

## HEFCW Audit and Risk Committee Remit

### 1 CONSTITUTION

A Committee of the Council to be known as the Audit and Risk Committee (the Committee) established with the following terms of reference and standing orders by a resolution of the Council dated the day of 12 December 2008. The terms of reference are reviewed annually and the last update was approved by Council on 09 December 2011.

### 2 TERMS OF REFERENCE

- 2.1 The Committee shall advise and support the Council and HEFCW's Accounting Officer by giving them independent assurance as to the effectiveness of HEFCW's corporate governance, risk management and internal control arrangements. In particular, the Committee will give a formal opinion to the Council on the audited accounts, including the Statement on Internal Control, before they are approved. Consistent with HEFCW's responsibilities in the higher education sector, this remit extends to assurance to the Council about internal control, corporate governance and risk management by institutions and related bodies receiving funding from HEFCW ('funded institutions').

The Committee shall consider the adequacy of corporate governance, risk management and internal control within HEFCW and in funded institutions through the following:

#### 2.1.1 **Corporate governance, risk management and Internal control,**

- a) Reviewing the adequacy of the structures, processes and responsibilities adopted by HEFCW management for identifying and managing key risks facing HEFCW. This will include regular reviews of HEFCW's corporate risk register.
- b) Reviewing the adequacy of all risk and control related disclosure statements, including The Statement on Internal Control, together with any accompanying Internal Audit statement, prior to the endorsement of the Council.
- c) Monitoring the effectiveness of governance, internal control and risk management arrangements established by higher education institutions in Wales to ensure that public funding is safeguarded and that their aims, objectives and key performance targets are achieved in the most economic and effective manner.

- d) Reviewing the outcomes of institutional risk review and financial health assessment and providing advice to the Council on courses of action.
- e) Reviewing the adequacy of policies for ensuring that there is compliance with the relevant regulatory and legal requirements and the Council's code of practice for members and code of conduct for employees.
- f) Advising the Council, as far as is reasonably possible, on the effectiveness of the measures taken to safeguard HEFCW's assets and the prevention and detection of fraud and irregularity.
- g) Monitoring the treatment by HEFCW of complaints and public interest disclosures ('whistle-blowing') made to HEFCW against funded institutions.
- h) Considering the outcomes of any independent reviews of the Internal Audit and Institutional Assurance services.

### **2.1.2 Internal audit**

- a) Advising the Council on the provision of the Internal Audit Service and where appropriate the appointment and terms of engagement of internal auditors, the audit fee, the provision of non-audit services and any question of resignation or dismissal of internal auditors.
- b) Considering and advising the Council on the periodic internal audit plans and the resources required to meet HEFCW's defined audit needs.
- c) Seeking to ensure that the internal audit function is adequately resourced and has appropriate standing within the organisation.
- d) Considering the internal audit annual statement of assurance and all reports, including value-for-money reports and to monitor the effective implementation of internal audit recommendations.
- e) Monitoring the performance and effectiveness of the internal audit service on an annual basis including monitoring that the Internal Audit Service conforms to the Government Internal Audit Standards.

### **2.1.3 External audit**

- a) Discussing with external audit, before the audit commences the nature and scope of the audit and seeking to ensure co-ordination between the internal and external auditors.
- b) Advising the Council on the remuneration of the external auditors and the scope of their work including any non-audit work.
- c) Considering all relevant reports by the Wales Audit Office and other relevant bodies, including reports on the accounts, achievement of value for money

and the response to any management letters, and monitoring the effective implementation of recommendations arising.

- d) Monitoring the performance and effectiveness of the external auditors on an annual basis.

#### **2.1.4 Financial reporting**

- a) Reviewing HEFCW's annual financial statements before submission to the Council, focusing particularly on:
- Changes in, and compliance with, accounting policies and practices;
  - Major judgmental areas;
  - Significant adjustments resulting from the audit; and
  - Determining whether they are complete and consistent with the information known to Committee members.

## **2.2 Responsibilities**

On the basis of the above considerations in undertaking its duties, the Committee shall advise the Council and HEFCW's Accounting Officer on the following matters:

- a) The effectiveness of corporate governance, internal control, and risk management in HEFCW and in the HE sector.
- b) The scope and effectiveness of HEFCW's Internal Audit Service. This includes audit planning, periodic workplans, operations, co-operation with external auditors, follow-up work, and the Internal Audit Service annual report.
- c) The scope and effectiveness of HEFCW's Institutional Assurance service. This includes planning, periodic workplans, operations and follow-up work, and the annual report on the Institutional Assurance work.
- d) The provision of the Internal Audit Service and where appropriate the criteria for the selection and appointment of HEFCW's internal auditors, including assessment of the adequacy of the resources available for the work required.
- e) Any relevant reports from the Wales Audit Office and the National Audit Office, including any management response.
- f) The arrangements in place to promote economy, efficiency and effectiveness within HEFCW and the HE sector.
- g) New accounting and audit standards.
- h) Emerging good practice in corporate governance, risk management and internal control.

HEFCW's annual financial statements before submission to the Council.

## **2.3 Other**

The Committee shall consider and provide advice to the Council on such financial, governance, risk or control issues as the Council may request from time to time. This includes matters referred to the Committee by the Council's complaints panel.

## **3 STANDING ORDERS**

3.1 The standard HEFCW Committee Standing Orders shall apply.

### **3.2 Membership and Attendance**

3.2.1 The Committee shall comprise up to six members, including at least one member of the Council. The Committee will be chaired by a Council member. Up to three members will be co-opted non-Council members.

3.2.2 The quorum for Committee meetings is two members, including the Chair or his/her nominee.

3.2.3 The following HEFCW officers shall normally attend meetings of the Committee:

- Chief Executive, as Accounting Officer
- Director of Finance and Corporate Services
- Head of Governance, Leadership and Information
- Head of Internal Audit
- Head of Resources
- Senior Institutional Assurance Manager
- Other HEFCW staff, at the discretion of the Committee.

3.2.4 A representative from the Welsh Government will be invited to attend the meetings of the Committee. A representative of the external auditors, the Wales Audit Office, shall normally attend meetings, particularly those where an external audit report is being considered.

3.2.5 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.

3.2.6 A member of the Finance and Corporate Services Directorate shall service the Committee

3.2.7 The Head of Internal Audit and the representative of the external auditors shall have free and confidential access to the Chair of the Committee.

### **3.3 Meetings**

- 3.3.1 The Committee normally meets three times per year. The Committee is able to determine the frequency of its meetings, subject to a minimum of one meeting per year.
- 3.3.2 At least once a year the Committee will meet **separately** with the Head of Internal Audit and the representative of the external auditor without any other HEFCW staff being present.
- 3.3.2 The external auditor or Head of Internal Audit may ask the Committee to convene a meeting if they consider that one is necessary.

### **3.4 Authority**

- 3.4.1 The Committee is an advisory body with no executive powers. However, it is authorised by the Council to investigate any activity within its terms of reference and, through its Chair, seek any information or papers it requires from HEFCW staff, who are required to co-operate with the Committee in the conduct of its enquiries, and from its auditors (internal and external).