

## HEFCW Audit and Risk Assurance Committee Remit

### 1 Constitution

A Committee of the Council to be known as the Audit and Risk Assurance 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 in November 2017.

### 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 Governance Statement, before they are approved. The Committee shall provide assurance to the Council on the degree of current, and likely future, adherence to the terms of the Memorandum of Assurance and Accountability ("MAA") and/or the Financial Management Code ("FMC") by each provider that is funded or regulated by HEFCW, as appropriate.

The Committee shall consider the adequacy and effectiveness of the application of these terms of reference through the following:

#### 2.1.1 Corporate governance, risk management and internal control

- a) Reviewing the adequacy and effectiveness 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 and effectiveness of all risk and control related disclosure statements, including the Governance Statement, together with any accompanying Internal Audit statement, prior to the endorsement of the Council.
- c) Reviewing the adequacy and effectiveness 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
- d) 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.

- e) Advising the Council on HEFCW's public interest disclosure ('whistle-blowing') processes, and monitoring the treatment by HEFCW of complaints and allegations disclosures made to HEFCW against providers.
- f) Considering the outcomes of any independent reviews of the Internal Audit and Institutional Assurance services.

### **2.1.2 Provider adherence to the MAA and/or FMC**

- a) Approving the planned programme of work set out in the annual Institutional Assurance Plan.
- b) Reviewing the outcomes of institutional risk review, institutional assurance review and financial health assessments and providing advice to the Council on courses of action.

### **2.1.3 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) Approving and advising the Council on the internal audit strategy and annual plan; the Internal Audit Services Charter; 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 quality, performance and effectiveness of the internal audit service on an annual basis including monitoring that the Internal Audit Service conforms to the Public Sector Internal Audit Standards.

### **2.1.4 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.

### **2.1.5 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.
- b) The adequacy and effectiveness of the MAA and FMC, and, where appropriate, recommendations for amendments.
- c) The degree of current, and likely future, adherence to the terms of the MAA and/or the FMC by each provider that is funded or regulated by HEFCW, via processes that include the receipt from each provider annually of a range of governance assurance returns and a regular cycle of Institutional Assurance Review visits.
- d) The quality, 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.
- e) The scope and effectiveness of HEFCW's Institutional Assurance work. This includes planning, periodic workplans, operations and follow-up work, and the annual report on the institutional assurance work.
- f) 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.
- g) Any relevant reports from the Wales Audit Office and the National Audit Office, including any management response.
- h) The arrangements in place to promote economy, efficiency and effectiveness within HEFCW and the HE sector.
- i) New accounting and audit standards.
- j) Emerging good practice in corporate governance, risk management and internal control.

k) 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 five members, including two members of the Council and three co-opted non-Council members. The Committee will be chaired by one of the Council members and the other Council member will be the Deputy Chair.

3.2.2 The quorum for Committee meetings is two members, including one Council member and one co-opted member.

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

- Chief Executive, as Accounting Officer
- Director of Institutional Engagement
- Head of Internal Audit
- Head of Corporate Services
- Head of Sustainability and Assurance
- Council Secretary
- Other HEFCW staff, at the discretion of the Committee.

Details of current Committee members and other attendees at Committee meeting attendees are attached at **Annex A**.

3.2.4 The Committee may co-opt additional members for a period not exceeding one year to provide specialist skills, knowledge and experience. The Committee may also obtain independent professional advice if it considers this to be necessary, in accordance with the requirements set out in the HEFCW Committee Standing Orders.

3.2.5 The Committee will formally report in writing to the Council by presenting the minutes of each of its meetings to the Council, and by submitting an annual report to Council on the discharge of its duties.

3.2.6 Copies of the minutes of Audit and Risk Assurance Committee meetings will be shared with HEFCW's sponsor team. The sponsor team may attend any meeting of the Audit and Risk Assurance Committee if they consider that the circumstances require it. A representative of the external auditors, the Wales

Audit Office, shall normally attend meetings, particularly those where an external audit report is being considered.

3.2.7 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.

3.2.8 The Council Secretary shall service the Committee

3.2.9 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.

3.3.3 The external auditor and Head of Internal Audit will have free and confidential access to the Chair of the Committee, and may ask the Committee to convene a meeting if they consider that one is necessary.

3.3.4 The Council or the Accounting Officer may ask the Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

### **3.4 Effectiveness**

3.4.1 The Committee will undertake a comprehensive effectiveness review exercise every three years, and an overview of its effectiveness each year.

### **3.5 Authority**

3.5.1 The Committee is mainly an advisory body and its only executive powers are those explicitly delegated to it by the Council. 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 (including attending meetings of the Committee) and from its auditors (internal and external).

Last updated October 2018 (revised membership details)

HEFCW Council members:

| <b>Name</b>                      | <b>Council Term of Office</b>             |
|----------------------------------|---|
| David Mason (Chair)              | Third term, 1 April 2016 to 31 March 2019 |
| Dr John Graystone (Deputy Chair) | First term, 1 August 2018 to 31 July 2021 |

Co-opted members:

| <b>Name</b>    | <b>Committee Term of Office</b>                   |
|----------------|---|
| Seamus Gates   | Second term, 1 September 2016 to 31 August 2019   |
| Andrew Lewis   | Second term, 16 November 2018 to 15 November 2021 |
| <i>Vacancy</i> |   |

**Observers: External Audit**

Anthony Veale (Wales Audit Office)  
Jason Blewitt (Wales Audit Office)

**Welsh Government**

A member of the HEFCW sponsor team may attend any meeting of the Audit and Risk Assurance Committee if they consider that the circumstances require it.

**HEFCW staff**

Dr David Blaney (Chief Executive)  
Dr Ewen Brierley (Head of Sustainability and Assurance)  
Dale Hall (Council Secretary)  
Sue Humphreys (Head of Internal Audit)  
Bethan Owen (Director of Institutional Engagement)  
Nick Williams (Head of Corporate Services)