

Foreign and Commonwealth Office

Audit & Risk Committee

Terms of Reference



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Purpose

1. The Audit & Risk Committee (ARC) exists to support the Permanent Under-Secretary (PUS), as Principal Accounting Officer, and the FCO Management Board in their responsibilities to ensure that there are effective arrangements for governance, risk management and internal control for the whole departmental family. The committee has no executive responsibilities but reviews the comprehensiveness, reliability and integrity of assurances provided to the Management Board, challenges the organisation's executive and promotes best practice across the FCO.

Membership

2. Current membership of the Audit & Risk Committee is as follows:

Rudy Markham	Chairman (Non-Executive Management & Supervisory Board Member)
Ann Cormack	Independent External Member
Stephen Hawker	Independent External Member
To be appointed	Non-Executive Supervisory Board Member

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

Simon Fraser	Permanent Under-Secretary
Matthew Rycroft	Chief Operating Officer
Alison Currie	Finance Director
Menna Rawlings	Human Resources Director
David Meyer	Chief Information Officer
David Cairns	Estates & Security Director
Chris Bedford	Director National Audit Office
Jon Hews	Head of Internal Audit

4. The Internal Audit Department provides the secretariat function.

Meetings

5. The Audit & Risk Committee meets at least five times a year in March, twice in June (one meeting to consider the Resource Accounts), September and December. The PUS (as Accounting Officer) may convene ARC meetings to discuss particular issues on which he wants the Committee's advice. The Chairman may also convene additional meetings, as he deems necessary.
6. A minimum of two members of the Audit & Risk Committee will be present for the meeting to be deemed quorate.
7. The Audit & Risk Committee may ask any other officials of the FCO or its Arms Length Bodies to attend to assist it with its discussions on any particular matter. Furthermore, the 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.

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Access

8. The Head of Internal Audit and the representative of External Audit (NAO) will have free and confidential access to the Chairman of the Audit & Risk Committee.

Reporting

9. The Chairman of the Audit & Risk Committee will report to the PUS, as Accounting Officer, and FCO Management Board after each ARC meeting on which occasion the ARC minutes will be circulated as an agenda item.
10. An Annual Report of ARC activity will be published in the Resource Accounts and the Chairman will also write to the PUS each June to give an account of the particular work undertaken in support of his signing the FCO Resource Accounts.

Responsibilities

11. The Audit & Risk Committee will advise the Management Board and Accounting Officer (PUS) on:
 - the strategic processes for risk, control and governance and the Governance Statement;
 - the findings and conclusions from its enquiries regarding the outcome and effectiveness of FCO investment decisions;
 - FCO accounting policies and resource accounts, including the process for their review prior to submission for audit and the levels of error identified but, in accordance with HM Treasury guidance, not whether they are 'true and fair';
 - 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 and interim Management Letter;
 - assurances relating to the corporate governance requirements of the FCO e.g. Self-Audit and the Annual Consolidated Certificate of Assurance (ACCA);
 - proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services; and
 - the arrangements in place by which staff may, in confidence, raise concerns about possible improprieties regarding financial reporting and other matters ("whistle-blowing"). The Committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
12. The Audit & Risk Committee will also periodically review its own effectiveness and report the results of that review to the PUS and Management Board.

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13. All Internal Audit and NAO activity falls within the scope of the committee along with counter-fraud work undertaken by the Financial Compliance Unit (FCU) and any other independent assurance work (e.g. health & safety audits) , either internally or externally provided.

Rights

14. The Audit & Risk Committee may:

- co-opt additional specialist 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 FCO, subject to budgets agreed by the Management Board.

Information Requirements

15. At each regular meeting, the Audit & Risk Committee will be provided with:

- a report summarising any significant changes to the FCO's Top Risk Register;
- an update from the Senior Information Risk Owner (SIRO) on FCO information risk management, including any personal data losses;
- 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 recommendations
 - changes to the Internal Audit Plan
 - any resource issues affecting the delivery of Internal Audit objectives
- a progress report from the External Audit representative summarising work done and emerging findings;
- an update from FCU on their current caseload.

16. The Audit & Risk Committee will also be provided, as and when 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 Resource Accounts;

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- the draft Governance Statement;
 - a report on any changes to accounting policies;
 - External Audit's Management Letter;
 - a report on any proposals to tender for audit functions;
 - a report on co-operation between Internal and External Audit.
17. Full copies of all the individual reports that fall within the terms of reference of the committee are available to ARC members on request to the ARC Secretariat.

Arms Length Bodies

18. The FCO does not operate a 'group' audit & risk committee reporting line structure with its four Executive Non-Departmental Public Bodies (NDPBs), Trading Fund (FCO Services), Public Corporation (BBC World Service) and Executive Agency (Wilton Park). However, the FCO sponsor departments responsible for oversight of each body and the FCO Head of Internal Audit review their audit committee agenda papers (including audit reports and accounts) and have the right of access to attend if necessary.
19. The FCO Head of Internal Audit subsequently includes an audit opinion on the effectiveness of the Arms Length Body's arrangements for governance, risk management and internal control in his annual report to the FCO Principal Accounting Officer (PUS) and advises the relevant FCO sponsor department of any weaknesses that need to be addressed. With the exception of the BBC World Service, all the FCO Arms Length Body's accounts are also audited by the NAO.
20. The Chairman of the FCO Audit & Risk Committee meets annually with the Audit Committee Chairs of all FCO Arms Length Bodies to discuss any matters arising from these assessments and to share best practice in areas of common interest.

Last updated: December 2011

Approved by the Management Board: January 2012