

LSP Board Audit and Risk Committee

Purpose

The Board has established an Audit and Risk Committee (ARC) as a Committee of the Board to support them in fulfilling their responsibilities in relation to good financial governance, financial reporting, risk management and control systems. This includes reviewing the comprehensiveness of assurances provided to the Board, ensuring that the Board assurance needs are met as well as reviewing the reliability and integrity of these assurances. However, ultimate responsibility for this area rests with the Board, who must fully consider the advice and approve or amend the recommendations from the Committee.

Membership

- The Committee will consist of a minimum of 4 members drawn from the Board Members, and the Board may appoint external individuals onto the Committee to provide specialist skills, knowledge, and experience. All appointments to the Committee are ratified by the Board.
- In discharging its responsibilities, the ARC will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The ARC will also have unrestricted access to records, data, and reports. The Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities.
- The Committee shall have access to sufficient resources in order to carry out its duties and will be facilitated in this by the Secretary designated to support the Committee.
- The Committee may procure and / or avail of specialist ad-hoc advice at the reasonable expense, subject to budgets agreed by the Board, on any matter within its terms of reference.
- The Committee has rights to access to members of the Board and other Committees to seek information relevant to its functions as per this Terms of Reference.

Access

The External Auditor will have free and confidential access to the chairperson of the

Committee.

Secretary to the Committee

- The Committee will be provided with a secretariat function by a member of the staff.
- The Secretary will ensure that the Committee members receive information and papers in a timely manner to enable full and proper consideration to be given to issues.
- With the support of the chairperson, the Secretary is also responsible for the formal induction of new members of the Committee and organising mentoring for Committee members where required.
- The Committee Secretary, in conjunction with executive leads, will also have a role in facilitating overall co-ordination of the work of the Committees and their reporting to Board.

Meetings

- The Committee will meet at least 2 times a year. The chairperson of the Committee may convene additional meetings, as deemed necessary.
- The chairperson of the Committee, together with the executive lead/Secretary, will consider and the Agenda for the meeting. Members may also propose items for the agenda to the Chairperson.
- Notice of each meeting confirming the venue, time and date together with the Agenda, minutes of the previous meeting and relevant papers should be circulated to Committee members and to the extent relevant and necessary to any other person required to attend, in advance of the meeting.
- A minimum of 3 members of the Committee will be present for the meeting to be deemed quorate.
- The Secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- The committee will meet with the external auditor without the executive present if they deem it necessary.

- The Committee may ask the co-ordinator and staff to attend to assist it with its discussions on any particular matter.
- The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open discussion of particular matters.
- The Board may ask the Committee to convene further meetings to discuss particular issues on which they seek the Committee's advice.

Information Requirements

For each meeting, the ARC will be provided with:

- A progress report on the financial position and performance summarising:
 - income and expenditure (and a comparison with budget profiles and estimates);
 - update on any significant material /significant changes to assets, liabilities or cash flow within the company.
 - exception reporting on issues arising, if appropriate, and explanations of variances;
 - and any key issues and relevant matters within the committee's remit that need to be highlighted.
- An annual progress report in relation to risk management which includes:
 - a copy of the strategic/corporate risk register; and
 - a summary of any significant changes to the strategic risks and how these risks are being addressed:
- When relevant and appropriate provide, management assurance reports and details of a third party and other reviews undertaken across the organisation.
- As and when appropriate, the Committee will also be provided with:
 - the financial statements of the LSP;
 - a report on any changes to accounting policies;
 - external audit's management letter and report; and
 - the risk management policy.

Duties and Responsibilities

In overall terms, the role of the ARC is to provide advice to the Board across a range of its key financial, risk, and audit area, including corporate governance and financial management obligations as follows:

Financial Reporting

- The Committee shall advise the Board on the accounting policies and monitor the integrity of the financial statements, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain.
- In particular, the Committee shall review and challenge where necessary:
 - the consistency of, and any changes to, accounting policies;
 - the methods used to account for significant or unusual transactions;
 - whether the LSP has followed appropriate accounting standards; and
 - all material information presented with the financial statements.
- Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for stakeholders to assess the LSPs performance and strategy.

Internal Controls and Risk Management Systems

- The Committee shall review the adequacy and effectiveness of the internal control systems, including financial controls and the control environment, control procedures, and risk management systems.
- The Committee shall advise the Board on the risk management framework and on its effectiveness in supporting the arrangements for risk management, internal control, and governance.
- The Committee will consider and advise the Board in relation to the statements to be included in the annual report concerning internal controls and risk management.
- The Committee shall consider the risk register, including an assessment of its principal risks and the mitigating controls in place or being put in place.
- The Committee shall consider updates from management in relation to the risk

profile, risk appetite, and / or risk tolerance.

Compliance

The Committee shall consider reports and updates from management in relation to the adequacy and effectiveness of the policies and compliance management systems and their consistency with compliance programmes.

The Committee will consider the Directors' Compliance Statement to be included in the annual report and provide a recommendation to the Board in relation to this statement.

External Audit

- The Committee shall consider and make recommendations to the Board in relation to the appointment, re-appointment, and removal of the external auditor.
- The Committee shall meet if deemed necessary with the external auditor.
- The Committee shall review the management letter and management's response to the auditor's findings and recommendations.

Other

- The Committee will work and liaise with all other Committees as necessary.
- The Committee will work to an annual work programme approved by the Board.
- The Committee will also periodically review its effectiveness (including reviewing its terms of reference) and report the results of that review to the Board.
- The Committee's duties and responsibilities can be amended and updated by the Board as and when required.
- The Committee shall advise the Board on assurances relating to the management of risk and corporate governance requirements and consider the organisation's overall assurance processes.

Conflict of Interest

The process for recording declarations of conflicts of interest of the Committee members will be the same used at Board level. Each member of the Committee will take personal

responsibility to declare any potential conflict of interest arising in relation to any items on the agenda for the Audit and Risk Committee meetings. The Committee will specify its procedures where a conflict of interest arises in the context of a particular agenda item, including a requirement that the relevant member brings the potential conflict of interest to the attention of the chairperson and, where necessary, leaves the room for the duration of the discussion of the item and does not take part in any decisions relating to the item. Similar arrangements should apply in relation to meeting documentation, with documentation relating to the item not being made available to the member. This should be noted in the minutes of the meeting.

Confidentiality

The agenda, papers, reports, and documentation provided in the context of the work of the Committee are confidential and will contain sensitive material and information necessary to allow members to carry out their duties. Members and those in attendance, shall not, without the approval of the chairperson, discuss with or disclose, directly or indirectly, information to third parties.

Reporting

- Audit and Risk Committee business will be included as an agenda item for all Board meetings.
- The Committee must advise the Board between Board meetings if a matter is urgent and / or serious.
- The Committee shall make a statement and provide an overview of its activities in the Annual Report.
- The Committee will provide the Board with an Annual Report summarising its conclusions from the work it has done during the year, progress with the work programme, and the outcome of its self-effectiveness review.

Review

This policy is required to be approved by the Board and reviewed by the Board **every two years**.

This policy should be read alongside the LSP Governance Framework, policies, and protocols.