

Audit and Risk Committee

Remit and terms of reference

1 Purpose

The Director General and Chief Executive (the Accounting Officer) has established an Audit and Risk Committee to advise on issues of risk, control, governance and associated assurance.

This paper sets out the responsibility, activities, membership and modus operandi of Ordnance Survey's Audit and Risk Committee.

The Strategy Board is responsible for ensuring these terms of reference meet the needs of the business.

2 Responsibilities of the Audit and Risk Committee

The Audit and Risk Committee is responsible for the independent appraisal of:

- the effectiveness of the entity's internal audit function;
- the external auditor's independence, objectivity and effectiveness;
- the integrity of the entity's internal financial controls and assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks;
- the financial statement of the entity and related information presented with the financial statements, including the operating and financial review, the statement of internal controls and corporate governance statements relating to audit and risk management;
- any significant financial reporting issues and judgements made in connection with the preparation of the entity's financial statements. It is management's responsibility to prepare complete and accurate financial statements and disclosures in accordance with financial reporting standards and applicable rules and regulations. However, the Audit and Risk Committee will consider significant accounting policies, any changes to them and any significant estimates and judgements. Management should inform the Audit and Risk Committee of the methods used to account for significant or unusual transactions where the accounting treatment is open to different approaches. Taking into account the external auditor's views, the Committee will consider whether the entity has adopted appropriate accounting policies and, where necessary, make appropriate estimates and judgements. The Committee will review the financial reporting and consider whether the disclosures made are set properly in context; and

- the adequacy of the organisation's processes for the management of compliance with current and planned changes to:
 - Employment Law;
 - Competition Law;
 - Data Protection Legislation;
 - Contract Law and Terms; and
 - and other relevant legislation as it applies to the jurisdictions in which Ordnance Survey operates.

The Audit and Risk Committee will advise the Accounting Officer (and Strategy Board) on:

- the skill, experience and competency requirements for the post of the Head of Internal Audit;
- the terms of reference for internal audit;
- the strategic processes for risk, control and governance;
- the accounting policies and the accounts of the organisation;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity;
- assurances relating to the corporate governance requirements for the organisation;
- compliance with all relevant current and expected future legislation; and
- the arrangements made for cooperation between internal audit, external audit and other review bodies.

3 Activities

In order to exercise its responsibilities the Audit and Risk Committee will be provided with:

At each meeting:

- a report summarising significant changes to the organisation's Risk Register; and
- 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 Periodic Plan; and
 - any resourcing issues affecting the delivery of internal audit objectives, or the finance or risk department ability to meet their objectives.

As appropriate:

- proposals for the terms of reference of internal audit;
- the internal audit strategy;
- the Head of Internal Audit's annual opinion and report;
- quality assurance reports on the internal audit function;

- the draft accounts of the organisation;
- the draft Statement on Internal Control;
- a progress report from the external audit representative summarising work done and emerging findings;
- a report on any changes to accounting policies;
- external audit's proposed management letter;
- a report on any proposals to tender for audit functions;
- reports on the organisation's compliance with all current and anticipated legislation; and
- any other report felt necessary to assess the management of risk.

4 Membership

The members of the Audit and Risk Committee are:

- Non-Executive directors.

The Non-Executive directors will appoint one of their number to be Chair of the Committee. In the absence of the nominated Chair, another Non-Executive Director will chair the meeting. There should preferably be a minimum of three Non-Executive Directors present, including the Chair; the Committee is quorate provided it has a minimum of two Non-Executive Directors present.

The following executive directors are permanent attendees of the Risk and Audit Committee:

- Director of Finance
- Director of Strategy

In addition:

- the Director of Finance is the Principal Finance Officer; Director of Strategy is the Chief Risk Officer;
- the Audit and Risk Committee will also invite additional 'Ex- Officio' Executive Directors to attend on a rotational basis throughout the four annual committee meetings;
- the Audit and Risk Committee meetings will normally be attended by the Head of Internal Audit. The Chair will invite a representative of external audit to attend meetings as appropriate;
- the Audit and Risk Committee may ask any other officials of the organisation to attend, to assist it with its discussions on any particular matter;
- the Audit and Risk Committee may ask any or all of those who normally attend, including the Executive Director members, to withdraw to facilitate open and frank discussion of particular matters; and
- the Director General and Chief Executive may ask the Audit and Risk Committee to convene further meetings to discuss particular issues on which the Committee's advice is required.

5 The operation of the Audit and Risk Committee

Support for the Committee in the conduct of its activities is provided both by the Corporate Office and the Head of Internal Audit who will nominate a Committee Secretary.

The Audit and Risk Committee meets three or four times a year, to an annual schedule of meetings. Extraordinary meetings of the Committee are arranged as necessary. Papers may be circulated for clearance outside of Committee meetings. One of the Audit and Risk Committee meetings will be timed to enable the Committee to consider the draft Annual Accounts, draft Statement on Internal Control and External Audit's management letter before the accounts are approved by the Strategy Board.

The agenda and papers are normally sent to members at least five working days before meetings.

Papers should generally be no longer than two pages in length with additional information attached as an annexe to the paper if necessary. Tabled material is only accepted by exception and only with the agreement of those at the meeting.

A minute of the Committee's discussions, decisions and actions is taken which is approved before distribution by the Chair of the meeting. This is normally issued to members of Committee and the Chief Executive during the month following the meeting. It may be supplemented by any additional feedback from the Chair of the Committee to the Chief Executive where felt appropriate. All papers presented to Committee and minutes are held on internal audit files, along with a record of the agenda.

6 Communication and reporting

A brief summary of Audit and Risk Committee's discussions and decisions will be communicated to members of the Strategy Board at the next available meeting.

The Strategy Board will review the remit of this Committee annually.

The Heads of Internal Audit, Risk and Finance together with the representative of external audit have unfettered and confidential access to the Chair of the Audit and Risk Committee should they wish to use it.

Vanessa V Lawrence
Director General and Chief Executive

1 December 2006