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## ANNUAL GOVERNANCE REPORT

### Report by Ruth Hussey, Deputy Chair of the FSA Board

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#### 1 Summary

##### 1.1 The Board is asked to:

- **Agree** that the 2020 Standing Orders for FSA Board Meetings and the Terms of Reference for the Board be adjusted to increase the quorum by one Board Member for Board meetings.
- **Agree** that the 2020 Standing Orders for FSA Board meetings and the Terms of Reference for the Business Committee be adjusted to increase the quorum by one Board Member for Business Committee meetings.
- **Agree** two further amends to the 2020 Terms of Reference for the FSA Board.
- **Agree** the Terms of Reference for the Audit and Risk Assurance Committee as reviewed by the Committee on behalf of the FSA Board in May 2021.

#### 2 Introduction

- 2.1 The Food Standards Act 1999 provides that the Agency may regulate its own proceedings. Good governance requires that the Board and its Committees operate to clear, agreed Terms of Reference (ToR) and in accordance with Standing Orders. Since 2014, the Board has reviewed its suite of ToR and Standing Orders annually.
- 2.2 In line with the ToR, the Board delegates to Committees certain functions mainly associated with implementation and corporate governance of the Agency. Committees currently constituted under this power are the Business and Audit & Risk Assurance Committees.
- 2.3 The Board agrees and reviews the ToR of the Business and Audit & Risk Assurance Committees annually, together with the ToR and Standing Orders for the Board.
- 2.4 We also annually consider the effectiveness of the Board, and over the last four years this has taken particular account of the changing demands on the FSA and the Board as a result of the UK leaving the EU and the outbreak of COVID-19.

### 3 Annual Review of Terms of Reference and Standing Orders

#### Quorums for the FSA Board and Committees

- 3.1 In June 2019 to allow for any unplanned absences while awaiting new Members to join the Board, the Board agreed to short-term interim arrangements to reduce the quorums to the FSA Board and Business Committee by one Board Member until the Board was restored to full membership complement. The quorum for the Audit and Risk Assurance Committee was not adjusted.
- 3.2 Since then, the FSA Board has gone from a membership of six to its current membership of nine. The Chair is therefore proposing to end the interim adjustments to the quorums to the FSA Board and Business Committee and increase the quorums by one Board Member.
- 3.3 Adjusting the quorums for the Board and Business Committee would require an amendment to the [2020 Standing Orders for FSA Board Meetings](#). This requires a majority of those Board Members present at the meeting where the matter is considered to so agree (paragraph 29).
- 3.4 The change to the 2020 Standing Orders in relation to the quorum for the FSA Board would be a paragraph 15 where the word four would be changed to five:
- The quorum for Board meetings shall be the Chair of the meeting plus ~~four~~ five other Board members of whom one must be one of the members for Wales or Northern Ireland.*
- 3.5 The change to the 2020 Standing Orders in relation to quorum for the Business Committee would be at paragraph 40 where the word four would be changed to five:
- The quorum for the Business Committee shall be ~~four~~ five Non-Executive members, of whom one to be one of the members from Northern Ireland or Wales plus the Chair of the meeting, plus three Executive Team members including the Chief Executive or their nominated deputy.*
- 3.6 A proposed version of the 2021 Standing Orders for FSA Board Meetings incorporating these adjustments can be found at **Annex A**.
- 3.7 The changes to the 2020 Standing Orders for FSA Board Meetings would require changes to the [2020 Terms of Reference for the FSA Board](#) and the [2020 Terms of Reference for the FSA Business Committee](#).
- 3.8 The change to the 2020 Terms of Reference for the FSA Board would be to change the word Four to Five:

**Quorum:** ~~Four~~ Five Board Members, of whom one to be one of the Members from Northern Ireland or Wales plus the Chair of the meeting.

- 3.9 The change to the 2020 Terms of Reference for the FSA Business Committee would be to change the word Four to Five:

**Quorum:** ~~Four~~ Five Non-Executive Board Members, of whom one to be one of the Members from Northern Ireland or Wales plus the Chair of the meeting, plus three Executive Team members including the Chief Executive or their nominated deputy.

- 3.10 No other changes to the Terms of Reference for the Business Committee are proposed and so a copy of the 2021 Terms of Reference for the FSA Business Committee incorporating the adjustment on quorum can be found at **Annex B**.

Amendments to the Terms of Reference for the FSA Board

- 3.11 In addition to the adjustment to the quorum in the 2020 Terms of Reference of the FSA Board the Chair is also proposing two other changes.

- 3.12 It is proposed to omit the wording under Transparency in relation to Europe now that the UK has exited the European Union:

**Transparency:** ~~The Board meets in the open so that it is clear to interested parties and the public on what basis it has taken its decisions and what evidence it has taken into account in reaching them, unless there are particular reasons why something cannot be considered in public. For example, since the FSA leads for the UK Government in negotiations on matters of food and animal feed law in Europe, discussions on the approach to be taken in those negotiations are held in private. Committees of the Board will also be held in public or will have their minutes published- unless there are particular reasons why specific issues cannot be considered in public.~~

- 3.13 It is proposed to correct the reference to the UK Corporate Governance Code under Effectiveness to refer instead to the Corporate Governance in Central Government Departments: Code of Practice 2017:

**Effectiveness:** ~~The Board will undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual members in line with best practice outlined in the UK Corporate Governance Code~~ [Corporate Governance in Central Government Departments: Code of Practice 2017](#).

- 3.14 A proposed version of the 2021 Terms of Reference for the FSA Board can be found at **Annex C**.

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Terms of Reference for the Audit and Risk Assurance Committee

- 3.15 The [2020 ToR for ARAC](#) were most recently reviewed by the Committee, on the Board's behalf, in May 2021 when the addition of the following statement was agreed:

*The Audit and Risk Assurance Committee will approve the Annual Reports and Accounts (ARAs) on behalf of the FSA Board, with the recommendation that the Accounting Officer sign the accounts on approval.*

- 3.16 If the Board are content with the proposed updated ARAC ToR (**Annex D**), they will be updated as ARAC agreed them in May 2021. ARAC and then the Board will review the ToR again in 2022.

#### **4 Annual Review of Board Effectiveness**

- 4.1 Every year the FSA Board is expected to undergo a review of effectiveness. In the Annual Governance Reports in [September 2019](#) and [August 2020](#) the Board agreed to wait until the UK had exited the EU and the new arrangements for the Board, as agreed in paper [FSA 18-09-08 Governance Review](#), had been properly tested before commissioning a full external review of the operation of the Board.
- 4.2 While the impact of the new arrangements for the Board has still not yet been tested, the Chair feels that, with her recent appointment, it is timely to undertake an external effectiveness review of the Board this year. The internal procurement process for finding an external provider is under way and we hope to have concluded the external Board Effectiveness Review by the end of the year. The scope of the external Review will be in line with the Corporate Governance Code for Central Government Departments 2017 and include relationships and behaviours.
- 4.3 In terms of an internal review of Board effectiveness, the impact of COVID-19 restrictions and the fact that the Deputy Chair was appointed Interim Chair between February and July 2021 meant that the usual discussions with Board Members did not take place. However, during introductory meetings with each Member the new Chair discussed the effectiveness of the Board and is now reflecting on those discussions.

#### **5 Board Appointments**

- 5.1 Appointments to the FSA Board are made by Health Ministers in England, Wales and Northern Ireland. The statutory requirement for Board membership is 8-12 members, plus the Chair and Deputy Chair. This requirement reflected there being two appointees for Scotland, which is no longer required since Food Standards Scotland was created as a stand-alone department and Board north of the border. The working assumption is

therefore that the Board should be between 6-10 members, plus the Chair and Deputy Chair.

- 5.2 With the easing of COVID-19 impacts on government departments the Chair will seek Ministerial agreement to plan for the succession of the Member for Northern Ireland.
- 5.3 The Chair will also seek to secure Ministerial agreement to increase the membership of the FSA Board to full complement.
- 5.4 Changes in Board membership since the 2020 Governance Report are shown in the table below:

Board Position	Appointment end date	Appointee Name	Term	Notes on appointment
Chair	30 June 2024	Susan Jebb	First term of 3 years, expires 30 June 2024	
Deputy Chair	30 June 2023	Ruth Hussey	First term of 3 years as Deputy Chair, expires 30 June 2023	Served 4 years previously as Board member for Wales  Served as Interim Chair 1 February – 30 June 2021
Member for Wales	31 August 2023	Peter Price	First term, expires 31 August 2023	
Member for Northern Ireland	No date set	Colm McKenna	Second term, began 1 September 2019 originally for 1 year	Second term has been extended indefinitely due to COVID-19 impacts
Member	17 November 2022	Margaret Gilmore	First term, expires 17 November 2022	
Member	17 November 2022	Tim Riley	First term, expires 17 November 2022	
Member	17 November 2022	Mark Rolfe	First term, expires 17 November 2022	
Member	31 May 2024	Fiona Gately	First term, expires 31 May 2024	
Member	31 May 2024	Lord David Blencathra	First term, expires 31 May 2024	
Member	31 August 2020	Stuart Reid		Term ended on 31 August 2020

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Member	31 March 2021	David Brooks		Term ended 31 March 2021
Member	31 August 2020	Mary Quicke		Term ended 31 August 2020
Chair	1 October 2020	Heather Hancock		Appointment ended 31 January 2020

## 6 COVID-19 AND CHANGES TO 2020-21 FSA BOARD MEETINGS

- 6.1 In the light of advice on working arrangements as a result of the COVID-19 pandemic, the Chair made adjustments to arrangements for Board and Business Committee meetings for the latter part of 2020 which continued into the beginning of 2021.
- 6.2 Since June 2020 we have maintained our commitment to openness and transparency by live streaming the Board and Business Committee meetings which have been conducted exclusively online.
- 6.3 This has been in line with Government advice on working from home where possible and has avoided the need for Board members and officials to travel. It has also been the best way of ensuring that everyone has had the same opportunity to participate. These arrangements were intended to be short term measures as the conduct of meetings online restricts in-person access.
- 6.4 With the easing of Government restrictions as of 19 July 2021 we are ending these temporary measures and conducting the September 2021 Board meeting in person.
- 6.5 The Board has continued to have ‘keep in touch’ calls with the Chief Executive in the months in which there has not been a scheduled Board meeting. These are information sharing opportunities in addition to the weekly email of information circulated to the Board.

## 7 CONCLUSION AND RECOMMENDATIONS

- 7.1 The Board is asked to:
- **Agree** that the 2020 Standing Orders for FSA Board Meetings and the Terms of Reference for the Board be adjusted to increase the quorum by one Board Member for Board meetings.
  - **Agree** that the 2020 Standing Orders for FSA Board meetings and the Terms of Reference for the Business Committee be adjusted to increase the quorum by one Board Member for Business Committee meetings.

- **Agree** two further amends to the 2020 Terms of Reference for the FSA Board.
- **Agree** the Terms of Reference for the Audit and Risk Assurance Committee as reviewed by the Committee on behalf of the FSA Board in May 2021.

## **ANNEX A**

### **STANDING ORDERS FOR FOOD STANDARDS AGENCY BOARD MEETINGS**

(Reviewed by the Board September 2021)

#### **Preamble**

1. These Standing Orders apply to all Committees exercising powers or functions delegated by the Board (currently the Business and Audit and Risk Assurance Committees). They do not apply to the Scientific Advisory Committees.
2. Unless otherwise stated, any action required by these Standing Orders to be undertaken by the Chair may, in his/her absence, also be undertaken by the Deputy Chair.
3. Any reference to a Board meeting means an Open Board meeting and a Business Committee meeting, unless otherwise stated.

#### **Date and Time of Meetings**

4. The FSA Chair (Chair) shall, by the end of March, annually determine the dates, times and places of ordinary Open and Business Committee meetings for the year following, but the Board shall meet at least four times in each calendar year. The Chair may re-arrange the date, time and place of any ordinary Board meeting, convene an additional meeting or cancel any meeting where there are no matters for decision or discussion.
5. The locations for Board meetings shall be set so as to ensure that at least one meeting every year is held in Wales or Northern Ireland.
6. Any Board meeting may be conducted wholly or in part by electronic means including by video conference, an internet video facility or telephone conference.
7. The location of a meeting held by electronic means shall be deemed to take place where the largest group of those Board members participating is assembled or, if there is no group which is larger than any other group, where the Chair of the meeting is located.

#### **Agenda**

8. The Board Secretary shall send an agenda for each Board meeting by email and/or by post to every Board member at least ten clear working days before the date of the meeting or, in the event of urgency, at the earliest possible opportunity.



9. Failure to send or deliver an agenda to any Board member shall not invalidate the proceedings.
10. A copy of the agenda for each Board meeting shall be published on the FSA website at least three clear working days before the meeting.

### **Business to be transacted**

11. The Board Secretary shall maintain a list of future agenda items for the year ahead. This list shall be compiled following discussion with the Chair, other Board members and the Chief Executive. However, the Board Secretary shall additionally consult the Chair and the Chief Executive on the business to be transacted at each meeting prior to the distribution of the agenda.
12. Any Board member may request the Chair to consider including an item on an agenda provided he or she has given at least 15 clear working days' notice before the meeting to the Chair or the Board Secretary.
13. Only the business specified in the agenda for the meeting may be transacted save that business of an urgent nature that is not included in the agenda may also be discussed and determined at any meeting.

### **Chairing of Meetings**

14. Board meetings shall be chaired by the Chair of the FSA or, in his/her absence, the Deputy Chair. In the event that neither the Chair nor Deputy Chair is present, the Board members present may appoint one of their number to chair the meeting. The decision of the meeting Chair on any question of procedure raised at a meeting shall be final.

### **Quorum**

15. The quorum for Board meetings shall be the Chair of the meeting plus five other Board members of whom one must be one of the members for Wales or Northern Ireland.
16. If there is no quorum within 30 minutes of the scheduled start of a Board meeting, or if the meeting becomes inquorate during the proceedings, the meeting shall be adjourned and the business postponed either to: a. a date, time and place fixed by the Chair of the meeting at the adjournment; or b. the next ordinary Board meeting.
17. Where Board members are not able to attend a meeting, they shall send their apologies in advance to the Board Secretariat. A Board member shall not be

absent from more than two consecutive meetings without the prior agreement of the Chair.

### **Interests to be declared at meetings**

18. A Board member shall notify the Chair (or the Deputy Chair in the case of the Chair having an interest) in advance of the meeting of any interest that they may have in any agenda item and declare the nature of the interest at the meeting before the matter is discussed. In accordance with the provisions of the Code of Conduct, the Chair shall decide whether the Board member may remain present at the meeting for the discussion on that item and any decision thereon.
19. The Board Secretary or such other person present to take the minutes of the meeting shall record the declaration of interest, its nature and whether the individual left the room in the minutes of the meeting.

### **Minutes of Board meetings**

20. The Board Secretary shall arrange for minutes to be prepared for all Board meetings. The minutes of a meeting shall be confirmed as a correct record at the next following Board meeting. When the next meeting is an additional meeting, the minutes may be confirmed at the next ordinary Board meeting. Once confirmed, the minutes are conclusive evidence of the decisions of the Board.
21. A copy of the minutes of Board meetings shall be published on the FSA website.

### **Decisions and voting**

22. Decisions of the Board shall be taken by such method as the Chair chooses to ascertain the views of those present at the meeting. Where any matter is voted upon, it shall be decided by a majority of those present.
23. In the event that a vote is tied, the Chair shall have a second or casting vote.
24. Any Board member may request that his or her vote or abstention is recorded in the minutes.
25. The Board Secretary or such other person present to take the minutes of the meeting shall record all Board decisions in the minutes of the meeting.

### **Written Resolutions**

26. A written resolution signed by at least three quarters of appointed Board members shall be as valid as if it had been agreed at a Board meeting. Such a resolution may consist of several documents in the same form each signed by one or more Board members including electronic signatures.

### **Delegation of powers and inter-sessional work**

27. The Board has authorised the Chair to discharge such powers of the Board as he/she deems necessary in order to deal with the business of the Agency between Board meetings. Where, in the opinion of the Chair, significant operational or other matters require approval by the Board between meetings papers shall be circulated for approval by written resolution. Where, in the opinion of the Chair, full Board consideration is not justified or when circumstances make it impractical or unnecessary to consult the Board collectively, the Chair shall report to the Board at the earliest opportunity on any action that he or she may take.

### **Variation or Suspension of these Standing Orders**

28. The Board shall review these Standing Orders annually, along with the terms of reference for the Board and each of its Committees, to ensure their continued effectiveness.
29. These Standing Orders shall not be varied or suspended unless a majority of those present at the meeting where the matter is considered so agree.

### **COMMITTEES OF THE BOARD WHICH EXERCISE POWERS OR FUNCTIONS ON ITS BEHALF**

#### **Application to Committees - General**

30. Standing Orders 7, 9, 10, 11, 14, 15, 16, 17, 18, 20, 21, 22, 23, 24, 25 and 26 shall apply to Committees with any necessary modifications and subject to the provisions of Standing Orders 31 to 36 below.

#### **Date and Time of Meetings**

31. Each Committee shall annually determine the dates, times and places of its ordinary meetings for the year ahead but shall meet at least once each year or on such number of occasions as the Board might specify in terms of reference for each Committee.

32. The Committee Chair may re-arrange the date, time and place of any ordinary meeting, convene an additional meeting or cancel any meeting where there are no matters for decision.

### **Agenda**

33. The Board Secretariat shall send an agenda for each Committee meeting by email and/ or by post to every Committee member at least five clear working days before the date of the meeting or, in the event of urgency, at the earliest possible opportunity.

### **Chairing of Meetings**

34. The Chair of each Committee shall be appointed by the FSA Chair for such term as he/she may determine, but ordinarily to run concurrent with the remainder of a Board member's term of office.

35. In the absence of the Chair, the other Committee members present shall appoint one of their number to chair the meeting.

36. Business Committee meetings shall be chaired by the Chair of the FSA or, in his/her absence, the Deputy Chair. In the event that neither the Chair nor Deputy Chair is present, the Board members present may appoint one of their number to chair the meeting. The decision of the meeting Chair on any question of procedure raised at a meeting shall be final.

### **Membership**

37. Membership of each Committee shall be in accordance with the terms of reference for each Committee.

38. All members of the Board are members of the Business Committee. The Chief Executive and members of the Executive Team are also members of the Business Committee up to a number equivalent to the Non-Executive members of the Board excluding the Chair.

### **Quorum**

39. Unless otherwise stated the quorum for any Committee meeting shall be a minimum of three or such greater number as the Board may state in the terms of reference for the Committee.

40. The quorum for the Business Committee shall be five non-Executive members, of whom one to be one of the members from Northern Ireland or Wales plus the

Chair of the meeting, plus three Executive Team members including the Chief Executive or their nominated deputy.

## Definitions

**Agenda** – means the reports or papers for the meeting together with the cover sheet listing the items for consideration at a meeting

**Clear Working Days** – excludes the day on which the agenda is distributed, the day of the meeting, Saturdays, Sundays and Public Holidays.

## ANNEX B

### TERMS OF REFERENCE FOR THE FSA BUSINESS COMMITTEE

(Reviewed by the Board September 2021)

**Purpose:** The Business Committee is a committee to which the FSA Board has delegated functions as detailed below. It exists to provide appropriate high-level oversight of financial and operational matters at Board level and support the translation of policy into effective results.

**Transparency:** It meets in the open so that it is clear to interested parties and the public on what basis it has taken its decisions and what evidence it has taken into account in reaching them. There are some issues that need to be discussed in private, because they relate to issues that are commercial in confidence, are the subject of live negotiations in which the public interest could be adversely affected or relate to individuals.

**Membership:** All members of the Board are members of the Business Committee. The Chief Executive and members of the Executive Team are also members of the Business Committee up to a number equivalent to the Non-Executive members of the Board excluding the Chair. The Chief Executive will be responsible for determining which members of the Executive are members of the Business Committee.

**Chair:** The Chair of the FSA.

**Quorum:** Five Non-Executive Board Members, of whom one to be one of the Members from Northern Ireland or Wales plus the Chair of the meeting, plus three Executive Team members including the Chief Executive or their nominated deputy.

**Reporting:** The Business Committee will publish its minutes. The Terms of Reference for the Business Committee will be reviewed annually by the Board together along with the Terms of Reference and Standing Orders for the Board.

**Meetings:** The Business Committee shall meet at least 4 times a year.

#### Responsibilities:

The Business Committee will on behalf of the Board:

1. Scrutinise the financial and other performance information relating to the FSA and advise the Chief Executive in the discharge of the Accounting Officer responsibilities.
2. Identify and monitor operational and delivery risks.
3. Approve the annual business plan and maintain oversight of major financial decisions in line with that plan.

4. In private, consider confidential matters relating to the position to be adopted on behalf of the UK in international discussions concerning food and animal feed law.
5. Consider such other matters as may from time to time be delegated to the Business Committee by the main Board.

The Chair may decide that specific issues must be remitted to the Board for decision.

## ANNEX C

### TERMS OF REFERENCE FOR THE FSA BOARD

(Reviewed by the Board - September 2021)

**Purpose:** The Board is established by the legislation that established the FSA and constituted in line with the Food Standards Act 1999. It exists to represent the public interest and ensure that the organisation puts consumers first, to set strategy for the FSA, and to take major decisions on policy and key issues of principle, informing advice given to Ministers in Westminster and Wales and Northern Ireland. The Board has overall collective responsibility for the activities of the Food Standards Agency in England, Wales and Northern Ireland, and for ensuring that the FSA discharges its statutory duties to protect public health and consumers' interests in relation to food. The Board also, through the Chair, appoints the Chief Executive and holds her/him accountable, and supports the Chief Executive in the discharge of her/his role as Accounting Officer.

**Devolution:** The interests of Wales and Northern Ireland are taken into account in Board decisions and deliberations through advice from the Food Advisory Committees of these countries. Board papers are normally the subject of FAC consideration prior to their consideration in the Board.

**Delegation:** The Board may delegate to Committees certain functions mainly associated with implementation and corporate governance of the Agency. Committees currently constituted under this power are the Business and Audit and Risk Assurance Committees.

**Transparency:** The Board meets in the open so that it is clear to interested parties and the public on what basis it has taken its decisions and what evidence it has taken into account in reaching them, unless there are particular reasons why something cannot be considered in public. Committees of the Board will also be held in public or will have their minutes published - unless there are particular reasons why specific issues cannot be considered in public.

**Membership:** In line with the 1999 Food Standards Act the Board will consist of a Chair, Deputy Chair and between 6 and 10 other members of whom 1 shall be appointed by the Welsh Government and 1 shall be appointed by the Department of Health for Northern Ireland; the others shall be appointed by the Secretary of State.

**Chair:** The Chair and Deputy Chair of the FSA are appointed by Ministers in England, Wales and Northern Ireland acting jointly.

**Quorum:** Five Board Members, of whom one to be one of the Members from Northern Ireland or Wales plus the Chair of the meeting.

**Attendance:** Members of the Executive shall also be required to attend and participate in Board meetings.



**Reporting:** The Board will approve an annual report of our activities and performance which will be laid before the Westminster Parliament, the Welsh Government and the Northern Ireland Assembly.

**Effectiveness:** The Board will undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual members in line with best practice outlined in the Corporate Governance in Central Government Departments: Code of Practice 2017.

**Meetings:** The Board shall meet at least 4 times a year.

As part of their meetings the members of the Board will meet three times each year in closed session to discuss issues related to governance, the performance of the Chief Executive, and the functioning of the relationship with the Executive from the perspective of the Board.

**Responsibilities:**

The Board:

- sets strategy, strategic priorities and strategic outcomes
- identifies and monitors strategic, reputational and corporate risk; determines the FSA risk appetite
- takes major decisions on the regulatory and controls framework
- takes major decisions on policy and key issues of principle
- informs advice to Ministers, and on more prominent issues provides advice to Ministers
- has collective responsibility for FSA activities and discharge of our statutory duties
- through the Chair, appoints the CEO and holds him/her accountable; and
- approves the Annual Report.

## **ANNEX D**

### **Terms of Reference for the FSA Audit & Risk Assurance Committee**

(Reviewed by the Board - September 2021)

#### **Purpose**

The Audit and Risk Assurance Committee is an advisory Committee of the FSA Board with no executive powers. It is responsible for reviewing, in a non-executive capacity, the comprehensiveness and reliability of assurances on governance, risk management and the control environment.

The Audit and Risk Assurance Committee will approve the Annual Reports and Accounts (ARAs) on behalf of the FSA Board, with the recommendation that the Accounting Officer sign the accounts on approval. It shall additionally have responsibility for reviewing the integrity of financial statements.

#### **Membership**

A minimum of four Members of the FSA Board appointed by the FSA Chair under delegated powers following consultation with the Committee Chair. At least one of those appointed will be a Board Member for Wales or Northern Ireland.

The term of appointment will normally be coterminous with an individual's term of appointment to the FSA Board and will automatically cease if an individual ceases to be a Board Member.

At least one of the Committee members should have recent and relevant financial experience.

All new members will be provided with induction training and the FSA will provide for any additional development which is deemed necessary for the member to fulfil their role on the Committee. The Chair of the Audit and Risk Assurance Committee will hold an annual review with each member and any training or development needs will be taken forward with the agreement of the Chair and Accounting Officer.

#### **Committee Chair**

Appointed from the membership of the Committee by the Chair of the FSA under delegated powers. The term of appointment will normally be coterminous with an individual's term of appointment to the FSA Board.

#### **Co-option**

The Committee may co-opt additional members (whether members of the FSA Board or not) for a period of up to one year to provide specialist skills, knowledge or experience. Co-opted members will have a right to speak, but not vote. Co-opted members will not be included in any calculation of the quorum.

## Quorum

Three Non-Executive Board Members.

## Attendance

The Chief Executive, as Accounting Officer, the Director of Finance and Performance, the Planning Manager, the Head of Audit Assurance, and a representative<sup>1</sup> of the external auditors would normally be invited to attend.

Directors and other officials will be invited to attend as required.

## Reporting

The Audit & Risk Assurance Committee Chair will provide the Chair of the FSA and the Board with a written update on the key elements of Committee meetings. The Audit & Risk Assurance Committee will report formally in writing to the Board, annually, to support the finalisation of the accounts and the Governance Statement and to update the Board on the work of the Committee, Internal and External Audit and any areas requiring specific attention.

## Meetings

The Audit & Risk Assurance Committee will meet at least four times a year. The Chair of the Committee will convene additional meetings as necessary. The Committee has the right to sit privately without any non-members present for all or part of a meeting.

Additionally, the members of the Committee will meet with the Head of Audit Assurance and, separately, the External Auditors, annually, in closed meetings when the efficacy of the processes, trust, co-operation and any other issues can be discussed, and future action agreed.

The FSA Chair, the Board or the Accounting Officer may ask the Audit and Risk Assurance Committee to convene further meetings to discuss specific issues on which they want the Committee's advice.

## Responsibilities

The Audit & Risk Assurance Committee will advise the FSA Board and Chief Executive on:

1. The strategic processes for risk management, the high-level control and governance framework and the effectiveness of its operation in practice
2. The contents of the Governance Statement

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<sup>1</sup> This includes third parties appointed to carry out external audit work on the National Audit Office's behalf

3. The accounting policies, the accounts, and the annual report of the FSA, including the judgements used in producing the accounts, the adequacy of disclosures, 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
4. The effectiveness of the design and operation of financial systems and controls
5. The planned activity and results of both internal and external audit and the results of other, external assurance reports
6. The resourcing and effectiveness of the internal audit function
7. Provide independent scrutiny of the audit process of the Local Authority audit system
8. The adequacy of the management response to issues identified by audit activity, including external audit management letters
9. Assurances relating to the corporate governance requirements for the organisation
10. Proposals for tendering for either Internal or External Audit services or for the purchase of non-audit services from contractors who provide audit services
11. Anti-fraud policies and whistle-blowing processes, and arrangements for special investigations; and
12. The Committee's effectiveness having reviewed its own performance, constitution and terms of reference and recommending any changes it considers necessary.

### **Information Requirements**

The Audit & Risk Assurance Committee will be provided with, where appropriate:

1. Any changes to the organisation's Corporate Risk Register that are relevant to the responsibilities of the Committee
2. The risk management strategy
3. Management assurance reports, and report on the management of major incidents, 'near misses' and lessons learned
4. Progress reports from the Head of Audit Assurance summarising:
  - a. work performed (and a comparison with work planned)
  - b. key issues emerging from Internal and Local Authority Audit work

- c. management action in response to issues identified and agreed
- d. changes to the Audit Assurance plans
- e. any resourcing issues affecting the delivery of Audit Assurance objectives
5. Progress reports from the External Audit representatives summarising work done and emerging findings
6. External assurance and compliance reports in relation to the FSA's activities
7. Audit Assurance strategies and annual plans
8. The Head of Audit Assurance's Annual Opinion and Report
9. Quality Assurance reports on the Audit Assurance function
10. The draft accounts of the organisation
11. The draft Governance Statement
12. Any changes to accounting policies
13. Proposals to tender for audit functions
14. Summary of findings of every Audit Assurance report
15. External Audit's management letter; and
16. A report on cooperation between the FSA auditors and external auditors.

The Audit & Risk Assurance Committee will work with the FSA's Executive Management Team to ensure that the Board can be confident that risk management processes, content, mitigating and recovery actions are appropriate and correctly resourced.

### **Notes**

1. The Chair of the Audit & Risk Assurance Committee will have free and confidential access to the Chair and Chief Executive of the FSA whenever appropriate.
2. The Head of Audit Assurance and the representatives of External Audit will have free and confidential access to the Chair of the Committee.
3. The Committee may procure specialist ad-hoc advice at the expense of the FSA, subject to the cost being agreed by the Chief Executive as Accounting Officer.

