

# TERMS OF REFERENCE

Version	3.0
Policy Owner	Head of Finance and Project Management
Date of Equality Screening	N/A - Screened on initial draft. No significant changes
Date of DPIA (if applicable)	N/A - Screened on initial draft. No significant changes
Approved by (Board, ARC, SLT)	ARC and Board
Approval date	ARC (19/02/2025) and Board (20/03/2025)
Implementation date	September 2024
Review date	September 2025

## Document Control

Version	Date actioned	Reason for change	Changed by
1.0	March 2023	Annual review	Ian Campbell
2.0	September 2024	<p>Annual review in line with ARAC Handbook.</p> <p>Details of changes:</p> <ul style="list-style-type: none"> <li>- Internal controls and risk management to the Committee's considerations under introduction.</li> <li>- Internal controls, risk management added under the purpose.</li> <li>- Executive Directors, Head of Finance &amp; Project Management and other designated members of staff (for input on financial or operational matters) added under Membership and Attendance.</li> <li>- Periodic reviews (at least annually) of ARC own effectiveness added under main duties of the Committee.</li> <li>- Additional narrative under meetings to state the Chair of the ARC may convene additional meetings, as they deem necessary.</li> <li>- Corporate affairs removed from under 'Activity' section and replaced by Accounting Officer.</li> <li>- Information Requirements – removal of Health and Safety reports to include the management of “near misses” and lessons learned as it was agreed that these areas are to be overseen by the Remuneration Committee.</li> <li>- Summary of papers provided to ARC added under information requirements.</li> </ul>	Paula McCann

Version	Date actioned	Reason for change	Changed by
3.0	February 2025	<p>Reviewed in line with ARAC Handbook and DoF Guidance.</p> <p>Details of changes:</p> <ul style="list-style-type: none"> <li>- Sections 1.13, 1.19 and 1.20– updates to the agreed reporting process to the Authority. Now that ARC meetings are scheduled the day before Authority meetings, there is insufficient time to prepare a written report for submission to the Authority.</li> <li>- Updating of the term 'whistleblowing' to raising concerns'.</li> </ul>	Paula McCann

## Contents Page

Introduction.....	6
Purpose.....	6
Constitution.....	6
Membership and Attendance.....	6
Responsibilities.....	7
Meetings.....	10
Authority.....	10
Activity.....	10
Reporting Procedures.....	10
Information Requirements.....	11

## Introduction

- 1.1 The Northern Ireland Authority for Utility Regulation (the Authority) has established an Audit and Risk Committee (the Committee) to consider the Authority's financial health, internal controls, risk management, probity and external reputation. The Committee should be separate from Authority's internal executive operation to ensure the maximum degree of independence.
- 1.2 The following terms of reference have been derived from best practice in the private and public sectors, taking account of the specific nature of the Authority's status.

## Purpose

- 1.3 To provide assurance to the Authority and Accounting Officer (AO) on anything that affects the Authority's financial health, internal controls, risk management, probity or external reputation.

## Constitution

- 1.4 The Rules of Procedure (the Rules) for the Authority (paragraph 38) provide for the establishment of a Committee to be known as the Audit and Risk Committee, so that:
  - a) It is a formal Committee of the Authority;
  - b) It reports to the Authority;
  - c) The Chair of the Committee and/or the Committee have the right of direct and independent access to the Chair of the Authority.

## Membership and Attendance

- 1.5 The Committee shall normally have a minimum of three members, comprised of Authority members, of which one shall be appointed Chair. However, the Rules (paragraph 1.18) provide for the Authority to appoint independent members (not drawn from its membership) in light of resourcing constraints and/or where relevant, specialist expertise is required. An independent member may be appointed by the Authority as Chair of the Committee. For the avoidance of doubt, if at any time a

member of the Authority holds the post of AO, he or she shall not be entitled to be a member of the Committee.

- 1.6 Other than its membership, attendance at Committee meetings shall be limited to the following individuals who may attend by standing, or specific, invitation of the Committee subject to paragraph 1.15 below:
- a) Chief Executive Officer as the Authority's AO;
  - b) Executive Directors, Head of Finance & Project Management and other designated members of staff (for input on financial or operational matters);
  - c) Head of Internal Audit (HIA);
  - d) Representative (s) from the Northern Ireland Audit Office (NIAO);
  - e) Any secretary (for the purposes of minute taking); and
  - f) Any other individual or organisation which the Committee may, at its discretion and in pursuance of Committee business, wish to invite.
- 1.7 The Committee may ask any or all of those who attend under the provisions of paragraph 1.6 above to withdraw where deemed to be appropriate by the Chair of the Committee.
- 1.8 A quorum shall be considered to be two members present.
- 1.9 The Chair of the Authority is entitled to attend any committee of the Authority in a non-voting capacity.
- 1.10 The HIA and representative of NIAO will have free and unqualified access to the Chair of the Committee, Authority and the senior leadership team. The AO will meet at least once a year with HIA and NIAO.
- 1.11 The Chair and/or the Committee will meet the HIA and representative of the NIAO annually, in a closed session without members of the executive team present, timed to coincide with presentation of draft annual accounts.

## **Responsibilities**

- 1.12 The Committee shall consider and advise the AO, Authority and Chair of the Authority on any issue relating to the Authority's financial health or probity and consequences affecting its external reputation. It should place reasonable emphasis on assessment and timely reporting to the

Authority on operational and financial risks and its financial reputation by looking at processes and output as well as purely financial practices.

1.13 The main duties of the Committee shall be:

- a) To consider and review periodic in year management assurance reports on budget, risk management (including risk registers) and performance against forward work programme objectives;
- b) To examine the manner in which the Authority's management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting and internal control systems;
- c) To provide a copy of the ARC meeting agenda with draft minutes and verbal update to the Authority at its meeting as soon as possible following each Committee meeting, summarising the business considered, any decisions reached and matters to be brought to the Authority's attention;
- d) To provide approved minutes of its meetings to the Authority at its earliest available meeting;
- e) To provide the Authority (copied to the AO) with an Annual Report, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year;
- f) To keep its own ToR under review with particular reference to best public sector and regulatory practice;
- g) To agree a forward looking annual timetable of business for the Committee;
- h) To monitor and examine arrangements for the procurement and management of external consultancy and other professional services and to report to the Authority from time to time on suggested courses of action in respect of same;
- i) Generally, to review the statutory accounts and other published financial statements and information;
- j) To monitor relationships with NIAO auditors particularly to ensure that there are no restrictions on the scope of the statutory audit and to review the activities, findings, conclusions and recommendations of the NIAO auditors;



- k) To review the timeliness and completeness of management responses to, and compliance with, the results of NIAO and internal audit activity;
- l) To review proposals for the provision of internal audit services or for the purchase of non-audit services from contractors who provide internal audit services;
- m) To review arrangements established by management for compliance with regulatory and financial reporting requirements;
- n) To oversee the adequacy of arrangements in respect of external and internal raising concerns;
- o) To consider the adequacy and completeness of risk management procedures and processes;
- p) To review the scope and nature of the work of the internal audit service that shall be undertaken in accordance with the Public Sector Internal Audit Standards (PSIAS);
- q) To exercise functions as laid down by PSIAS and delegated to it by the Authority;
- r) To have direct access to the Chair of the Authority and to provide advice on any other matter relating to the Authority's financial health, probity or external reputation;
- s) To review the planning process for the annual budget including consideration of a draft budget prior to submission to the Authority;
- t) To provide assurance in respect of anti-fraud policies, raising concerns processes and special investigations;
- u) To provide assurance regarding corporate governance requirements across the Authority's operations;
- v) To undertake periodic "horizon scanning" of anticipated governance and accounting changes; and
- w) To periodically review (at least annually) its own effectiveness in light of best public sector practice and report the results of that review to the Authority.

## Meetings

- 1.14 The Committee shall meet at least four times per financial year. However, the Chair of the Committee may convene additional meetings, as they deem necessary.

## Authority

- 1.15 The Committee shall be authorised by the Authority to investigate any activity within its ToR and shall be authorised to seek any information it requires from any Authority staff member. All Authority staff members shall be directed to co-operate with any request made by the Committee.
- 1.16 The Authority or AO may ask the Committee to convene further meetings to discuss issues on which they will want the Committee's advice.
- 1.17 The Committee shall be authorised by the Authority to obtain outside legal or other independent professional advice, and to secure the attendance of third parties with relevant experience and expertise, if it considers this necessary.

## Activity

- 1.18 The manner in which the Committee carries out its functions should not be constrained by the limited resources available to it. The AO shall authorise provision of any resources necessary to support the Committee's efforts to carry out its duties effectively and efficiently.

## Reporting Procedures

- 1.19 The Committee shall report to the Authority and/or the Chair of the Authority on any matter, and at any time, it considers appropriate. The Chair of the Committee, or one of its members, provide a verbal update to the Authority meeting following each meeting of the Committee. In the event of the Chair of the Committee being an independent member, the frequency and manner of reporting to the Authority will be agreed with the Chair of the Authority. The Committee's approved minutes will be circulated to the Authority.
- 1.20 As set out at paragraph 1.13 above, following each meeting the Committee will provide the Authority with a copy of the ARC meeting agenda and

draft minutes accompanied by a verbal update by the Chair, or one of the Committee members summarising the business considered, any decisions reached and matters to be brought to the Authority's attention. Copies of approved minutes and an Annual Report timed to support finalisation of the accounts and Governance Statement summarising its conclusions on the effectiveness of the control framework in place from the work it has done during the year will also be provided to the Authority.

## Information Requirements

- 1.21 As appropriate, the Committee will be provided with a suite of papers (not less than five working days ahead of each meeting. These papers will primarily be based on the agreed ARC timetable of business. These will include (but not limited to):
- a) a report summarising any significant changes to the Authority's corporate risk register;
  - b) a progress report from the HIA summarising: i) work performed (and a comparison with work planned); ii) key issues emerging from the work of internal audit; iii) management response to audit recommendations; iv) changes to the agreed internal audit plan; and v) any resourcing issues affecting the delivery of the objectives of internal audit;
  - c) a progress report from the external audit representative summarising work done and emerging findings (this may include, where relevant to the organisation, aspects of the wider work carried out by the NIAO, for example, Value for Money reports and good practice findings);
  - d) management assurance or changes to the control environment reports;
  - e) updates on Dear Accounting Officer letters, direct award contracts, freedom of information/ environmental information regulations and raising concerns.
- 1.22 As and when appropriate the Committee shall also be provided with:
- a) proposals for the review of terms of reference of internal audit/the internal audit mandate and charter;
  - b) the Internal Audit Strategy;
  - c) the HIA's annual opinion and report;

- d) quality assurance reports on the internal audit function;
- e) the draft Annual Report and Accounts of the organisation;
- f) the draft Governance Statement;
- g) a report on any changes to accounting policies;
- h) NIAO Audit Strategy and Report to Those Charged With Governance (RTTCWG);
- i) a report on any proposals to tender for audit functions;
- j) an update on co-operation between internal and external audit;
- k) the organisation's Risk Management strategy;
- l) any updates as a result of NIAO horizon scanning in support of management's oversight of accounting and governance practice and policies; and
- m) relevant reports from any other assurance providers.