

## Open session

**Board meeting:** 7 December 2022

**Agenda item:** 6

**Subject:** Revised Terms of Reference for the Audit and Risk Assurance Committee and the People Committee

**Action:** To approve

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### Purpose

To approve revised Terms of Reference for the Audit and Risk Assurance Committee and the People Committee (formerly the Remuneration and Appointments Committee).

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### Recommendations

It is recommended that the Board agrees:

- i. the revised Terms of Reference for the Audit and Risk Assurance Committee as set out at **Annexe A**;
- ii. the revised Terms of Reference for the People Committee (formerly the Remuneration and Appointments Committee) as set out at **Annexe B**; and
- iii. that the revised Terms of Reference should become effective from the date on which the Board approves the new committee membership.

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### Annexes

Annexe A – Revised Terms of Reference for the Audit and Risk Assurance Committee

Annexe B – Revised Terms of Reference for the People Committee

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### Author/Key Contact

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## 1. Open Session

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## 2. Background and Key points

- 2.1. The current Committee terms of reference have been in operation for just over three years and whilst some adjustments have been made to the Remuneration and Appointments Committee's Terms of Reference since then, the terms of reference for ARB's committees were due for a wider review during the Autumn 2022.
- 2.2. As outlined at the Board's meeting of 19 October 2022, we have now reviewed the terms of reference for the Audit and Risk Assurance Committee as well as the Remuneration and Appointments Committee.
- 2.3. Proposals regarding the new Accreditation Committee are being dealt with separately and in conjunction with the Initial Education and Training Review. Proposals regarding the new statutory Appeals Committee are also currently out for consultation. The terms of reference for these committees were not therefore in scope of the most recent review.
- 2.4. In order to develop the revised terms of reference we have undertaken the following steps:
  - Benchmarked our existing terms of reference against those used by other regulatory bodies;
  - Used feedback from the Board and Committee Effectiveness reviews undertaken earlier this year as well as further feedback for the Committee's follow up discussions;
  - Reviewed the structure and content of the terms and revised them; and
  - Sought views on the revised terms of reference from the Independent Committee members and the Chair of the Board.
- 2.5. The Board's responsibilities can be summarised as: setting strategy and agreeing key policy decisions and oversight and assurance on an ongoing basis of operation of the organisation.
- 2.6. Feedback we've received from the Board and SLG has confirmed our view that there can be much greater clarity about the responsibilities of each of the



Committees and in particular ways in which we can avoid duplication by the Board, Committees and Executive.

- 2.7. We also recognise that Board business and activity has increased and it is right that Committees with clear delegated responsibilities can take decisions to ensure the smooth and efficient delivery of business by ARB. The revisions have been made with these goals in mind.
- 2.8. So that we can continue to support these responsibilities and underpin them with a robust governance framework, we are proposing significant changes to the role and duties of the Audit and Risk Assurance Committee and the newly titled People Committee, which was formerly the Remuneration and Appointments Committee.
- 2.9. The most significant proposals include provision for the Committees to take some of the decisions that the Board would traditionally have made, where this is possible within the parameters of the Act and the Board's Rules. Other changes seek to provide clarity in relation to the roles of the Board, the Committee and the Executive. We have also proposed that the constitution of each Committee is expanded to include an additional Board member.
- 2.10. Each of the Terms of Reference are set out in a consistent manner so that it is clear what the Committee has delegated authority to decide, advise or scrutinise. For example the People Committee will be expected to carry out detailed scrutiny around pay and reward, while the Board will retain overall control of the pay budget through the annual budgeting cycle.
- 2.11. Finally, we have included a more specific performance indicator in relation to provision of papers and delivery of draft minutes for Board Chairs, Committee Members and circulation to the Board as a whole.
- 2.12. **Annexe A** sets out the revised Terms of Reference for the Audit and Risk Committee.
- 2.13. **Annexe B** sets out the revised Terms of Reference for the People Committee, which will replace the Remuneration and Appointments Committee.
- 2.14. The revised Terms of Reference should become effective on the date the Board approves updated Committee membership. We expect that proposed new membership will be set out by the Chair of the Board in a formal paper either by write round, or at the Board's meeting on 15 February 2022. There is an interdependency with the appointment of a new lay member to the Board.

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### **3. Resource Implications**

- 3.1. The review of the Committee Terms of Reference has been budgeted for and will be covered by the Governance Department's budget.
- 3.2. Changes to the constitution of the Committees will have an impact on the budget to support the Committees as well as individual Board members' annual remuneration. Again this will be covered by the Governance Department's budget in 2023.

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### **4. Risk implications**

- 4.1. There is a risk that the revised terms of reference could sit outside of the scope of ARB's role and responsibilities and/or fail to cover the appropriate legislation. We have taken steps to mitigate the risks around this area by cross checking the terms of reference against the current legislation and Board's existing Rules. As further legislation becomes effective, we may need to revisit the terms of reference to ensure that they remain up to date and aligned with relevant requirements.
- 4.2. The existing terms of reference lack clarity regarding roles and responsibilities, including where particular decisions can and should be made. Our proposed approach should mitigate against this and ensure that decisions are made at the right level, within the parameters of the Act and the existing Rules.

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### **5. Communication**

- 5.1. The revised Committee Terms of Reference will be published on our website.

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### **6. Equality and Diversity implication**

- 6.1. There are not specific EDI implications relating to the Terms of Reference. However, we will need to ensure membership of committees takes full account of the need for diversity.

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### **7. Recommendations**

- 7.1. It is recommended that the Board agrees:
  - i. The revised Terms of Reference for the Audit and Risk Assurance Committee as set out at Annexe A;

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- ii. The revised Terms of Reference for the People Committee (formerly the Remuneration and Appointments Committee) as set out at Annexe B; and
  - iii. That the revised Terms of Reference should become effective from the date on which the Board approves the new committee membership.
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# Draft

## Audit and Risk Assurance Committee

### Terms of Reference

#### 1. Purpose

The Audit and Risk Assurance Committee is a Committee of the Board and is responsible for carrying out the duties set out in the terms of reference. Subject to any restrictions prescribed by the Act or the Rules of the ARB, the Committee is authorised by the Board to determine any matter within its terms of reference. The Committee supports the Board and ARB's Accounting Officer in their responsibilities for risk management, control and governance by reviewing and challenging the comprehensiveness, reliability and integrity of assurances.

#### 2. Duties

The Committee will:

- 2.1 **Review** the findings of the Annual Audit from the External Auditors and report to the Board on the process and outcomes
- 2.2 **Provide advice** to the Board regarding the risk management strategy, internal and governance controls
- 2.3 **Scrutinise, monitor and provide assurance** to the Board in relation to risk management and internal controls
- 2.4 **Agree** the organisation's, accounting policies, Fraud and Bribery, Whistleblowing and Data Protection Policies
- 2.5 **Appoint, reappoint or remove** the external auditors, internal auditors and investment broker
- 2.6 **Review** the risks relating to the ARB's investments
- 2.7 **Agree** the annual internal and external audit programme.
- 2.8 **Receive** Internal audit reports and **review** the actions taken by management to implement the recommendations.
- 2.9 **Review**, annually the Committee's adherence to its terms of reference and **provide** regular reports to the Board.
- 2.10 **Collectively** discuss and identify any development needs that may arise on an annual basis.

### **3. Authority**

- 3.1 The Board and ARB's Accounting Officer authorise the Committee to investigate any activity within its terms of reference and to access any records, staff and physical properties deemed necessary to assist the Committee to carry out its duties.
- 3.2 The Committee can where necessary, decide to obtain, in consultation with ARB's Accounting Officer and/or the Board Chair, external professional advice on any particular issue.
- 3.3 The Chair of the Committee shall, where necessary, have confidential access to the ARB Accounting Officer and/or the Director of Resources.

### **4. Membership**

- 4.1 The members of the Committee shall be appointed by the Board and shall consist of
  - Two lay and two architect Board members. One of the lay members will be appointed as Chair.
  - One additional external member to supplement the Committee's skills base and/or provide an additional independent perspective.
- 4.2 The Chair of the Committee should have recent significant and relevant financial and/or audit qualifications and experience.
- 4.3 Regular attendees at the Committee will include:
  - ARB Chief Executive and Registrar/Accounting Officer
  - Director of Resources
  - Finance Lead
  - Risk Lead
  - External Auditors
  - Internal Auditors
  - Other members of the staff (on invitation)
  - Minute taker
- 4.4 The Committee may ask any other member of staff, or such others as may be appropriate, to attend to assist it with its discussions on any particular matter.

### **5. Quorum**

- 5.1 The quorum of the Audit and Risk Assurance Committee shall be three members of the Committee.

### **6. Meetings and Procedures**

- 6.1 The Committee will have up four normally scheduled meetings per year. These should align with key points in the financial and governance calendar.
- 6.2 The Internal Auditors will normally be invited to meet with the Committee in private as well as attend for items where required as part of the agenda.

6.3 External auditors or internal auditors may raise any issues directly with the Chair of the Audit and Risk Assurance Committee or request a meeting with the Committee at any time.

## **7. Reporting Requirements**

7.1 A draft of the minutes will normally be circulated to the Chair of the Committee for initial approval within five working days of the meeting taking place. The Chair will normally approve the draft minutes within a further five working days. The Chair-approved minutes will then be circulated to members of the Committee (and any attendees as appropriate) as a draft before they are presented at the next Committee meeting for formal approval. The minutes will be presented for noting at the next Board meeting whether they are draft or have been formally approved by the Committee.

7.2 The Chair of the Committee will provide an annual report on the Committee's work to the Board including a statement on the control environment. The Committee's duties and activities will be disclosed in the Annual Report and Accounts.

7.3 The Chair of the Committee, or nominated alternate, will attend the Sponsoring Government Department's forum of Audit and Risk Assurance Committee Chairs.

## **8. Papers and Agendas**

8.1 The Executive shall circulate the agenda and papers no less than five working days before each meeting.

## **9. Declarations and Conflicts of Interest**

9.1 Declarations of Interest must be made in line with ARB's Declarations and Conflicts of Interest Policy. In line with ARB's policy, any member or attendee of the Committee who becomes aware of a potential conflict of interest, relating to matters being discussed by the Committee, must give immediate notification of that interest to the Governance Team if they become aware of it prior to the meeting; or must notify the interest at the meeting if they become aware of an interest once the meeting has commenced in line with ARB's policy.



## People Committee

### Terms of Reference

#### 1. Purpose

- 1.1 The People Committee is a Committee of the Board and is accountable to the Board for the duties set out below. Subject to any restrictions prescribed by the Act or the Rules of the ARB, the Committee is authorised by the Board to determine any matter within its terms of reference. The People Committee provides advice and recommendations on strategic human resource issues.

#### 2. Duties

The Committee will:

- 2.1 **Approve** ARB's People Strategy including:
- Leadership and management approach and capability
  - Approach to reward and recognition
  - Equality, diversity and inclusion
- 2.2 **Approve** ARB's overall approach to reward and benchmarking and approve the appointment of external pay and benchmarking survey data providers
- 2.3 **Approve** the appointments, induction, performance approach and removal policy for the Non Executive Associates
- 2.4 **Approve** the performance process of Board and Committee members
- 2.5 **Make recommendations** to the Board in relation to:
- the appointment, induction, performance oversight and removal of the Chief Executive
  - the Chief Executive's remuneration, including providing advice and feedback on relevant benchmarking and other data
  - the overall approach to executive pay and reward including any proposed increases and any performance related pay provision, taking into account external economic data, any relevant benchmarking data and wider organisational requirements
  - remuneration for Board members and Non Executive Associates including appropriate expenses, providing advice and feedback on relevant benchmarking and other data
  - the removal of Board members as set out within the General Rules
- 2.6 **Provide assurance** of high standards in the appointment and performance review of all Board and Committee members
- 2.7 **Provide advice** to the Chief Executive and Registrar regarding performance and the total reward package, for members of the Senior Leadership Group

- 2.8 **Provide advice** to the Executive in relation to any changes to ARB's organisational structure including changes to the establishment headcount
- 2.9 **Obtain** from the Chief Executive Officer and Registrar, workforce assurance information relating to compliance, operational and strategic measures and key performance indicators.
- 2.10 **Provide regular reports** to the Board, including an annual statement of compliance with the Committee's terms of reference.

### 3. Membership

- 3.1 The members of the Committee shall be appointed by the Board and shall consist of:
- Two lay and two architect Board members, one of whom will be appointed as Chair
  - One additional external member to supplement the Committee's skills base and/or provide an additional independent perspective.
- 3.2 Regular attendees at the Committee should be:
- Chief Executive and Registrar
  - Director of Resources
  - Human Resources lead
  - Other relevant members of the staff (on invitation)
  - Minute taker
- 3.3 The Committee may ask any other member of staff, or such others as may be appropriate, to attend to assist it with its discussions on any particular matter.

### 4. Quorum

- 4.1 The quorum of the People Committee shall be three members of the Committee.

### 5. Meetings and Procedures

- 5.1 The Committee will have up to four normally scheduled meetings per year.

### 6. Reporting Requirements

- 6.1 A draft of the minutes will normally be circulated to the Chair for initial approval within five working days of the meeting taking place. The Chair will normally approve the draft minutes within a further five working days of the meeting taking place. The Chair-approved minutes will then be circulated to members of the Committee (and any attendees as appropriate) as a draft before they are presented at the next Committee meeting for formal approval. The minutes will be presented for noting at the next Board meeting whether they are draft or have been formally approved by the Committee.
- 6.2 The Committee Chair will provide an annual report on the Committee's work to the Board and review the performance of the Independent Non-Executive member.

### 7. Papers and Agendas

- 7.1 The Executive shall circulate the agenda and papers no less than five working days before each meeting.

**8. Declarations and Conflicts of Interest**

- 8.1 Declarations of Interest must be made in line with ARB's Declarations and Conflicts of Interest Policy. In line with ARB's policy, any member or attendee of the Committee who becomes aware of a potential conflict of interest, relating to matters being discussed by the Committee, must give immediate notification of that interest to the Governance Team if they become aware of it prior to the meeting or must notify the interest at the meeting if they become aware of an interest once the meeting has commenced, in line with ARB's policy

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