom Board or suggested by the Accounting Officer.

## 4. Membership

- 4.1 The Committee shall be appointed by the Ofcom Board and shall comprise Non-Executive Members of the Board and, when deemed appropriate, from outside the Board. The Committee shall consist of not fewer than three Members.
- 4.2 The Chair of the Committee shall be appointed by the Ofcom Board and shall be a Non-Executive Member of the Board but not the Board Chairman (to ensure the independence of the Committee).
- 4.3 At least one member of the Committee must have appropriate expertise in financial accounting or auditing. All members of the Committee must have and maintain a:
  - good understanding of financial matters; and
  - good knowledge of Ofcom's risks and controls and accepted good practice in these areas.

## 5. Conduct of meetings – attendance and arrangements

- 5.1 The quorum of the Committee shall be a minimum of two Members.
- 5.2 Members' attendance through telephone or video-link is permissible. Where the Chair of the Committee considers it appropriate, decisions may be taken by e-mail.
- 5.3 The Accounting Officer, the Director of Corporate Services, the Finance Director, the Financial Controller, the Head of Risk Management, the Corporation Secretary and any other Ofcom colleague, at the request of the Committee, together with a representative from each of the Internal and External Auditors, shall normally attend meetings. Other (Non-Executive) Ofcom Board Members shall have a right of attendance.
- 5.4 The Committee shall meet with both the External and Internal Auditors without any Executive Board Members, Group Directors or attendees present as and when the Chair of the Committee considers appropriate.
- 5.5 The Internal Auditors and External Auditors will have free and confidential access to the Chair of the Committee.
- 5.6 The Committee may ask any or all of those who normally attend meetings, but who are not Members of the Committee, to withdraw to facilitate open and frank discussion on particular matters.
- 5.7 The Corporation Secretary or such other person as the Committee decides shall be the Secretary to the Committee.
- 5.8 Formal meetings shall be held quarterly, with one meeting to be held each June to review the financial statements, including the draft annual financial accounts. Whenever possible, meetings are scheduled to coincide with key dates within the reporting and audit cycle

covering financial and control matters, cyber, information & physical security, network resilience and security and updates on litigation in Ofcom's sectors.

- 5.9 The Chair of the Committee may convene additional meetings, as they deem necessary. These shall be summoned by the Secretary of the Committee, in consultation with the Chair, and these may be at the request of any Member of the Committee or at the request of a Member of the Board, the Accounting Officer, the External or Internal Auditors.
- 5.10 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.
- 5.11 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each Member of the Committee no later than seven days before the date of the meeting.

## 6. Relationship with the Board

- 6.1 The duties of the Committee (as set out in paragraph 3 of these terms of reference) are for the Board to decide and, to the extent that the Committee undertakes tasks on behalf of the Board, the results should be reported to and considered by the Board. In doing so, the Committee should identify any matters where it considers that action or improvement is needed and will make recommendations as to the steps to be taken.
- 6.2 The Committee will review its Terms of Reference and Committee effectiveness annually and recommend any changes to the Board for approval.

## 7. Reporting procedures

- 7.1 The Chair of the Committee will provide an oral update to the Board and Accounting Officer after each meeting.
- 7.2 The Committee will provide the Board and Accounting Officer with a report timed to support finalisation of the Ofcom Annual Report and Accounts and the Governance Statement, summarising its conclusions from the work it has done during the course of the year.
- 7.3 The Secretary to the Committee shall distribute minutes of meetings of the Committee to all Members of the Committee as soon as possible after each meeting and, wherever possible, the minutes shall be noted at the next Board meeting.