

**Corporate Governance**

**January 2024**

**Terms of Reference**

**Audit & Risk Assurance Committee**

**Terms of Reference**

1.0 Purpose

1.1 The Accounting Officer in his role as Accounting Officer has established an Audit and Risk Assurance Committee (ARAC) to support him in relation to his responsibilities for governance, risk management and internal control. This is in line with the Department of Finance circular DAO (DoF) 03/19 “Partnership between Departments and Arm’s Length Bodies: NI Code of Good Practice”.

1.2 The Committee’s primary role is to support the Accounting Officer and the Strategic Management Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management and the control environment, and to assess the integrity of financial statements and the Annual Report.

1.3 The scope of the Committee will cover all of the assurance needs of the Accounting Officer and the Strategic Management Board. Within this, the Committee should have particular engagement with the work of Internal Audit, External Audit (the Northern Ireland Audit Office), and the PSNI arrangements for risk and financial management and reporting issues.

1.4 The Committee should assist the Accounting Officer and the Strategic Management Board to formulate their assurance needs and then subsequently consider how well the assurance received meets these needs by gauging the extent to which the assurance on the management of risk is comprehensive and reliable.

1.5 The Committee does not have any executive responsibilities although it may draw attention to strengths and weaknesses and make suggestions for improvement.

1.6
At the commencement of each year The Accounting Officer and the Committee will hold a workshop to consider the performance and effectiveness of the Committee. The workshop will also review the relationship between the Committee and executive management and the view of the Committee on the extent to which it is receiving the support specified in the Terms of Reference and is fulfilling its role. The Committee will also review the appropriateness of the Terms of Reference. The Committee will conduct a self-effectiveness review as part of this process.

1.7 The Terms of Reference for the Audit and Risk Assurance Committee will be published on the PSNI web site.

2.0 Membership

2.1 The membership of ARAC is a minimum of 3 Non-Executive Members one of whom will have been appointed to chair the Committee.

2.2 The Committee may co-opt members to provide specialist skills, knowledge and experience which the Committee may need to help it deal with particular subjects for time periods not exceeding a year. Such co-options will require approval of the Accounting Officer.

2.3 Non-Executive members must declare any potential conflict of interest relating to any matters being dealt with by the Committee. If there is a declaration of such potential conflict appropriate actions will be taken. In exceptional circumstances where the conflict of interest is likely to be of a significant nature or likely to last for an extended time the member may have to disengage from Committee business. ARAC members will have an appropriate programme of engagement with the PSNI to help them understand the organisation, its objectives, business needs, priorities and risk profile. Members can also avail of appropriate external training programmes to assist them in their role.

3.0 Quorum

3.1 The quorum for ARAC meetings will be a majority of the Committee members.

4.0 Attendance at Meetings

4.1 The Committee will normally be attended by the Chief Operating Officer, the Deputy Chief Constable, ACO Corporate Services, ACO People and Organisational Development, the Director of Finance, the Head of Corporate Governance, a senior representative of Internal Audit and a senior representative from the Northern Ireland Audit Office (NIAO). The Accounting Officer will attend the June ARAC meeting each year where the final accounts are presented for the previous financial year.

4.2 In addition to the above attendees independent observers from the Department of Justice and the Northern Ireland Policing Board have an invitation to attend each Committee meeting.

4.3 The Committee may ask any PSNI officers or staff to attend meetings to assist with its discussions on any particular matter. The role of PSNI executive management is to provide information and to participate in discussions on particular agenda items. The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate having a ‘closed session’. The Chief Constable may ask the Committee to convene further meetings to discuss issues on which he requests specific advice or assurance.

4.4 A senior representative of the NIAO and the Head of Internal Audit may request a meeting with the Committee or its Chair if they consider that one is necessary. At least once a year, without the presence of executive management, the Committee will meet with the NIAO and Internal Audit. The Head of Internal Audit and the senior representative from NIAO will have free and confidential access to the Chair of the Committee.

5.0 Frequency of Meetings

5.1 The Committee will meet formally four times per year. The Chair of the Committee may convene additional meetings as deemed necessary.

6.0 Notice of Meetings

6.1 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be circulated to each member and attendee, no later than 4 working days before the date of the meeting. In exceptional circumstances, papers may be presented at a meeting.

7.0 Minutes and Actions of Meetings

7.1 A minute of a meeting and a list of agreed actions will be recorded by the Committee Manager. The names of those attending will be recorded.

8.0 Key Responsibilities

8.1 The Audit and Risk Assurance Committee will advise the Accounting Officer on:

* the strategic processes for risk, control and governance and the Governance Statement;
* the accounting policies, the annual financial statements (AFS) and the annual report including the process for review of the AFS prior to submission for audit, levels of error identified, and management’s letter of representation to NIAO;
* the strategic financial management and budgeting processes;
* the planned activity and results of both Internal Audit and NIAO;
* the adequacy of management response to issues identified by audit activity and oversight bodies, including the NIAO Reports to those charged with Governance;
* assurances relating to the management of risk and corporate governance requirements;
* anti-fraud and corruption policies, ‘wrong doing’ processes and arrangements for special investigations;
* the organisations arrangements for raising concerns/whistleblowing .

8.2 The Committee will also periodically review its own effectiveness and report the results of that review to the Chief Constable as part of a joint review of overall performance and relationships.

9.0 Audit Services

9.1 The responsibilities of the Committee in relation to Internal Audit include advising the Accounting Officer on:

* the skill, experience and competency requirements for the position of Head of Internal Audit;
* the award, renewal or termination of the Internal Audit contract;
* the purchase of non-audit services from the contractor who provides the Internal Audit service;
* the Internal Audit strategy and annual plans;
* the adequacy of the resources available to Internal Audit;
* the Internal Audit charter / terms of reference;
* the results of Internal Audit work including management responses to issues raised;
* the implementation of recommendations arising from Internal audit reports;
* the Internal Audit annual report; and
* the performance of Internal Audit including conformance with the Public Sector Internal Audit Standards (PSIAS), expected performance measures and the results of both internal and external quality assessments.

9.2 *Responsibilities of the Committee in relation to Northern Ireland Audit Office (NIAO) and the Annual Financial Statements (AFS)*

9.2.1 The responsibilities of the Committee in relation to NIAO and the AFS include advising the Chief Constable on:

* the annual NIAO Audit Strategy in relation to the planned audit of the PSNI Financial Statements;
* the level of co-operation between NIAO and Internal Audit to maximise overall audit efficiency, capture opportunities to derive a greater level of assurance and minimise unnecessary duplication of work;
* the results of the NIAO work including emerging audit opinion;
* any findings on material weaknesses in accounting and internal control systems which were raised in the NIAO Reports to those charged with Governance, and
* the potential implications of the wider work carried out by NIAO including any value for money reports and good practice findings.

9.2.2 The Committee will not itself be able to review the AFS in detail in order to advise the Accounting Officer whether they are true and fair. However, in reaching a view on the AFS the Committee should consider:

* the key accounting policies and disclosures;
* the assurances about the financial systems which provide the figures for the AFS;
* the quality of the control arrangements over the preparation of the AFS by the Assistant Chief Officer Corporate Services and their team;
* key judgements made in preparing the AFS;
* any disputes arising between those preparing the AFS and the auditors.
* The Committee will discuss any difficulties, reservations or other matters arising from the audit review of the AFS.

9.3 *Responsibilities of the Committee in relation to Risk Management*

The Committee will assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks. It will provide the Accounting Officer with an open opportunity to consult the Committee on Risk matters. More specifically, it will:

1. consider risk management including risk identification and assessment, risk appetite, risk management and risk assurance;
2. consider reports summarising any significant changes to the PSNI’s Corporate Risk Register. (The PSNI Corporate Risk Register should be considered at each meeting);
3. consider any significant changes to the Risk Management Service Instruction;
4. consider the adequacy and effectiveness of control processes in relation to new corporate risks including the mechanisms for providing assurance that key controls are operating effectively;
5. review Internal Audit reports on the Corporate Risk Management system.

9.4 *Responsibilities of the Committee in relation to Governance, the Governance Statement and the Department of Justice (NI) Stewardship Statements*

9.4.1 The responsibilities of the Committee in relation to the Stewardship Statements include advising the Chief Constable on:

1. assurances in relation to corporate governance requirements;
2. significant changes to the PSNI Corporate Governance Committee Structure
3. the Governance Statement and the DOJ NI Stewardship Statement;

9.4.2 The Committee should consider the above Statements in relation to:

1. the high-level assurance framework and the sources of assurance which underpin and support the signing of the Statements by the Accounting Officer ;
2. the process applied by the Strategic Management Board for disclosing material internal control issues in the Statements;
3. the content of the Statements in relation to disclosure of material internal control issues;
4. the timeliness of and reports on the effectiveness of corrective action taken by management.

9.5 *Promotion of Equality of Opportunity and Good Relations*

PSNI as a public service organisation has to comply with two statutory duties under Section 75 of the Northern Ireland Act 1998 (the Act). This places a legal imperative upon the PSNI to have ‘due regard’ to the promotion of equality for 9 groupings and regard to the promotion of good relations between 3 groupings (persons of different religious belief, political opinion and racial group).

ARAC must ensure that its decision-making takes into account the need to evidence regard for the need to promote good relations and due regard to the promotion of equality of opportunity.

10.0 Information Requirements

10.1 At each meeting the Committee will be provided with:

1. The minutes of and a statement of the actions arising from the last Committee meeting;
2. A Progress Update report from Internal Audit summarising:
3. Key issues emerging from internal audit work, including those audit assignments awarded a ‘limited’ or ‘unacceptable’ assurance rating at ‘Draft’ Report stage;
4. Summary of progress to-date against the Internal Audit Annual Operational Plan;
5. Executive Summary of each Internal Audit ‘Final’ Report. This will include the overall assurance rating and a summary of key findings, audit recommendations and the management response including implementation timeframe;
6. Any audit recommendations which have not been accepted including the management response;
7. Changes to the Annual Internal Audit Plan;
8. Any resourcing issues impacting upon the delivery of Internal Audit objectives.
9. Significant changes to the PSNI’s Corporate Risk Register since the last Committee meeting;
10. High level summary of the Corporate Risk Register
11. ‘Overview’ report on implementation of outstanding recommendations made by any third party oversight organisations and arising from key internal projects.
12. Schedule of Direct Award Contracts.
13. Report on implementation of the PSNI Corporate Plan
14. Report on Data breaches

10.2 The Committee may also receive other reports as appropriate.

10.3 The Committee has the authority to request PSNI executive management to either:

* Attend a Committee meeting;

Provide written report(s) to the Committee for the purpose of providing information to assist the Committee in fulfilling its role of advising the Accounting Officer on issues of governance, risk management and control.

10.4 The Chair will meet periodically with the Chair of NIPB ARAC.

11.0 Reporting Responsibilities

11.1 The Committee will provide the Chief Constable with a Draft Annual Report summarising its opinion on the work undertaken during the previous financial year. This report will be timed to support the finalisation of the Annual Financial Statements (AFS) including the Governance Statement.

11.2 The Committee will subsequently provide the Accounting Officer with a Final Annual Report on the work of the Committee at its June meeting. This report will be published.

11.3 The minutes of Committee meetings will be provided to the Strategic Management Board on a timely basis.

12.0 Funding

12.1 Sufficient funds will be identified to cover the costs associated with the operation of ARAC and the Accounting Officer will be the budget holder.

13.0 Review of Terms of Reference

13.1 These Terms of Reference will be reviewed annually.

Addendum 1

Outline Annual Work Programme of the Audit and Risk Assurance Committee

Some of the Agenda items will be taken as substantive discussion items and some will be listed for noting. The Committee Chair will determine this for each meeting.

April Meeting

Internal Audit

* Review the Internal Audit Update Report;
* Review the Draft Internal Audit Annual Report for the previous financial year;
* Review the Final Internal Audit Strategy and the Final Internal Audit Annual; Operational Plan for the current financial year.

Annual Financial Statements

* Consider the Draft Annual Financial Statements including the Governance Statement for the previous financial year;
* Consider the emerging audit opinion on the AFS for the previous financial year.

Risk Management

* Review of significant changes to the PSNI’s Corporate Risk Register since the last Committee meeting;
* Consider the Corporate Risk Register;
* Risk Register Deep Dive.

Corporate Financial Reports

* Review the Corporate Financial Reports.

Other

* Review of the DOJ Stewardship Statement for the previous year;
* Review of the Annual Fraud Report for the previous year;
* Review of Raising a Concern/Whistleblowing arrangements;
* Review of the ‘Overview’ Report (including outstanding internal audit recommendations);
* Review of Direct Award Contracts;
* Consider Data Breaches Report.

June Meeting

Internal Audit

* Review the Internal Audit Update Report;
* Review the Final Internal Audit Annual Report for the previous financial.

Annual Financial Statements

* Advise the Accounting Officer if the AFS for the previous financial year are a true and fair view prior to signature;
* Consider the draft NIAO Reports to those charged with Governance for the previous financial year.

Risk Management

* Consider the Annual Risk Management Report for the previous financial year;
* Review of significant changes to the PSNI’s Corporate Risk Register since the last Committee meeting;
* Consider the Corporate Risk Register;
* Risk Register Deep Dive.

Corporate Financial Reports

* Review the Corporate Financial Reports.

Other

* Review of the Annual ‘Overview’ Report for the previous financial year;
* Consider PSNI Performance for the previous financial year against the Policing Plan and the Corporate Plan;
* Review of the Annual Report on the work of Anti-Corruption and Vetting Branch and Discipline Branch for the previous financial year;
* Review of the ‘Overview’ Report (including outstanding internal audit recommendations);
* Review of Direct Award Contracts;
* Consider the operation of the PSNI Governance Board Structure;
* Consider Data Breaches Report;
* Review of the Final Annual Report on the work of the Audit and Risk Assurance Committee for the previous financial year;
* Self-Effectiveness review of the work of the Audit and Risk Assurance Committee including a review of the Terms of Reference for the Committee;

October Meeting

Internal Audit

* Review the Internal Audit Update Report;
* Review of progress re significant issues identified in the Final Internal Audit Annual Report for the previous financial year.

Annual Financial Statements

* Review of progress re significant issues identified in the Governance Statement for the previous financial year;
* Consider the Final NIAO Reports to those charged with Governance for the previous financial year;
* Review of progress in relation to implementation of recommendations included in the Final NIAO Reports to those charged with Governance for the previous financial year.

Risk Management

* Review of significant changes to the PSNI’s Corporate Risk Register since the last Committee meeting;
* Consider the Corporate Risk Register;
* Risk Register Deep Dive.

Corporate Financial Reports

* Review the Corporate Financial Reports.

Other

* Review of the Six-Monthly DOJ Stewardship Statement for the current financial year;
* Review of the ‘Overview’ Report (including outstanding internal audit recommendations);
* Review of Direct Award Contracts;
* Review of Raising a Concern/Whistleblowing arrangements;
* Consider Data Breaches Report.

January Meeting

Internal Audit

* Review the Internal Audit Update Report;
* Review of progress re significant issues identified in the Final Internal Audit Annual Report for the previous financial year.

Annual Financial Statements

* Review of progress re significant issues identified in the Governance Statement for the previous financial year;
* Consider the (AFS) Planning Memorandum for the current financial year;
* Consider the NIAO Audit Strategies for the current financial year.

Risk Management

* Review of significant changes to the PSNI’s Corporate Risk Register since the last Committee meeting;
* Consider the Corporate Risk Register;
* Consider the Six-Monthly Corporate Risk Register report;
* Risk Register Deep Dive.

Corporate Financial Reports

* Review the Corporate Financial Reports.

Other

* Review of the Six-Monthly Fraud Report for current financial year;
* Review of the ‘Overview’ Report (including outstanding internal audit recommendations);
* Review of Direct Award Contracts;
* Consider Data Breaches Report.

The Committee may also receive other reports in any of the meetings as appropriate.