

# **Foreign and Commonwealth Office**

## **Audit & Risk Assurance Committee**

### **Terms of Reference**



**Foreign &  
Commonwealth  
Office**

#### Purpose

1. The Audit & Risk Assurance Committee (ARAC) supports the Management Board and Permanent Under-Secretary (PUS) as Accounting Officer in their responsibilities to ensure that there are effective arrangements for governance, risk management and internal control. It reviews the comprehensiveness, reliability and integrity of assurances provided to the Management Board and PUS, challenges the executive; and promotes best practice across the FCO, but has no executive responsibilities and obligations to ensure its independence.

#### Membership

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

Warren Tucker	ARAC Chairman and Non-Executive Board Member (appointed 2015)
Simon O'Regan	Independent External ARAC Member (appointed 2018)
Helen Pernelet	Independent External ARAC Member (appointed 2019)

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

Permanent Under-Secretary (PUS)  
Chief Operating Officer  
Finance Director  
Human Resources Director  
Chief Information Officer  
Estates & Security Director  
National Audit Office Director  
Head of Internal Audit

4. The Internal Audit Department provides the secretariat function.

#### Meetings

5. The Audit & Risk Assurance Committee meets at least five times a year in March, twice in June (one meeting to consider the Annual Report & Accounts), September and December. The PUS (as Accounting Officer) may convene ARAC 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 Assurance Committee will be present for the meeting to be deemed quorate.
7. The Audit & Risk Assurance 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 Assurance Committee. A private meeting of the ARAC members and the auditors will be held at least annually.

#### Reporting

9. The Chairman of the Audit & Risk Assurance Committee will report to the PUS, as Accounting Officer, and FCO Management Board after each ARAC meeting on which occasion the ARAC minutes will be circulated as an agenda item.
10. A report of ARAC activity will be published in the Annual Report & 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 Accounts.

#### Responsibilities

11. The Audit & Risk Assurance 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 annual report & 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. 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.

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12. The Audit & Risk Assurance Committee will also periodically review its own effectiveness and report the results of that review to the PUS and Management Board.
13. All Internal Audit and NAO activity falls within the scope of the committee along with counter-fraud work undertaken by the Anti-Fraud & Corruption Unit (AFCU) and any other independent assurance work (e.g. health & safety audits), either internally or externally provided.

### Rights

14. The Audit & Risk Assurance 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 Assurance Committee will be provided with:

- a report summarising any significant changes to the FCO's Top Risk Register;
- 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 AFCU on their current caseload.

16. The Audit & Risk Assurance Committee will also be provided, as and when appropriate, with:

- an update from the Senior Information Risk Owner (SIRO) on FCO information risk management, including any personal data losses;
- an Annual Report on Health & Safety, including any accidents and injuries;
- proposals for changes to the Terms of Reference of Internal Audit (Audit Charter);
- the Internal Audit Strategy;

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- the Head of Internal Audit's Annual Opinion and Report;
  - Quality Assurance reports on the Internal Audit function;
  - the draft Annual Report & Accounts;
  - 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; and
  - the organisation's Risk Management process.
17. Full copies of all the individual reports that fall within the terms of reference of the committee are available to ARAC members on request to the ARAC Secretariat.
- Arms Length Body (ALB) ARACs
18. Within the FCO departmental accounting boundary there are three Executive Non-Departmental Public Bodies (Westminster Foundation for Democracy, Marshall Aid Commemoration Commission and the Great Britain-China Centre) and an Executive Agency (Wilton Park). They are all consolidated in the FCO accounts and have their own Audit & Risk Assurance Committees.
19. FCO sponsor departments lead on day to day oversight of each body and the FCO Management Board is responsible for reviewing ALB performance. All have Accounting Officers appointed by the PUS and their accounts are audited by the NAO. The FCO Head of Internal Audit takes account of the overall opinions on governance, risk management and internal control issued by their auditors in his annual report to the FCO Principal Accounting Officer (PUS) and FCO Audit & Risk Assurance Committee.
20. The FCO also sponsors the British Council (a Public Corporation) and FCO Services (a Trading Fund). These bodies are not within the FCO departmental accounting boundary and therefore not consolidated in the FCO Annual Report & Accounts.
21. The Chairman of the FCO ARAC meets regularly with the Audit Committee Chairs of all FCO Arms Length Bodies to discuss any significant matters arising from their committee discussions and to share best practice in areas of common interest.

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