

Audit and Risk Assurance Committee (ARAC) Terms of Reference

Updated 21st March 2021

Purpose

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.

Objectives

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 Duties

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 agreed KPIs 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. 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 Auditors including their Management Letter;
 - j. 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;
 - k. 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;
 - l. Bring any matter to the attention of the Chair of OLC as required;
 - m. Undertake a periodic review of the work of ARAC; and
 - n. ARAC to undertake primary stakeholder in respect of the Whistleblowing Policy and the Chair to be a key contact as described in that policy.

Membership, quorum, frequency of meetings and independence

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. One member of the Committee, who will be a lay member of the OLC Board, shall be appointed as Chair. The majority of the members must be lay persons.

6. At least one member appointed to the Committee shall have relevant and recent experience on Finance.
7. The quorum of the Committee shall be at least three members.
8. 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.
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 Secretary 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. The Chief Operating Officer;
 - c. The Head of Finance;
 - d. The Board Secretary;
 - e. Chief Executive, Legal Services Board (as available)
 - f. Representative from Internal Audit; and
 - g. Representative from External Audit.
 - h. 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.

Reporting

- 15.** 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;
- 16.** 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.
- 17.** This list is not exclusive and submission of reports will be agreed periodically between the Chair and the AO.
- 18.** 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 KPIs" etc
- 19.** 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.

Annual Review of remit and performance

- 20.** 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, 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.