



Audit and Risk Assurance Committee Terms of Reference

Date Approved: 24 February 2021

Review Date: February 2022

1. Introduction

In line with Section 3.4.10 of the Life Sciences Hub Wales Ltd. (LSHW) Framework Document, the Board of Directors shall nominate annually a committee that covers audit, risk and assurance. This Committee will be known as the **Audit and Risk Assurance Committee** (“the Committee”).

The Committee’s role and responsibilities, as set by the Board, and operating arrangements, are detailed in these terms of reference and should be considered alongside the LSHW Framework Document and Articles of Association.

The composition and operating arrangements for committee business are aligned to the five principles set out by the [HM Treasury’s Audit and Risk Assurance Committee Handbook](#).

2. Purpose

The purpose of the Committee is to:

- advise and assure the Board and the Chief Executive Officer (who is the Accounting Officer) on the adequacy of LSHW’s assurance framework and arrangements for the maintenance of an effective system of internal control – audit, risk management and corporate governance.
- advise and assure the Board that public funds are used efficiently and effectively.
- develop and maintain the assurance framework and ensure that the assurances provided are comprehensive and reliable, and robustly supports the Board in its decision making and discharge of its accountabilities for securing the achievement of LSHW’s objectives, in accordance with the standards of good governance.

The Committee will report, and be accountable, to the Board.

3. Membership

- 3.1 The Committee will have a minimum of three members, comprising the Chair and two non-executive directors.

- 3.2 All Committee members will be appointed to the Committee by the Board.
- 3.3 The Committee Chair will be appointed by the Board from any of its members except the Chair of the Board and will provide independent advice to the Board. The designated non-executive director shall have recent and relevant financial experience and a professional qualification from an accounting body.
- 3.4 The Committee Chair will chair all meetings. In the absence of the Committee Chair the remaining members present shall elect one of their number to chair the meeting. If the Committee Chair's absence is known in advance, the Chair of the Board may designate a committee member to fulfil this function on an interim basis.
- 3.5 The term of service for Committee members will be for a period of three years, extendable for up to a maximum of a further three years at the discretion of the Board. Committee members who are members of the Board may stand down with the consent of the Board and their service will discontinue if they no longer serve as members of the LSHW Board.
- 3.6 Members should declare conflicts of interest not previously notified in accordance with the LSHW arrangements for the declarations and management of interests.

4. Attendees

- 4.1 The following individuals have standing invitations to attend each meeting of the Committee:
- Chief Executive
 - Operations Director (Executive Lead for Committee)
 - Head of Governance, Risk and Compliance (Company Secretary)
 - Head of Internal Audit (or representative)
 - Representative of the Auditor General for Wales (Audit Wales)
- 4.2 Others from within or outside LSHW who the Committee considers should attend, will be invited taking account of the matters under consideration at each meeting.
- 4.3 The Committee may ask any or all of those who normally attend but who are not members to withdraw from the discussion of particular matters to facilitate open and frank discussion.

5. Quorum

- 5.1 A duly convened meeting of the Committee at which a quorum of two members (including the Chair) is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 5.2 The Chair of the Board may nominate alternative Board delegates if one or two of the members cannot attend a meeting.

6. Frequency of meetings

- 6.1 The Committee will meet on a quarterly basis in accordance with the annual reporting and audit cycle, co-ordinated in advance of the Board so that it may receive the Committee's report and recommendations from each meeting.
- 6.2 A further meeting will usually be convened expressly for the purpose of considering the annual report and accounts, prior to approval by the Board.

7. Notice of meetings

- 7.1 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the items to be discussed and any relevant papers shall be sent to Committee members and all other persons required to attend, no later than five working days before the date of the meeting.
- 7.2 In addition to its scheduled meetings, further meetings of the Committee shall be called by the Committee Chair at the request of any of its members or at the request of the external or internal auditor.

8. Minutes of meetings

- 8.1 The Committee Chair will arrange for a record (minutes) of the proceedings and decisions of each meeting to be made, including the names of those present and in attendance and any declarations of conflict of interest. Minutes will be taken by the designated Committee Secretary.
- 8.2 Draft minutes of the meetings shall be circulated within seven working days of the meeting taking place, first to the Committee Chair for consideration and then to all members and attendees of the Committee.
- 8.3 The minutes of the meeting shall be approved by the Committee at its subsequent meeting.
- 8.4 Copies of approved minutes will be issued to the Committee Chair for signature.

9. Chair's Action

- 9.1 There may be occasions where decisions which would normally be made by the Committee need to be taken between scheduled meetings, and it is not practicable to call a meeting of the Committee.
- 9.2 In these circumstances, the Committee Chair may deal with the matter on behalf of the Board or Committee. Ideally this should be in consultation with, and by gaining the support of, the Committee members. However, there may be occasions when it is necessary for the Chair to take a decision on behalf of the Committee, depending on the nature and/or timing of the requirement. In these cases, the Chair will ensure that all

Committee members are informed as appropriate. Any such action must be within the LSHW Framework Document and Articles of Association.

- 9.3 Any decisions made in line with the provision of Chair's Action must be reported to the Committee at the next meeting and recorded in the minutes. Details and all correspondence related to the action must be formally maintained.

10. Duties and Responsibilities

The Committee will agree in advance with the Board each year an annual programme of activity taking into account the LSHW's operating environment, resources and risks.

The Committee shall have the following specific duties and responsibilities:

10.1 Financial reporting

- 10.1.1 The Committee shall review LSHW's proposed budget in advance of each financial year and report its opinion to the Board prior to the budget being signed off.
- 10.1.2 The Committee shall monitor the integrity of the financial statements of LSHW, including reports on LSHW's financial performance, reviewing significant financial reporting issues and judgements which they contain.
- 10.1.3 The Committee shall satisfy itself that the annual financial statements represent fairly the financial position of LSHW and ensure that they are audited and approved to meet with the Welsh Government timetable.
- 10.1.4 The Committee shall monitor registers of the following to support the reparation of accounts:
- Interests
 - Gifts received and given
 - Hospitality received and offered
 - Losses and special payments (see [Managing Welsh Public Money](#)).
- 10.1.5 In particular, the Committee shall review and challenge where necessary:
- the consistency of, and any changes to, accounting policies.
 - whether the accounting policies in place comply with relevant requirements, particularly the HM Treasury's financial reporting manual and accounts direction.
 - the methods used to account for significant or unusual transactions where different approaches are possible.
 - whether LSHW has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor where these have been sought or provided.
 - the clarity of disclosure in the LSHW's financial reports and the context in which financial statements are presented.
 - all material information presented with the financial statements

(insofar as it relates to the financial statements or to audit and risk management).

- that there has been a robust process in preparing the financial statements and annual report.

10.2 Internal Control and Risk Management

The Committee shall:

- 10.2.1 Review LSHW's proposed business plan in advance of each financial year and report its opinion to the Board prior to the plan being signed off.
- 10.2.2 Review and critically challenge the adequacy and effectiveness of LSHW's financial and non-financial internal control and risk management activities and statutory legal requirements.
- 10.2.3 Satisfy itself that the system of internal control has operated effectively throughout the reporting period.
- 10.2.4 Review and recommend to the Board the annual governance statement and any other statements to be included in the annual report concerning internal control and risk management.
- 10.2.5 Review strategic, corporate and operational risks and consider risks arising from the impact of high-risk activity.
- 10.2.6 Consider the Corporate Risk Register at each meeting of the Committee and make recommendations to the Board regarding:
- the escalation of high risk matters to Welsh Government; and
 - the risk framework and risk management activity.
- 10.2.7 Review the adequacy of governance arrangements.
- 10.2.8 Consider the risks and benefits within any significant contracts being considered by LSHW and, where appropriate, provide reports to the Board to assist its decision making.
- 10.2.9 Scrutinise any other special strategic operations, including budget / expenditure changes, change programmes and material projects if they are considered to pose a significant risk, either at its own volition or following a request from the Board.
- 10.2.10 Review performance against Key Performance Indicators, as well as any other relevant indicators relating to high priority or risk activities as may be agreed on an ad hoc basis.

10.3 Compliance, Whistleblowing and Fraud

The Committee shall:

- 10.3.1 Review the adequacy and security of LSHW's arrangements for its employees or contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

- 10.3.2 Review the operation of LSHW's Anti-Fraud, Corruption and Bribery Policy.
- 10.3.3 Review LSHW's systems and controls for the prevention of bribery and receive reports on non-compliance.
- 10.3.4 Receive regular reports of any alleged instances of fraud, theft whistleblowing or bribery occurring amongst LSHW employees, Board or Committee members, contractors or any other individuals acting on its behalf and regularly review the operation of relevant policies.
- 10.3.5 Receive regular reports of which will cover any breaches of data protection.

10.4 Internal Audit

The Committee shall:

- 10.4.1 Approve the tendering and appointment of the internal auditor.
- 10.4.2 Agree and approve the internal audit strategy and annual assurance work programmes, including subsequent revisions and monitor progress against plans and agreed KPIs.
- 10.4.3 Monitor and review the independence and effectiveness of LSHW's audit programme in accordance with the objectives, standards and practices described in the [Public Sector Internal Audit Standards](#) (PSIAS) (LSHW Framework, 3.4.12).
- 10.4.4 Consider the skills and adequacy of internal audit and assurance resources and ensure that they are sufficient to provide an appropriate level of assurance.
- 10.4.5 Agree performance measures for the delivery of internal audit and business assurance review programmes and monitor performance against them.
- 10.4.6 Review the adequacy of management's responses to issues identified in assurance assignments.
- 10.4.7 Assess Internal Audit's annual report and assurance opinion.
- 10.4.8 Approve the Head of Internal Audit's quality assurance and improvement programme and monitor performance against it.
- 10.4.9 Meet the Head of Internal Audit at least once a year, without management being present, to discuss the service provider's remit and any issues arising from the delivery of the assurance programme. In addition, they shall have the right of direct access to the Chair of the Board and to the Committee and shall be accountable functionally to the Board.
- 10.4.10 Receive and consider the findings of annual reviews of the effectiveness of internal audit activity.

10.5 External Audit

As an Arms-Length Body of Welsh Government wholly owned by the Welsh Ministers, LSHW is responsible for making arrangements for external audit in accordance with

the Companies Act 2006, and any requirements the Welsh Government may, from time to time, specify.

If required to do so, LSHW shall arrange for its external auditor to provide the rationale for its audit opinion to the Welsh Government and to the Welsh Government's external auditors.

LSHW shall provide to the Auditor General for Wales, as the Welsh Government's external auditor, such assistance, information or explanations as he or she reasonably requests in the discharge of his/her responsibilities.

The Committee shall:

- 10.5.1 Approve the tendering and appointment of the external auditor.
- 10.5.2 Oversee the relationship of LSHW with the external auditors and review their effectiveness.
- 10.5.3 Meet regularly with the external auditor, at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit.
- 10.5.4 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- 10.5.5 Review the findings of the audit with the external auditors. This shall include but not be limited to:
 - a discussion of any major issues that arose during the audit.
 - any accounting or audit judgements.
 - levels of errors identified during the audit.
 - the effectiveness of the audit.
- 10.5.6 Review any representation letter(s) requested by the external auditor before they are signed by LSHW Chair.
- 10.5.7 Review the management letter and the adequacy of management's response to the auditor's findings and recommendations.

11. Business Continuity and Health and Safety

The Committee shall:

- 11.1 Review and assess the LSHW's health and safety policies and receive reports on any statutory breaches and how effective the operation of the policy has been.
- 11.2 Review and assess LSHW's business continuity plans and receive reports on how effectively the plans have worked in particular incidents.

12. Cyber Security

The Committee shall:

12.1	Provide assurance to the Board that LSHW is properly managing its cyber risk including appropriate risk mitigation strategies.
12.2	Review LSHW's cyber resilience at least annually, as part of the financial year end assurance process. It also shall discuss any issues that should be included in the Committee's recommendations for the Annual Governance Statement.
13. Information requirements	
13.1	<p>For each meeting, the Committee will be provided (well ahead of the meeting) with:</p> <ul style="list-style-type: none"> • a report summarising any significant changes to LSHW's strategic risks identified on the Board Assurance Framework. • a copy of the Corporate Risk Register. • a progress report from the Head of Internal Audit summarising: <ul style="list-style-type: none"> ○ Work performed (and a comparison of 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 LSHW, aspects of the wider work carried out by Audit Wales, for example, Value for Money reports and good practice findings). • Management Assurance Reports and Reports on the management of major incidents, "near misses" and lessons learned.
13.2	<p>When appropriate, the Committee will also be provided with:</p> <ul style="list-style-type: none"> • Proposals for the terms of reference of internal audit/the internal audit charter. • The Internal Audit Annual Plan and Strategy. • The Head of Internal Audit's annual report. • Quality Assurance reports on the internal audit function. • The draft Statutory Accounts of LSHW. • The draft Annual 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 LSHW Risk Management Policy/Framework.
14. Reporting Responsibilities	
The Committee will advise the Board and Accounting Officer on:	
14.1	the processes and arrangements in place for risk, control and governance and the Governance Statement.

- 14.2 the accounting policies, the accounts and the annual report, including the process for review of the accounts prior to submission for audit, levels or error identified, and managements letter of representation to the external auditors.
- 14.3 the planned activity and results of both internal and external audit.
- 14.4 the adequacy of management response to issues identified by audit activity, including external audit's management letter.
- 14.5 the adequacy of the Board Assurance Framework and its integration with the wider Risk Management System (RMS) management of risk (including the extent to which risk management is effectively embedded throughout the organisation).
- 14.6 proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services
- 14.7 anti-fraud policies, whistle blowing processes, and arrangements for special investigations; and
- 14.8 the Committee will also periodically review its own effectiveness and report the results of that review to the Board.
- 14.9 the Committee Chair will formally report to the Board after each meeting. This will usually be done by submitting a copy of the minutes or a summary report with the Committee Chair highlighting any significant matters which the Committee considers relevant to draw to the Board's attention.
- 14.10 the Committee Chair will provide an annual report to the Board, timed to support the preparation of the annual governance statement, summarising its conclusions from the work it has done during the year.

15. Rights

- 15.1 The Committee shall be entitled to:
- sufficient resources to carry out its duties; appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
 - procure specialist ad-hoc advice at the expense of the organisation, subject to confirmation from the Senior Leadership Team that funds are available.
- seek any information it requires in order to perform its duties from any employee of the LSHW.
- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience.
 - call any employee to be questioned at a meeting of the Committee as and when required.
 - escalate to Welsh Government any issues that cannot be resolved between the Committee and the Board.
- 15.2 The Head of Internal Audit and representative of external audit representative will have free and confidential access to the Committee

Chair.

16. Committee review and development

- 16.1 The Committee shall undertake an annual review of its own performance through a self-assessment process. This should inform the continuous improvement of the Committee and its operating arrangements.
- 16.2 The Committee shall undertake an annual review of its Terms of Reference and recommend any changes it considers necessary to the Board for approval.
- 16.3 The Committee may also periodically arrange for an external independent review of its constitution and Terms of Reference, to ensure that it is operating at maximum effectiveness.
- 16.4 All Committee members are expected to undertake an appropriate programme of engagement within LSHW and its activities to help them understand its objectives, business needs, priorities and risks. This should form part of their induction programme.

17. Other matters

- 17.1 The Committee Chair shall meet periodically with the Chief Executive Officer, Operations Director, Head of Internal Audit and External Audit Representative outside of the formal committee meetings.
- 17.2 All Committee members will be presented with [Corporate Governance in Central Government Departments: Code of Good Practice](#) and [HM Treasury's Audit and Risk Assurance Committee Handbook](#) upon their appointment to the Committee to help them understand Governance arrangements and the role of the Committee.