

Government Internal Audit Agency (GIAA)

Audit and Risk Assurance Committee

Terms of Reference

1. Purpose and role

- 1.1 The Board has established an Audit and Risk Assurance Committee (ARAC) as a sub-committee of the Board to support them in the discharge of their responsibilities in relation to issues of risk, control and governance. It reviews the effectiveness of audit and risk management processes in meeting the Board and Accounting Officer's assurance needs and reviews the reliability and integrity of these assurances.
- 1.2 The ARAC is expected to fulfil its role using its collective skills and external experience. It is also expected to comply with [HMT's Audit and Risk Assurance Committee Handbook](#) and the [Corporate Governance Code of Good Practice](#).

2 Membership and Quorum

- 2.1 The membership of ARAC should comprise of at least three Non-Executive Members, at least two of whom must also be members of the Board. The term of appointment of the Non Executive Board members will be coterminous with their appointment to the Board.
- 2.2 The Board designates one member of the ARAC as the chair of the committee, which typically will be a different individual to the chair of the Board.
- 2.3 The ARAC is quorate when at least two members are present.

3 Reporting

- 3.1 The ARAC chair updates the Board at the next Board meeting following an ARAC, on the ARAC's key discussion points.
- 3.2 The ARAC also provides the Board and Accounting Officer with a written 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.

4 Responsibilities

- 4.1 The Audit and Risk Assurance Committee will advise the Board and Accounting Officer on:
 - the strategic processes for risk, control and governance and the Governance Statement
 - the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors
 - the planned activity and results of both internal and external audit

- adequacy of the management response to issues identified by audit activity, including external audit's annual letter to those charged with governance
- assurances relating to the management of risk and corporate governance requirements for the organisation
- (where appropriate) proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations
- the Audit and Risk Assurance Committee will also periodically review its own effectiveness and report the results of that review to the Board; and
- adequacy of management response to issues identified by audit activity, including external audit's management letter.

5 Rights

5.1 The ARAC may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience; and
- procure specialist ad-hoc advice at the expense of the Agency, subject to budgets agreed by the Chief Executive.

5.2 The Chair of the ARAC is authorised to liaise with the HM Treasury Audit & Risk Assurance Committee as appropriate in support of the HMT group financial statements and/or Governance Statement.

6 Access & Independence of the Head of Internal Audit

6.1 The Head of Internal Audit and the National Audit Office will have free and confidential access to the Chair of the ARAC.

6.2 The ARAC will actively monitor the independence of the internal audit service within the Agency, which is managed by resources from within the Agency. This will be achieved by the Head of Internal Audit and the Chair of the ARAC having frequent informal dialogue.

7 Meetings

7.1 The ARAC meets at least four times a year. The Chair may convene additional meetings, as necessary.

7.2 ARAC meetings are normally attended by:

- The Agency's Accounting Officer/Chief Executive;
- The Agency's Chief Operating Officer;
- GIAA Head of Internal Audit;
- HMT sponsor representative; and
- National Audit Office.

- 7.3 The ARAC may ask any other officials of the Agency to attend to assist it with its discussions on any particular matter.
- 7.4 The ARAC 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.
- 7.5 The Board or the Accounting Officer may ask the ARAC to convene further meetings to discuss particular issues on which they want the committee's advice.
- 7.6 The Agency's Governance Team provides the secretariat function to the ARAC. The Secretariat is responsible for coordinating agendas and papers and preparing minutes of each meeting. Papers are circulated five working days in advance of each meeting, and draft minutes within five working days following each meeting (to be formally approved at the next meeting).

8 Information requirements

8.1 For each meeting, the ARAC is provided (ahead of the meeting) with:

- the Agency's strategic risk register;
- a progress report from the Head of Internal Audit summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from the work of internal audit;
 - management response, including actions and timescales, to audit recommendations;
 - changes to the agreed internal audit plan; and
 - any resourcing issues affecting the delivery of the objectives of internal audit.
- a progress report (written/verbal) from the National Audit Office summarising work done and emerging findings.

8.2 As and when appropriate, the committee will also be provided with:

- management assurance reports;
- reports on the management of major incidents, "near misses" and lessons learned;
- a report summarising any significant changes to the organisation's strategic risks;
- proposals for the terms of reference of internal audit / the internal audit charter;
- the internal audit strategy;
- the Head of Internal Audit's annual opinion and report;
- quality assurance reports on the internal audit function;
- the draft annual report & accounts of the Agency;
- the draft Governance Statement;
- a report on any changes to accounting policies;
- the National Audit Office 'Report to those charged with governance' and management letter;

- a report on any proposals for the provision or tender of internal or external audit functions;
- a report on co-operation between internal and external audit; and
- the organisation's risk management policy.