

## **Audit and Risk Assurance Committee (ARAC)** **Terms of Reference**

### **Strategic Overview**

1. The Audit and Risk Committee (“the Committee”) is a Committee of the Board of the Office for Legal Complaints (OLC). The overall purpose of the Committee is to support the OLC and the Accounting Officer (AO) by independently reviewing and monitoring the comprehensiveness and reliability of assurances about governance, risk management, the control environment and the integrity of the financial statements.

### **Role of ARAC**

2. The main objective of the Committee is to provide independent assurance to the Board on matters contained in the suite of objectives listed below.
  - a. The risk management framework including risk identification, mitigation and management along with an agreed risk appetite structure.
  - b. The internal controls framework and underlying systems and their suitability to the strategic objectives of the OLC.
  - c. Governance arrangements and their effectiveness.
  - d. Compliance by the OLC with all regulatory obligations and application of appropriate accounting and financial reporting standards.
  - e. The methodology and the process used to prepare the annual Budget and the Business Plan for submission to LSB.

In addition,

To liaise with both internal and external auditors to obtain,

- their independent view and the assurance on how the key risks are mitigated
- the controls framework in place and the effectiveness of that
- the application of relevant accounting standards and the accuracy of the annual financial statements.

To offer objective advice and constructive challenge on assurance and compliance related matters when appropriate.

### **Specific Responsibilities**

3. The Committee shall be responsible for:
  - a. Provision of assurance to the Board and other Stakeholders as appropriate;

- b. Setting clear expectations on information and evidence required to gain a fuller understanding;
- c. Offering advice as necessary to the AO regarding the effectiveness of the control environment and appropriate mitigation if needed.
- d. Review the performance against the key performance metrics and the delivery of Value for Money (VFM);
- e. Seeking assurance with regard to the appointment of external auditors in a fair and transparent fashion;
- f. Approval of the annual internal audit plan including the priorities.
- g. Provision of advice to the AO on the scope of work undertaken by External Audit and Internal Audit;
- h. Review of periodic risk assurance reports from the Executive and provision of advice to same where weaknesses are observed;
- i. Seek assurance from twice yearly deep dives on risk areas across the organisation as per the ARAC Effectiveness Plan;
- j. Advise the OLC Board on the annual financial statements in terms of assurance gained regarding compliance with good practice, accounting standards and accounting policies adopted by the OLC after reviewing all the internal reports as well as reports produced by the External Auditors including their Management Letter;
- k. Advise the OLC Board on assurance gained based on the relevant reports received with evidence of the controls, policies and procedures in place with regard to prevention of fraud and corruption;
- l. To advise Board where matters are believed to be ultra vires to enable Board to seek further external advice if Board considers this to be necessary;
- m. Bring any matter to the attention of the Chair of OLC as required;
- n. Undertake a periodic review of the work of ARAC; and
- o. ARAC to undertake primary stakeholder in respect of the Whistleblowing Policy and the Chair to be a key contact as described in that policy.
- p. Advise the OLC Board on assurance gained from the Budget Setting Assurance reports, based upon criteria set from the ARAC Chair in collaboration with Chair of Performance Sub-group to evidence the simulations and budget scenarios required as part of the annual Budget and Business Plan submission.

## **Governance**

4. Members of the Committee will act with independence and objectivity in the conduct of their responsibilities. In addition, members should have a sound understanding of the objectives and priorities of the OLC and of their role as a Committee member.
5. Committee members shall be appointed by and from the OLC and the period of appointment to the Committee shall be commensurate with the agreed term of

appointment to the OLC. The Chair of the OLC may not be a member of the Committee but may attend as an observer.

6. All committees will have a chair (Lay or Non-Lay) but will have a majority of Lay members in attendance
7. At least one member appointed to the Committee shall have relevant and recent experience on Finance.
8. The quorum of the Committee shall be at least three members.
9. The committee shall meet with Internal Auditors and External Auditors minimum twice a year for a private meeting which will not be attended by the Executive or any other third party representatives from other stakeholder organisations.
10. As necessary the committee shall meet with the key stakeholder representatives to discuss and understand their views on relevant matters.
11. The Board Governance Manager should ensure that members receive periodic updates on assurance related matters including developments in public sector accounting, audit guidance or related practice and provide training to Committee members where needed.

### **Other Attendees**

12. Also in attendance shall be:
  - a. The Accounting Officer / Chief Ombudsman
  - b. Head of Programme Management & Assurance
  - c. The Head of Finance, Procurement & IT
  - d. Other members of the Executive as and when required
  - e. Board Governance Manager
  - f. Chief Executive, Legal Services Board (as available)
  - g. Representative from Internal Audit
  - h. Representative from External Audit
  - i. Representative from the Ministry of Justice

### **Conflicts of Interest**

13. A Committee member or attendee who becomes aware of a potential conflict of interest relating to matters being discussed by the Committee should give prior notification to the Chair or, if this is not possible, declare this at the meeting and, where necessary, withdraw during discussion of the relevant agenda item.

### **Access to the Audit Committee**

14. Representatives from internal and external auditors will have free and confidential access to the AO and Chair of ARAC if required.

## **Support and Meetings**

- 15.** Support for the Committee will be provided by The Board Governance Manager who will make arrangements for the organisation and minuting of Committee meetings, the co-ordination and distribution of papers.

In respect of the Committee meetings:

- a. The Committee shall meet 4 times a year to coincide with the audit cycle and external reporting requirements. Any additional meetings to be fixed as and when required by the Chair with the agreement of the AO.
- b. The Chair of ARAC may convene additional meetings if thought necessary and with the agreement of the Chair of the Board.
- c. Agenda and supports papers will, wherever possible, be produced and distributed to members and attendees at least one week (5 working days) before meetings.
- d. Wherever possible, draft minutes will be circulated by the Board Governance Manager and all attendees within 10 working days following a committee meeting.

## **Reporting**

- 16.** For each meeting the Audit and Risk Assurance Committee will be provided with:
- a. A report containing an update of risks falling within the OLC's Risk Assurance Framework;
  - b. An update from the Internal Audit Manager;
  - c. A report from the External Audit Manager;
  - d. A report on any breaches or non-compliances, and
  - e. A report on data handling incidents;
- 17.** From time to time, the Committee shall receive the following:
- a. A report on any proposals to tender for audit functions;
  - b. A report on cooperation between internal and external audit; and
  - c. The draft statement of accounts.
- 18.** This list is not exclusive and submission of reports will be agreed periodically between the Chair and the AO.
- 19.** All reports submitted by the Executive to the Committee shall have a clear indication of the purpose of the report such as "to provide assurance", "to provide evidence of compliance", "to give a progress update", "to report performance against agreed performance metrics" etc.
- 20.** As a matter of routine, the AO should inform the Committee of any incident related to a material breach of controls, compliance, fraud or any such matter which could potentially expose the OLC at the earliest opportunity.

## **Reporting to the OLC**

- 21.** The minutes of each ARAC meeting will be made available to members of the OLC. The Chair of ARAC will provide regular written reports to the OLC if requested by the Chair of the Board.

## **Committee Effectiveness**

- 22.** As part of the annual appraisal and goal setting processes the Chair of the Audit and Risk Committee shall provide feedback to the OLC Chair regarding the performance of Committee members, and the OLC Chair will consult other members of the Committee to gain feedback on the Chair's performance. The Committee will assess its effectiveness every two years, and will also review these Terms of Reference, annually. It will submit recommendations for any proposed changes to the OLC Board for approval. The Committee's duties and activities shall be disclosed in the OLC's Annual Report and Accounts.