

Terms of Reference:
Audit and Risk Assurance Committee
Of the Future Generations Commissioner for Wales

Role and Purpose

The Commissioner has a duty to properly manage the resources made available for its Office and to be assured that the Office is well run.

The Commissioner has established an Audit and Risk Assurance Committee (ARAC) to review and challenge the assurances provided by its staff and internal and external auditors. The Committee will use the information and knowledge it gains through this work to provide advice to the Commissioner.

The Committee will advise the Commissioner on:

- The adequacy and effectiveness of strategic processes for risk, control and governance and the content of 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 the Commissioner's letter of representation to the external auditors.
- The planned activity and results of both internal and external audit.
- Adequacy of management response to issues identified by audit activity, including external audit's management letter.
- Proposals for tendering for Internal 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 Committee will also periodically review its own effectiveness and report the results of that review to the Commissioner.

The Committee's role in the context of the Well-being of Future Generations (Wales) Act (2015)

The Commissioner has sent out a clear message to public bodies that to meet the requirements of the Act there needs to be a step change in how they work. Business as usual is not an option and the [Sustainable Development Principle](#) must underpin decision-making in all that public bodies do. The Commissioner expects its own Office to practice what is preached externally and this extends to the design and role of this Committee.

The Committee will therefore strive to set the best possible example of the Sustainable Development Principle in the way it works and in the way it interacts with the Commissioner's Office. As the Committee gains more experience of working in a way that 'walks the talk' of the Act, it will adapt and review the way it works.

Membership and Chair of Committee

The Committee will consist of a Chair and four or more independent members. At least one member of the Committee will have recent and relevant financial experience sufficient to allow the Committee to analyse the financial statements and understand issues relating to audit and financial management.

Members are appointed by the Commissioner.

Members are appointed for a period of four years. At the end of that period, they may be reappointed for up to a further four years. Succession planning to avoid wholesale change will be a key consideration in determining the length of subsequent appointments. Further reappointments are likely to be on an exception basis only.

Members are remunerated at a daily rate set by the Commissioner (Annex C) and reimbursed for their travel and subsistence costs, in accordance with the Commissioner's Travel and Subsistence Policy.

The Committee will be chaired by one of the Members. The Commissioner will nominate a chair for approval by the Committee. The Chair will hold office for 3 years (or to coincide with term of office if shorter).

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

The 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 Commissioner.

The Committee may co-opt trainee ARAC members (created to give younger people board experience) for a period of two years.

Meetings

The Committee will meet at least four times a year. The Chair may convene additional meetings.

A minimum of three members of the Committee will be present for the meeting to be deemed quorate.

Meetings will normally be attended by the Commissioner, Deputy Commissioner, Director of Strategic Planning and the Director of Finance and IT, along with representatives of Internal and External Audit. The Commissioner's office will also provide secretariat support.

The Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter. 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 matters.

Each meeting will begin with a session without the presence of Management and the Commissioner.

The Commissioner may ask the Committee to convene further meetings to discuss issues where advice is needed.

The matters to be reported to the Committee are set out in Annex A and an indicative programme of annual work is set out in Annex B.

Other matters

The Commissioner may, from time to time, also ask Committee members to advise on strategic and other matters relating to their remit. In such circumstances the members may not under any circumstances act for the Commissioner in an executive or managerial capacity.

Such instances of advice provided will be reported by the members to the Committee at its next meeting.

Reporting

The Committee will provide the Commissioner with an Annual Report summarising the work it has done during the year and timed to support finalisation of the Statutory Annual Accounts and Governance Statement.

Annex A

For each meeting the Committee will be provided (at least one week in advance of the meeting) with:

- Finance report
- Risk register
- Quarterly exceptions report including a summary of any significant changes to the Risk Register
- A progress report from Internal Audit summarising work performed compared with work planned, key issues emerging, the latest internal audit reports and management's responses to audit recommendations.
- A report from Commissioner's Office on progress against audit and other inquiry recommendations.
- A progress update from External Audit summarising any work done and emerging findings

As and when appropriate the Committee will also be provided with:

- Proposals for the Terms of Reference of Internal Audits.
- The Internal Audit Strategy and annual work plan.
- The Head of Internal Audit's Annual Opinion and Report.
- The draft annual report and accounts of the Commissioner's office.
- 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.
- The accounting policies, the Accounts, and Commissioner's Annual Report, including the process for review of the accounts prior to submission for audit, levels of error identified, and Commissioner's letter of representation to the external auditors.
- The planned activity and results of both internal and external audit.
- The adequacy of management response to issues identified by internal and external audit, including external audit's management letter.

- Assurances relating to the corporate governance requirements for the Commissioner's office. •
Proposals for tendering for Internal 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.
- A list of single tender actions and or departures from the Commissioner's tendering procedures over the £5,000 threshold.
- A list of any losses or special payments.



Annex B

INDICATIVE PROGRAMME OF WORK

Spring Meeting (April)	Comment on the accounts for the year just finished prior to their finalisation and submission for audit
	Advise on the content of the Governance Statement for the year just finished, to be presented alongside the finalised accounts
	Review Internal Audit's finalised periodic work plan for the financial year just begun
	Consider Internal Audit opinion for the financial year just finished
	Review the Annual Report of the Committee
	Review External Audit plan for the audit of prior year's accounts
	A private meeting to take place between the Internal Auditors and the Audit and Risk Assurance Committee members prior to the commencement of the main meeting.
Summer Meeting (July)	Consider External Audit opinion for the financial year just finished
	Consider the External Audit management letter for the previous year and any emerging findings from the current interim/in-year work of External Audit
	Discuss the implications of the result of the Accounting Officer's review of effectiveness of the system of internal control in relation to the Governance Statement
	Review the full Annual Report for the previous year
	Consider the Committee's own effectiveness in its work.
	Consider the Committee's Terms of Reference



	A private meeting to take place between the External Auditors and the Audit and Risk Assurance Committee members prior to the commencement of the main meeting.
Autumn Meeting (October)	Consider any residual actions arising from the previous year's work of both internal and external audit
Winter Meeting (January)	Advise on the internal audit strategy and the periodic work plan for the beginning of the new financial year
	Consider areas in which the Committee will particularly promote co-operation between auditors and other review bodies in the coming year
	Re-visit emerging findings from auditors and review actions in response to the External Audit management letter

Annex C

Remuneration rate

- Chair = £325 p/d
- ARAC member = £270 p/d
- ARAC trainee = £125 p/d

Remuneration Policy

Activity	Remuneration
Committee pre-reading and preparation	½ day each
Committee meeting ½ day online	½ day
Committee meeting face-to-face, spread over two days.	7 hrs (equivalent to 1 day)
Mentoring sessions (both mentees and mentors)	These are currently unpaid.
Detailed review of annual accounts and annual report (July-August each year)	½ day for all. Once per year
Chair	½ day per quarter for additional meetings, preparation and input.
Additional meetings or decisions	On a case-by-case basis to be approved by the Director of Strategic Planning, Climate and Nature
Travel expenses	Paid in full on receipt of travel claim form with receipts attached.
Travel time	Not reimbursed
Subsistence – lunch, evening dinner	Paid in advance by FGC.
Accommodation	Paid in advance by FGC for those not in the Cardiff travel to work area.
Accommodation – staying with friends and family	£25 contribution