



FCO SERVICES

Part of the Foreign and Commonwealth Office

OFFICIAL

FCO Services Audit and Risk Assurance Committee

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Abbreviations

Abbrev.	Meaning
ARAC	Audit and Risk Assurance Committee

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1 Introduction

The Audit and Risk Assurance Committee (ARAC) is a sub-Committee of the FCO Services Board providing independent advice to the FCO Services Board and the Accounting Officer in their respective responsibilities for issues of risk, controls, governance and assurance.

2 Tasks

2.1 Advisory

The ARAC will advise on matters pertaining to:

- The strategic processes for control, governance and risk management
- FCO Services' accounting policies and financial accounts, including the process for their review prior to submission for audit and the levels of error identified
- Anti-Fraud policies, Raising Concerns processes and arrangements for special investigations
- The planned activity and results of both internal and external audit
- The adequacy of management response to issues identified by audit activity, including the NAO Management Letter
- Assurances relating to the corporate governance requirements of the FCO Services
- Proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services
- The adequacy and effectiveness of the overall arrangements put in place by management to manage risk
- The Annual Governance Statement
- The operation and resourcing of Internal Audit.

All Internal Audit, Anti Fraud and Corruption Unit and NAO activity falls within the scope of the committee, including NAO value for money reports. The committee will also consider assurances and information relating to other areas of risk (e.g. security, information and cyber threats, business continuity, environmental audit and health and safety) as requested by the Accounting Officer.

2.2 Reporting

The Audit and Risk Assurance Committee will receive regular progress reports from:

Internal Audit summarising:

- Work performed (and a comparison with work planned)
- Key issues emerging from Internal Audit work
- Changes to the Internal Audit Plan
- Any resource issues preventing the provision of the HoIA's opinion to the Accounting Officer and the consequences
- Findings of the Anti Fraud and Corruption Unit, including Raising Concerns.

External Audit, summarising work done and emerging findings.

FCO Services summarising:

- Management response to Internal and External Audit recommendations
- Progress against the audit action plans
- Risk management activity since the last meeting, including the current key risks from the perspective of the Executive
- A detailed discussion of an FCO Services business area and a specific risk
- Development and use of the Assurance Map
- Progress on Information and Cyber threat Assurance.

The Audit and Risk Assurance Committee will also be provided, as appropriate, with:

- Proposals for changes to 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 financial Accounts
- The draft Annual Governance Statement
- A report on any changes to accounting policies
- External Audit's Management Letter
- A report on any proposals to tender for internal audit functions
- A report on co-operation between Internal and External Audit
- The FCO Services' Risk Management Policy.

The ARAC Members will be provided with copies of all individual reports that fall within the terms of reference of the committee. These will include the Internal Audit and NAO VFM reports.

The Audit and Risk Assurance Committee will also periodically review its own effectiveness and report the results of that review to the Board.

3 Meetings

3.1 Format of Meetings

The ARAC meetings shall follow the following format:

- They will be convened at least four times a year
- The Chief Executive (as Accounting Officer) may attend any scheduled meeting and may convene additional meetings in order to discuss particular issues on which the Committee's advice is sought
- The ARAC Chair may also convene additional meetings
- The Chair will meet with IA, NAO, FCO Services Finance Director and Chief Executive prior to each meeting to discuss the agenda and any current issues
- The ARAC meetings will normally be attended by the Finance Director alongside representatives from the NAO, IAD and FCO Finance
- The Audit and Risk Assurance 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 Assurance Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters
- The Board or the Accounting Officer may ask the Audit and Risk Assurance Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

3.2 Membership

The membership will consist of:

- Chair – a Non-Executive Director, FCO Services Board
- A minimum of one further Non-Executive Director
- A representative from the FCO.

At least one of the above must have recent or relevant financial experience. A minimum of two members of the ARAC will be present for the meeting to be deemed quorate.

The following are invited to attend each meeting by standing invitation:

- Chief Executive, FCO Services
- The Chair, FCO Services Board
- Finance Director, FCO Services
- Representative from the FCO Services Internal Audit team
- Representative from the NAO
- Non-Executive Directors who are not members of the ARAC.

The secretarial services will be provided by FCO Services.

4 Access and Rights

4.1 Access

The Head of Internal Audit and the representative of External Audit (NAO) will have free and confidential access to the Chair of the ARAC.

The ARAC will have sufficient access to funding to fulfil its role:

- To meet the remuneration and expenses of members
- To meet the training needs of members, and
- To provide specialist external advice if required.

Requests for funding should be made to the Finance Director.

4.2 Rights

The ARAC may:

- Co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience
- Procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board.

5 Reporting

The Chair of the ARAC will report back to the Chief Executive, as Accounting Officer, and FCO Services Board after each meeting, on which occasion a summary of the ARAC meeting will be circulated as a Board agenda item.

The Audit and Risk Assurance Committee will provide the Board and Accounting Officer with an Annual Report, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.

Last agreed September 2015 – To be reviewed again September 2016