

Terms of Reference for the Risk and Internal Controls Committee

The Risk and Internal Control Committee (“the Committee”) was constituted by the Commission at its meeting of 24 November 2005 (minute 221/05) to assist the Commission’s board in discharging its oversight responsibilities and assessing the independent integrity of the Commission.

- 1 The purpose of the Committee is to advise the Board on the quality of the Commission’s financial management and the adequacy of its systems of internal control including:
 - (a) annual accounts for the approval of the Board;
 - (b) the Commission’s systems of internal financial, risk management, operational and compliance controls;
 - (c) statements from the executive and auditors on the Commission’s compliance with generally accepted principles of good corporate governance that are relevant to it;
 - (d) the selection of and relationship with its auditors.

- 2 In relation to the internal audit function, carried out by Isle of Man Government Internal Audit, the Committee may consider and report to the board on:
 - (a) management’s responsiveness to Internal Audit findings and recommendations; and
 - (b) whether Internal Audit had the necessary access to information to enable it to fulfill its mandate.

- 3 In relation to the external audit function, the Committee will, in particular:
 - (a) make recommendations to the Board on the appointment, re-appointment and removal, terms of engagement and remuneration of the external auditor;
 - (b) advise the Board on the quality, reliability, independence and effectiveness of the external auditor;
 - (c) review with the external auditor the scope and nature of the audit and confirm that the auditors have access to all information they may need, advising the Board as necessary;
 - (d) liaise with the external auditor on the annual financial statements in relation to accounting policy and practice, major matters of judgment, accounting standards, significant adjustments resulting from audit, clarity, completeness and context of disclosure and any other material matters affecting the audit of the accounts;
 - (e) review audit representation letters before they are signed by the executive;
 - (f) review any management letter written by the external auditor and the executive’s response, and advise the Board;
 - (g) discuss problems and reservations arising from the audit and any other matters which the external auditor may wish to raise; and
 - (h) meet with the external auditor at least once a year without executive presence.

- 4 In relation to the Commission’s Internal Controls the Committee may consider and report to the Board upon the executive’s internal compliance arrangements relating to topics which include (but are not limited to):

- (a) relevant government regulations;
 - (b) the Government Corporate Governance Principles & Code of Conduct (1st Annual Statement of Control to government due as at April 2007);
 - (c) the Commission's Corporate Governance Framework;
 - (d) compliance with divisional procedures;
 - (e) complaints handling;
 - (f) data protection and access to Government Information;
 - (g) conflicts of Interest, personal dealing and hospitality;
 - (h) policies on the level and scope of any non-audit services provided by the auditor to the Commission and the prospective employment by the Commission of professional employees/ partners of the auditor. (The objective of the policies is to ensure that the auditor's independence or objectivity will not be impaired);
 - (i) other internal control review work undertaken (or required to be undertaken); and
 - (j) advise the Board, on the basis of reviews undertaken and of management reports more generally, whether the work of the Commission is being carried out in accordance with agreed policies, processes, procedures and standards and that appropriate arrangements for monitoring and controlling reputational risk are in place.
- 5 The Committee will be a committee of the Board of the Financial Supervision Commission and will be made up of at least three Commissioners (at least two of whom must be non executive, one of whom should have recent and relevant financial experience).
- 6 The Committee will generally meet quarterly. Supplementary/additional meetings may be held by telephone to deal with Committee business.
- 7 The Committee will have access to the services of the Secretary to the Commission and the Secretary to the Commission shall ensure the Committee receives information and papers in a timely manner. The Committee may investigate any activity, seek information and, with the approval of the Board, obtain for itself outside legal or independent professional advice.
- 8 The Committee can invite other Commissioners to attend meetings, and also invite the auditors and relevant Commission officers to attend, as appropriate.
- 9 The Committee will review and approve its terms of reference annually and recommend any necessary changes to the Board.
- 10 The Committee will report to the Commission formally on six monthly basis. Ad-hoc business requiring Board decision will be tabled at Commission meetings on an ad-hoc basis. Minutes of the Committee will be submitted to the Commission quarterly.

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