

Terms of Reference

Audit and Risk Assurance Committee

1. Constitution

- 1.1. A Committee of the Board of the Commission for Tertiary Education and Research (brand name Medr) known as the **Audit and Risk Assurance Committee** (the Committee) has been established with the following Terms of Reference and Standing Orders, agreed by a resolution of the Board dated 23 February 2024. These Terms of Reference have been established on the basis of guidance included in HM Treasury's *Audit and Risk Assurance Committee Handbook* (July 2024).

2. Purpose and Responsibilities

- 2.1. The Audit and Risk Assurance Committee (ARAC) will support the Medr Board and Accounting Officer (Chief Executive) by reviewing the comprehensiveness and reliability of assurance on governance, risk management, the control environment, and the integrity of the financial statements and the Annual Accounts. ARAC will also oversee external provider assurance work.
- 2.2. It will be for the Board to define and communicate the organisation's risk appetite, and how it manages key risks. Responsibility for risk management and internal control will lie with the Board. However, the oversight of this will be delegated to ARAC.
- 2.3. ARAC is mainly an advisory body and its only executive powers are those explicitly delegated to it by the Medr Board.
- 2.4. A detailed list of ARAC's responsibilities and likely information requirements is set out in **Appendix A**.

3. Standing Orders

- 3.1. The Medr Committee Standing Orders shall apply.

4. Membership and Attendance

- 4.1. ARAC will comprise of three Medr Ordinary Board members and up to three co-opted, non-Medr members.
- 4.2. ARAC shall be chaired by a Medr Ordinary Board member (but not the Chair of the Medr Board). The Deputy Chair will be a Medr Ordinary Board member.
- 4.3. Members of ARAC are appointed by the Chair of the Medr Board, who reserves the right to add or remove members to meet the needs of the organisation.

- 4.4. A list of current ARAC members is included in **Appendix B**.
- 4.5. The following Medr officers shall normally attend meetings but will not be members of ARAC:
- Chief Executive as Accounting Officer, or delegate
 - Chief Operating Officer
 - Head of Governance and Board Secretariat (Secretary to the Committee)
- 4.6. Other members of staff or external advisors may also be required to attend from time to time to assist ARAC in the discharge of its duties.
- 4.7. ARAC may co-opt additional members for a period not exceeding one year, with the approval of the Board, to provide specialist skills, knowledge and experience.
- 4.8. The Head of Internal Audit/representatives from the internal audit provider will be invited to every meeting of ARAC, although, depending on the precise nature of the discussion, it may be agreed that they are not required to attend ARAC meetings that are focused solely on provider assurance matters.
- 4.9. The external audit providers (Audit Wales) will be invited to attend every meeting of ARAC where internal, corporate (as opposed to external provider) matters are being considered.
- 4.10. Welsh Government officials may attend any meeting of ARAC, if circumstances require it, recognising that there will be some matters for discussion where it may not be appropriate for Welsh Government staff to be present.

5. Quorum

- 5.1. The quorum for Committee meeting is three members, including the Committee Chair or their nominee (which normally will be the Deputy Chair of ARAC).
- 5.2. If a quorum is not present at a meeting of the Committee, the Chair or their nominee shall declare that there is not a quorum present and either decide that the meeting shall stand adjourned or proceed with the meeting but defer any decisions to the next quorate meeting. The consideration of any business not transacted shall be adjourned to a date and time to be fixed by the Chair or to the next meeting of the Committee.

6. Meetings

- 6.1. ARAC may meet monthly during the establishment and initial operating period in order to effectively oversee operational arrangements.
- 6.2. It is foreseen that, after the initial period, ARAC normally will meet four times a year to discuss internal, corporate matters, with the potential to meet twice further to oversee provider assurance.

- 6.3. The Medr Board or the Accounting Officer may ask ARAC to convene further meetings to discuss particular issues on which they want the ARAC's advice.
- 6.4. ARAC may meet and operate ex-Committee where appropriate to fulfil its business.
- 6.5. ARAC may meet in private sessions that exclude attendance by non-members, or for particular agenda items, to facilitate open and frank discussion of particular matters.
- 6.6. The Chair of ARAC may convene additional meetings and may do so without reference to the secretariat or Medr executive, as they deem necessary.
- 6.7. At least once a year, ARAC will hold a separate meeting with the representatives of the External Auditors and with the Head of Internal Audit/representatives of Internal Audit without any Medr staff being present.
- 6.8. The Head of Internal Audit/Internal Auditors and the External Auditors will have free and confidential access to the Chair of ARAC, and may ask the Committee to convene a meeting if they consider that one is necessary.
- 6.9. There will be mutual rights of access between each of the Chair of the ARAC, the Accounting Officer, the risk manager, the Chief Finance Officer, the Head of Internal Audit, and the External Auditor's senior representative. There will be periodic discussions (at least annually) outside of formal ARAC meetings to help to ensure that expectations are managed and that there is mutual understanding of current risks and issues.
- 6.10. At the start of each financial year, the Chair will agree with the Medr executive a draft forward workplan for ARAC, to ensure all matters for which the Committee is responsible will be properly considered throughout the year and at the right time.

7. Authority

- 7.1. The Committee is authorised to obtain independent professional advice, or commission special investigations, if it considers this to be necessary, in accordance with the requirements set out in the Medr Committee Standing Orders.

8. Reporting

- 8.1. Minutes of each meeting of the Committee will be circulated to the next meeting of the Committee, and also to the Medr Board following approval by the Chair of the Committee. The minutes of Committee meetings will be shared with Welsh Government, as required by the Medr Framework Document.
- 8.2. The Committee will submit an annual report to the Board and to the Accounting Officer on the discharge of its duties, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions on the effectiveness of the control framework in place from the work it has done during the year.

9. Review

- 9.1. The Committee Terms of Reference and membership will be reviewed annually and any proposed changes submitted to Board for approval.
- 9.2. The Committee will periodically review its own effectiveness, informed by guidance in the *HM Treasury Audit and Risk Assurance Committee Handbook*, and report the results of that review to the Board. The Chair may consider commissioning an external review if considered necessary.

Appendix A

Responsibilities – Internal matters

ARAC will advise the Medr Board and Accounting Officer on:

- The strategic processes for risk management, control and governance and the Governance Statement
- The accounting policies, the annual report and accounts, 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
- Anti-fraud policies, public interest disclosure ("whistleblowing") processes, the monitoring of gifts and hospitality arrangements, and the arrangements for special investigations within the organisation
- The effectiveness of the internal control environment
- Adequacy of Medr's arrangements for internal audit, including considering the outcomes of any independent quality assurance reviews, and proposals for tendering for internal audit services, or for the purchase of non-audit services from contractors who provide audit services.
- The planned activity and results of both internal and external audit, including ARAC's agreement of the annual internal audit plan
- Adequacy of management response to issues identified by audit activity, including external audit's management letter
- Assurances relating to the management of risk and corporate governance requirements for the organisation.

ARAC will maintain oversight of IT security arrangements including:

- the completion of the Departmental Security Health Check to be returned to the Welsh Government Senior Information Risk Owner (SIRO) [per Framework Document para 4.3]
- ensuring independent certification of security arrangement for the Cyber Essential Plus and IASME standards [per Framework Document para 4.3]
- Medr's adherence to the [Security Policy Framework](#) and to the Government Function Security [Standard GovS 007: Security](#) [per Framework Document para 4.3]

Responsibilities – External matters

The Committee's role in overseeing Medr's responsibilities with respect to tertiary education provider assurances will become clearer as work progresses to develop assurance processes and a provider risk review methodology. The Board has established a Regulation Task and Finish Group to advise the Board on the development of the new Medr regulatory system that will be operational from 2026, and the Chair of ARAC is a member of the Group. In the meantime, the legacy provider assurance and risk assessment arrangements from Medr's predecessor organisations will continue, and reports on the outcomes of these will be presented to ARAC.

Information Requirements

Likely information requirements are as follows.

After the initial period, it is foreseen that for each meeting ARAC will be provided with:

- a report summarising any significant changes to the organisation's strategic risks and a copy of the strategic/corporate Risk Register
- a progress report (written or verbal) 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 responses to audit recommendations
 - changes to the agreed internal audit plan; and
 - any resourcing issues affecting the delivery of the objectives of internal audit
- as and when appropriate, 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 or changes to the control environment reports; and
- reports on the management of major incidents, "near misses", whistleblowing cases, and lessons learned.

As and when appropriate, ARAC will also be provided with:

- 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 and accounts of the organisation
- 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
- an update on co-operation between internal and external audit
- the organisation's Risk Management strategy
- a Fraud Strategy and a Fraud and Corruption Risk Assessment
- relevant reports from any other assurance providers, for example Gateway reviews.

The above list suggests *minimum* requirements for the inputs which should be provided to ARAC.

[External provider assurance information requirements still to be determined.]

Appendix B

ARAC members:

Board members:	Board term
Jayne Woods (Chair of ARAC)	4 Sept 2023 to 3 Sept 2026 (first term)
Jeff Greenidge (Deputy Chair of ARAC)	1 Sept 2024 to 31 Aug 2027 (first term)
Rob Humphreys	1 Aug 2024 to 31 July 2027 (first term)
Independent members:	Committee term:
Andrew Lewis	13 May 2024 to 12 May 2027 (first term)
Martin Lewis	13 May 2024 to 12 May 2027 (first term)
Vacancy	

Document control

Version	Date	Details
1.0	23 February 2024	Terms of Reference approved by the Board
2.0	20 May 2024 (ARAC's first meeting)	Clarified in the 'Constitution' section that the Terms of Reference were established on the basis of guidance included in HM Treasury's <i>Audit and Risk Assurance Committee Handbook</i> . 'CTER' references replaced with 'Medr' Added to the list of information requirements 'a Fraud Strategy and a Fraud and Corruption Risk Assessment'
3.0	November 2024	ARAC considered and approved updated Terms following review against <i>HM Treasury Audit and Risk Assurance Handbook</i> . Board approved at its meeting on 19 November 2024.