

## Foreign and Commonwealth Office

### Audit & Risk Committee

#### Terms of Reference



Foreign &  
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Office

#### Purpose

1. The Audit & Risk Committee (ARC) exists to support the PUS (as FCO Accounting Officer) and the FCO Board in their responsibilities to ensure the effectiveness of risk management, audit, internal control and corporate governance. The Committee will achieve this by advising as appropriate on these frameworks, challenging the organisation's executive and promoting best practice across the FCO.

#### Membership

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

Rudy Markham	Chairman (FCO Board Non-Executive)
Ann Cormack	Non-Executive
Stephen Hawker	Non-Executive

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

Simon Fraser	Permanent Under-Secretary
Matthew Rycroft	Chief Operating Officer
Alison Currie	Finance Director
Susan Le Jeune	Human Resources Director
David Meyer	Chief Information Officer
Mike Suffield	Director National Audit Office
Jon Hews	Head of Internal Audit

4. The Internal Audit Department provides the secretarial function.

#### Meetings

5. The Audit & Risk Committee meets at least five times a year in March, twice in June (one meeting to consider the Resource Accounts), September and December. The PUS (as Accounting Officer) may convene ARC 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 Committee will be present for the meeting to be deemed quorate.
7. The Audit & Risk Committee may ask any other officials of the FCO 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.

#### 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 Committee.

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##### Reporting

9. The Chairman of the Audit & Risk Committee will report back to the PUS, as Accounting Officer, and FCO Board after each meeting on which occasion the minutes of the ARC meeting will be circulated as a Board agenda item.

##### Responsibilities

10. The Audit & Risk Committee will advise the Accounting Officer (PUS) on:
- the strategic processes for risk, control and governance and the Statement on Internal Control;
  - FCO accounting policies and resource 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. Home and Overseas Self-Audit);
  - 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 in matters of 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.
11. All Internal Audit and NAO activity falls within the scope of the committee, including NAO value for money reports, and all counter-fraud work undertaken by the Financial Compliance Unit. Assurance provided by others within the FCO may fall within the committee’s remit. However, security and health & safety are outside of its scope and are therefore reported to and managed directly by the FCO Board.<sup>1</sup>

##### Information Requirements

12. At each regular meeting, the Audit & Risk Committee will be provided with:

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<sup>1</sup> This position was re-confirmed by the FCO Board on 3<sup>rd</sup> April 2009 but will be kept under review.

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- a report summarising any changes to the FCO's Top Risk Register;
- an update from the Senior Information Risk Owner (SIRO) on FCO information risk management, including any personal data losses;
- 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 the Financial Compliance Unit on their current caseload.

13. The Audit & Risk Committee will also be provided, as appropriate, with:

- proposals for changes to the Terms of Reference of Internal Audit
- the Internal Audit Strategy
- the Head of Internal Audit's Annual Opinion and Report
- Quality Assurance reports on the Internal Audit function
- the draft Resource Accounts
- the draft Statement on Internal Control
- 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.

14. Full copies of all the individual reports that fall within the terms of reference of the committee are available to ARC members on request to the ARC Secretary.

#### Arms Length Bodies

15. The FCO does not operate a group governance structure with its four Executive Non-Departmental Public Bodies (NDPBs), Trading Fund (FCO Services), Public Corporation (BBC World Service) and Executive Agency (Wilton Park). However, the Chairman of the FCO Audit & Risk Committee meets with the Audit Committee Chairs of all FCO Arms Length Bodies and their agenda papers are copied to the FCO Head of Internal Audit in order to inform his annual opinion on risk management, control and governance to the FCO Accounting Officer (PUS).

Jon Hews  
Head of Internal Audit  
OAB 1/73