

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

In accordance with the authority delegated by the BAC Board (“the Board”), The BAC has established an Audit and Risk Committee (“Committee”) as a standing sub-Committee of the Board.

Purpose

The Audit and Risk Committee shall monitor and review the corporate and financial risk, control and assurance processes which have been established in the organisation. This will be in order to help the Board of Directors to be fully assured that the most efficient, effective and economic risk, control and governance processes are in place and that the associated assurance processes are optimal. The Committee will have primary responsibility for financial risk and associated controls, corporate governance and assurance. The Committee’s roles will be to assure itself and the Board of the processes underlying these topics; the topics themselves will remain the responsibility of the Board.

The Board Assurance Framework will be central to the Committee achieving its purpose.

Areas for which the Committee will be responsible for providing the Board with assurance include:

- **Review of annual financial accounts**
- **Review of progress on internal control recommendations provided by internal and external auditors**
- **Review of Financial Risks**
- **Review of accounting policies and procedures**

Duties

The duties of the Committee can be categorised as follows:

Governance, Risk Management and Internal Control

The Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the organisation’s corporate and financial activities that support the achievement of the organisation’s strategic objectives.

In particular, the Committee will:

Review the adequacy of all risk and control related disclosure statements, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board



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- Report on financial risk management as part of the BAC's internal control arrangements in the Annual Report
- Satisfy itself that financial risks are managed appropriately
- Review the adequacy of the underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements
- Review the adequacy of the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification.
- Review the adequacy of the policies and procedures for all work related to fraud and corruption

Internal Audit

The Committee shall review the need for an internal audit service (either own staff, or externally provided) and where that need is evidenced ensure that it operates to applicable audit standards and provides appropriate independent assurance to the Committee, Chief Operating Officer and Board. This will be achieved by:

- Consideration of the provision of the Internal Audit service and associated costs
- Review and approval of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the Assurance Framework
- Consideration of the major findings of internal audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources
- Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation
- Annual review of the effectiveness of Internal Audit

External Audit

The Committee shall review the work and findings of the External Auditor and consider the implications and management's responses to their work. This will be achieved by:

- Consideration of the appointment and performance of the External Auditor, as far as the rules governing the appointment permit.



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- Discussions and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit
- Review all External Audit reports, including the report to those charged with governance agreement of the annual audit letter before submission to the Board and any work carried outside the annual audit plan, together with the appropriateness of management responses

Other Assurance Functions

- The Audit and Risk Committee shall review the findings of any BAC assurance function.

Counter Fraud

- The Committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work.

Management

The Committee shall request and review reports and positive assurance from Directors and Managers on the overall arrangements for governance, risk management and internal control. They may also request specific reports from individual functions within the organisation (e.g. security management, information governance) as they may be appropriate to the overall arrangements.

Financial Reporting

The Audit and Risk Committee shall monitor the integrity of the financial statements of BAC and any formal announcements relating to its financial performance.

The Audit and Risk Committee shall review the Annual Report and Financial Statements before submission to the Board, focusing particularly on:

- a) The wording in the Statement on Internal Control and other disclosures relevant to the Terms of Reference of the Committee
- b) Changes in, and compliance with, accounting policies, practices and estimation techniques.
- c) Unadjusted mis-statements in the financial statements
- d) Significant judgement in preparation of the financial statements
- e) Significant adjustments resulting from the audit
- f) Letter of representation
- g) Qualitative aspects of financial reporting

- h) The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

General conduct

- In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these audit functions
- It will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness

Membership and Attendance

- The Committee, including the Committee Chair, shall be appointed by the BAC Chair and shall include at least one Independent Director plus the Chair of the BAC. The quorum for a meeting will be two BAC Board members (inc the BAC Chair).
- Internal and External Audit representatives shall attend meetings where applicable
- A nominated individual shall be the Secretary to the Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chair and Committee members and Minutes of the previous meeting shall be supplied to the next Operating Board.

Frequency

The Committee will meet bi-annually as required by the Board.

Review

These TOR shall be reviewed at least annually by the Board.

Other Matters

The Committee shall be supported administratively by a nominated representative, whose duties in this respect will include:

Agreement of agenda with Chair and attendees and collation of papers

Taking the minutes & keeping a record of matters arising issues to be carried forward



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Producing a single document to track Committee agreed actions and report progress to the Committee.

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