

Terms of Reference

Audit Risk and Assurance Committee (ARAC)

Name of responsible party	Úna McKernan, Head of Operations
Date approved by PCC EMT	N/A
Date approved by ARAC	21 May 2024
Date approved by Council	28 May 2024
Date to be reviewed	May 2025

AUDIT AND RISK ASSURANCE COMMITTEE

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AUDIT AND RISK ASSURANCE COMMITTEE

1 INTRODUCTION

The terms of reference for the Audit and Risk Assurance Committee detail the:

- Purpose of the Committee;
- The membership of the Committee;
- The frequency and arrangements for meetings;
- The remit of the Committee.

2 Establishment of an Audit and Risk Assurance Committee

2.1 The Audit and Risk Assurance Committee is to be constituted as a Committee of Council to act with independence. The terms of reference of the Committee are to be approved by Council and recorded in Council minutes.

2.2 Audit and Risk Assurance Committee meetings shall be conducted formally and minutes submitted to Council at its next meeting.

2.3 The Committee shall expect to meet at least four times per year. Agendas and briefing papers shall be prepared and circulated in sufficient time for members to give them due consideration.

2.4 As part of one of the meetings, members shall consider the internal and external audit plans and at another meeting, shall review the annual reports of the External Auditor and Head of Internal Audit. There shall be an opportunity for the Committee, if required, to meet

the External Auditor and/or Head of Internal Audit once a year without the Chair of Council and officers being present.

- 2.5 If the Committee is of the view that there is evidence of an ultra vires transaction or the committing of improper acts, the Chair of the Audit and Risk Assurance Committee shall present the facts to a full meeting of Council. Exceptionally, the matter may need to be referred to the Department of Health (DoH), including Sponsor Branch and the Finance Director in the first instance.
- 2.6 Current legislation and guidance within which the Audit and Risk Assurance Committee operates can be found at Appendix 1.

3 Role of the Audit and Risk Assurance Committee

- 3.1 The Committee assists Council by providing an independent and objective review of:
- all control systems;
 - compliance with law, guidance and Codes of Conduct and Accountability; and
 - governance processes within the PCC.
- 3.2 The Committee shall give an assurance to Council each year on the adequacy and effectiveness of the system of internal control in operation within the PCC.
- 3.3 The Chair of the Committee should report to Council on a regular basis on the work of the Committee.

4 Tasks for the Audit and Risk Assurance Committee

These are to be kept under review in light of emerging or changing accountability arrangements for the PCC.

4.1 The Committee shall undertake the following tasks:

- Review and recommend that Council approve the Governance Assurance Framework;
- Provide assurance to Council that governance is being appropriately managed in line with the Governance Assurance Framework;
- Agree the Internal Audit Strategy and review verification reports and assurance reports from Internal Audit assignments and management's responses;
- Prior to the External Audit, the Committee may discuss the audit plan with the auditor including the reliance to be placed on Internal Audit;
- Review the annual report and accounts prior to submission for audit including the Governance Statement;
- Review the External Auditor's Report To Those Charged With Governance and management's response;
- Review the Risk Management Strategy and Corporate Risk Register;
- Consider any report of the Public Accounts Committee or the Comptroller and Auditor General involving the Council and review management's proposed response before presentation to Council.

- 4.2 The responsibility for internal control rests with management. The Audit and Risk Assurance Committee shall review its scope and effectiveness.
- 4.3 The Audit and Risk Assurance Committee shall also:
- Undertake an annual self-assessment;
 - Review proposed changes to Standing Orders and Standing Financial Instructions;
 - Examine the circumstances associated with each instance when Standing Orders are waived;
 - Review all proposed losses for write-off and compensation payments and make recommendations to Council;
 - Approve all policies related to risk management and subsequent changes to them;
 - Monitor the implementation of the Codes of Conduct and Accountability thus offering assurance to Council of probity in the conduct of business;
 - Receive an annual report from the Business Services Organisation in respect of Cyber-security;
 - Receive an annual report from management on the organisation's approach to environmental, social, governance (ESG), climate change and net zero issues and risks;
 - Review anti-fraud policies, whistleblowing processes and arrangements for special investigations; and
 - Review the circumstances leading to the approval of Direct Award Contracts.
- 4.4 Audit and Risk Assurance Committee members will:
- Attend regularly and contribute; and

- Members are expected to set aside sufficient time to read the meeting papers beforehand.

5 Membership of the Audit and Risk Assurance Committee

- 5.1 The Committee shall comprise three Council members with a quorum of two. Specialist advisors may be appointed and shall attend meetings of the Committee and shall participate fully in the discussions but shall not be able to vote.
- 5.2 The term of office for membership of the Committee is up to four years, with the option to renew for a second term of up to four years.
- 5.3 None of these members shall be the Chair of Council although he/she may be invited to attend meetings that are discussing issues pertinent to the whole Council.
- 5.4 Council members may be invited to attend as required. The Chief Executive and the Heads of Function shall have a standing invitation to attend all meetings except the annual meeting with the External Auditor and/or Head of Internal Audit when it is stipulated that no officers shall attend.
- 5.5 Where possible, at least one member of the Committee shall have financial expertise.
- 5.6 The Chair of the Audit and Risk Assurance Committee will be determined by Council. The term of office for the Chair of the Committee is three years, with the option to renew for a term of up to three years, subject to Council approval.

- 5.7 Council can approve the co-option of additional members to the Audit and Risk Assurance Committee.
- 5.8 The External Auditor shall be invited to attend any meeting of the Committee. Once a year the Committee shall meet the External Auditor without the presence of officers.
- 5.9 Any member of staff of the PCC may be required to attend a meeting of the Committee as necessary.
- 5.10 Only the members of the Committee, Internal and External audit, the specialist advisers and the nominated senior officer (who acts as Secretary to the Committee), shall attend meetings as a matter of course together with appropriate administrative staff.
- 5.11 The Head of Operations shall ensure the servicing of the Committee.

6 Responsibilities for Governance

- 6.1 The responsibilities of the Heads of Functions with respect to governance are as follows:
- To advise/report to the Chief Executive and Audit and Risk Assurance Committee on Council wide governance issues, including policies and procedures, quality improvement, trends, sharing and learning lessons learnt ensuring mechanisms are in place to prevent re-occurrence.
 - To develop a clear Governance Assurance Framework.

- To develop and maintain a live Risk Register at both Corporate and Functional levels across the PCC, highlighting areas of concern for Council and to recommend action to Council Members, and the Audit and Risk Assurance Committee.
- To put in place mechanisms to assess and monitor compliance with Quality, Assurance and any other relevant standards and recommend action plans to officers and the Audit and Risk Assurance Committee.
- To compile an annual report to the Audit and Risk Assurance Committee on governance and advise on Internal Control.

6.2 The Audit and Risk Assurance Committee shall review this work in order to give assurance to Council that governance has been effectively managed, and to allow the Chief Executive to sign the bi-annual Governance Statements.

7 Relationship with Internal Audit

7.1 The Audit and Risk Assurance Committee must obtain the necessary information to assure Council that the systems of internal control are operating effectively and for this they shall rely on the work of Internal Audit.

7.2 The Audit and Risk Assurance Committee shall receive reports of findings on internal control. These reports shall form the basis of the Committee's conclusions and recommendations. The Head of is responsible for the management of internal audit arrangements.

The Audit and Risk Assurance Committee can recommend to Council areas of work to be audited by Internal Audit.

8 Relationship with External Audit

- 8.1 The Audit and Risk Assurance Committee shall rely upon the opinion of the External Auditor in respect of the true and fair view of the Annual Report and Accounts combined with the more detailed Internal Audit review of systems and procedures in discharging its responsibilities for ensuring sound internal control systems and accurate accounts and providing such assurances to Council.
- 8.2 The External Auditor shall provide an independent assessment of any major activity within their remit and a mechanism for reporting the outcome of value for money or regularity studies. Council Members shall raise any significant matters, which cause them concern.
- 8.3 The Northern Ireland Comptroller and Auditor General is the appointed External Auditor. The Audit and Risk Assurance Committee has a duty to ensure that an effective External Audit service is provided. The Committee shall also monitor the extent and scope of co-operation and joint planning between External and Internal Audit. Any problems shall be raised with the External Auditor.

9 CONDUCT OF BUSINESS

9.1 Frequency of Meetings

Routine meetings are to be held four times per year with a specific remit as the core of each meeting, although any appropriate matters may be considered at any meeting. Further meetings may be arranged at the discretion of the Chair as necessary.

APPENDIX 1

Current Legislation and Guidance

- The Health and Social Care (Reform) Act (Northern Ireland) 2009 (Schedule 1, Paragraph 7) applies.
- The Code of Conduct and Code of Accountability specified the requirement for an Audit Committee to be established by HSS Boards and Circular HSS (PDD) 8/94 set out detailed guidance on how this shall be done. This document is periodically updated.
- HM Treasury Guidance “Corporate Governance in Central Government Department’s: Code of Good Practice” (July 2005) provides that:

“Principal 5: The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. In this respect, the Board should be independently advised by:

An Audit Committee chaired by an independent Non-Executive Director

An internal audit service operating in accordance with Government Internal Audit Standards”

On Audit Committees, two provisions support this principal:

Provision 5.2: The Board should establish an Audit Committee, of at least four members. The chairman of the Committee should be an independent Non-Executive Director of the Board and at least one of the Committee members should have recent and relevant financial experience. The Audit Committee should be established and function in accordance with the Audit Committee Handbook.

Provision 5.3: The Terms of Reference of the Audit Committee, including its role and the authority delegated to it by the Board, should be made available publicly.

- Along with other HSC organisations the PCC has adopted the ‘spirit’ of ISO 31000:201.
- Audit and Risk Assurance Handbook (NI) 2018 – Issued under DAO (DoF) 3/18 March 2018