

## **Civil Aviation Authority: Audit Committee Terms of Reference**

### **1. Constitution**

- 1.1 The board hereby resolves to establish a committee of the board to be known as the Audit Committee.
- 1.2 The Audit Committee will support the board in its responsibilities for issues of governance, risk, control and associated assurance by providing an independent view on appropriateness, adequacy and overall value for money.

### **2. Aims**

- 2.1 The aims of the Audit committee are to:
  - 2.1.1 improve the quality of external financial reporting and promote a climate of internal financial control;
  - 2.1.2 promote the development of internal control systems, including sensible business risk management; and
  - 2.1.3 promote the highest standards of propriety in the use of funds and encourage accountability for the use of those funds.

### **3. Membership**

- 3.1 The committee shall be appointed by the board. All members of the committee shall be independent non-executive Members of the CAA.
- 3.2 The committee shall consist of not less than three members. A quorum shall be two members. A temporary reduction in the number of members shall not invalidate the procedures of the committee at any meeting provided that a quorum is present.
- 3.3 The chairman of the committee shall be appointed by the board from amongst the independent non-executive Members. In his absence the committee shall appoint one of their number to chair the meetings from which he is absent.

### **4. Attendance at meetings**

- 4.1 The Chief Executive (or appointed representative), Finance & Corporate Services Director, Secretary & Legal Adviser, Head of Internal Audit and a representative of the external auditors shall attend meetings at the invitation of the committee.
- 4.2 The Chairman and other board members shall attend if invited by the committee.
- 4.3 There should be at least one annual meeting, or part thereof where the external and internal auditors attend without management present.
- 4.4 The Head of Internal Audit shall be secretary of the committee.

### **5. Access**

- 5.1 The Head of Internal Audit and the representative of external audit will have free and confidential access to the Chairman of the Audit Committee.

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### 6. Frequency of meetings

- 6.1 Meetings shall be held not less than three times a year, and where appropriate should coincide with key dates in the CAA's financial reporting cycle.

### 7. Authority

- 7.1 The committee is authorised by the board to:
  - 7.1.1 investigate any activity within its terms of reference, which covers the whole of the Authority including subsidiaries;
  - 7.1.2 seek any information that it requires from any employee or member of the Authority and all employees are directed to cooperate with any request made by the committee; and
  - 7.1.3 obtain outside legal or independent professional advice and such advisors may attend meetings as necessary.

### 8. Duties

The duties of the committee shall be:

- 8.1 to respond to the Secretary of State's statutory requirement under Section 15(2) of CAA82, as modified, to consult the CAA on the appointment of external auditors and for this purpose:
  - 8.1.1 to consider the appointment of the external auditor and assess independence of the external auditor, ensuring that key partners are rotated at appropriate intervals;
  - 8.1.2 to recommend the audit fee to the board and develop and recommend to the board the policy in respect of non-audit services provided by the external auditor and, by setting, monitoring and applying this policy to ensure that the provision of non audit services does not impair the external auditors' independence or objectivity;
- 8.2 to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditors' quality control procedures, steps taken by the auditor to respond to changes in regulatory and other requirements, and the effectiveness, independence and objectivity of the external auditor;
- 8.3 to review the external auditor's management letter and regulatory compliance report together with management's response;
- 8.4 to review and direct the internal audit function and programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the CAA;
- 8.5 to approve the strategic internal audit plan, and in each year review the nature and scope of the internal audit programme and to consider the effectiveness, independence and objectivity of the internal audit function;
- 8.6 to consider management's response to any major external or internal audit recommendations;
- 8.7 to approve the appointment or dismissal of the Head of Internal Audit;
- 8.8 to review the CAA's procedures for handling allegations from whistleblowers, both internal and external to the CAA;
- 8.9 to review management and internal audit reports on the effectiveness of systems for internal control, financial reporting internal control and risk management, and to advise the board in relation to these;

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- 8.10 to advise the Board on the processes for overseeing risk management throughout the CAA, ensuring that the risk management policy is effective and consistent with the Board's policies towards risk and providing assurances to the Board as to the appropriateness and robustness of such policy and processes;
  - 8.11 to review, and challenge where necessary, the actions and judgements of management, in relation to the annual financial statements and other statements, disclosures or information, such as operating & financial review, in documents containing audited financial statements before submission to the board, paying particular attention to:
    - 8.11.1 critical accounting policies and practices, and any changes to them;
    - 8.11.2 decisions requiring a major element of judgement;
    - 8.11.3 the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
    - 8.11.4 the clarity of disclosures;
    - 8.11.5 significant adjustments resulting from the external audit;
    - 8.11.6 the going concern assumption;
    - 8.11.7 compliance with accounting standards;
    - 8.11.8 compliance with legal requirements; and
    - 8.11.9 reviewing the CAA's statement on internal control systems prior to endorsement by the board and to review the policies and process for identifying and assessing business risks and the management of those risks by the CAA.
  - 8.12 to consider other topics, as defined by the board;
  - 8.13 to consider any matters brought to it by any sub-committees that it has established;
  - 8.14 to conduct an annual review of its performance against these terms of reference and to review these terms of reference annually; and
  - 8.15 to review the appropriateness of CAA anti-fraud policies, UK Bribery Act considerations and arrangements for special investigations.
- 9. Reporting procedures**
- 9.1 The chairman of the committee shall present a written report to the board, following each committee meeting, highlighting key issues discussed and actions arising.
  - 9.2 The CAA secretary shall circulate the minutes of meetings of the committee to all members of the board.
  - 9.3 The chairman of the committee or, as a minimum, another member of the committee, shall attend the board meeting at which the annual accounts are approved.
  - 9.4 The committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the board.
  - 9.5 The committee's duties and activities during the year shall be disclosed in the annual financial statements, in line with guidance in The UK Corporate Governance Code.