

## BEIS Audit & Risk Assurance Committee

### Terms of Reference October 2018

The purpose of the Audit and Risk Assurance Committee is to support the Departmental Board and Accounting Officer in their responsibility to ensure that BEIS is a financially sound and efficient organisation which makes effective use of its resources in pursuit of its strategic objectives. Specifically, the Audit and Risk Assurance Committee reviews the effectiveness of the risk management framework established by management to identify, assess and manage risk; thereby playing an important role in supporting BEIS' reputation for excellent financial and risk management.

The Audit and Risk Assurance Committee will advise the Board and Accounting Officer on:

- 1) the effective operation of the overall control (including financial), risk and governance arrangements, including ensuring adequate assurance is available to the Accounting Officer for the annual Governance Statement;
- 2) 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;
- 3) the planned activity and results of both internal and external audit (including the NAO's audit of the Resource Accounts) and their implications for BEIS;
- 4) the adequacy of management response to issues identified by audit activity, including calling Directors to account as necessary, and advising on how to promote effective learning of lessons emerging from them;
- 5) proposals for tendering for either Internal or External Audit services;
- 6) anti-fraud policies, whistle-blowing processes, and arrangements for special investigations; and
- 7) effective enforcement of Business Appointment Rules.

The Audit and Risk Assurance Committee is not an executive committee of BEIS. As such it will endeavour to complement rather than duplicate the work of the Departmental Board and the other committees, through independent non-executive scrutiny. It will consider items remitted to it by the Departmental Board and report back on progress as appropriate.

#### Reporting

- The Audit and Risk Assurance Committee will formally report in writing to the Board and Accounting Officer after each meeting.
- The Audit and Risk Assurance Committee will provide the Board and Accounting Officer with an 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.

#### Membership

Members of the Audit and Risk Assurance Committee are appointed by the Permanent Secretary.

The Committee is considered quorate when at least 3 members are present. Others may be invited to attend Committee meetings as and when subjects for which they are responsible are discussed. The following non-members also attend as required:

- National Audit Office representative
- Head of Internal Audit

- Permanent Secretary
- DG, Corporate Services
- Director, Finance
- Nuclear Decommissioning Authority representative (annually)
- UK Research and Investments representative (annually)
- Low Carbon Contracts Company representative (annually)
- British Business Bank representative (annually)

The Audit and Risk Assurance Committee 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 organisation, subject to budgets agreed by the Board.

### **Access**

The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit and Risk Assurance Committee.

### **Secretariat**

The Audit and Risk Assurance Committee will be provided with a secretariat function by the Board Secretariat team.

### **Frequency and length of meetings**

- The Audit and Risk Assurance Committee will meet at least four times a year.
- The Chair of the Audit and Risk Assurance Committee may convene additional meetings, as they deem necessary.
- The Audit and Risk Assurance Committee may ask any other officials of the organisation to attend and/or provide it with a written report to assist it with its discussions on any particular matter.
- The Audit and Risk Assurance 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.
- The Board or the Accounting Officer may ask the Audit and Risk Assurance Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

### **Information Requirements**

For each meeting the Audit and Risk Assurance Committee will be provided (one week in advance of the meeting) with:

- a report summarising any significant changes to the organisation's strategic risks and a copy of the strategic/corporate Risk Register, with the relevant performance report;
- 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 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 External Audit representative summarising work done and emerging findings (this may include, where relevant to the organisation, aspects of the wider work carried out by the NAO, for example, Value for Money reports and good practice findings);

- management assurance reports;
- quarterly reports providing Business Appointment Rules data;
- reports on the management of major incidents, “near misses” and lessons learned; and
- any other report requested by the Committee.

As and when appropriate the Committee will be provided with additional material including:

- any Internal Audit report with a ‘limited’ assurance;
- 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 accounts of BEIS;
- 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 strategy
- the organisation’s Single Departmental Plan.

### **Conflicts of Interest**

Each member of the Audit and Risk Assurance Committee should take personal responsibility to declare pro-actively any potential conflict of interest arising out of business undertaken by the Department, arising on the agenda or from changes in the member’s personal circumstances.

The Chair of the Audit and Risk Assurance Committee will then determine an appropriate course of action with the member. For example, the member might simply be asked to leave while a particular item of business is taken; or in more extreme cases the member could be asked to stand down from the Committee.

If it is the Chair who has a conflict of interest, the Board should ask another member of the Audit and Risk Assurance Committee to lead in determining the appropriate course of action.

A key factor in determining the course of action will be the likely extent and duration of the conflict of interest: a conflict likely to endure for a long time is more likely to suggest that the member should stand down.

### **Arm’s Length Bodies / Partner Organisations**

The Committee will, in consultation with the Department's Accounting Officer and the Directors of Finance and Commercial, establish appropriate arrangements to identify the Arm's Length Bodies and Partner Organisations with the greatest potential to impact the Department's objectives and its consolidated financial statements.

The Committee shall engage with the chairs of the corresponding committees of those high-impact organisations with a view to forming an opinion as to whether their control environments, risk management frameworks and escalation practices provide the Department with the requisite line of

sight into their activities. For lower impact organisations, the Committee will endeavour to ensure that channels of communication exist for the sharing of good practice and of issues of mutual concern.