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## Audit and Risk Committee Charter

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### Document history

Version	Created by (Unit and person)	Approval (or comments)	Issue date
1.0	Operations	Approved by the Authority	3 May 2017
1.1	Operations (ML)	Charter revised to reflect recommendations made by ARC. Approved by the ARC. Approved by the Authority.	6 November 2018  4 December 2018
1.2	Operations (ML)	Charter revised to reflect the recommendation made by the ARC regarding the quorum.  Revised Charter approved by the Authority.	21 November 2019  10 December 2019
1.3	Operations (ML)	Annual review undertaken by the ARC; no changes proposed.  Approved by the Authority	10 November 2020  8 December 2020
1.4	Operations	Annual review undertaken by the ARC, the Charter revised to include review of the Authority's whistleblowing/protected disclosures policy. Approved by the Authority.	2 March 2022  26/04/2022

## **1. Overall purpose/objectives**

The Audit and Risk Committee (ARC) is part of the control environment, tasked with providing independent advice to the Authority on matters including the suitability and robustness of the organisation's internal control, internal audit, risk management, governance systems procedures and the reliability of financial reporting.

## **2. Membership**

- 2.1 Members of the ARC and the Chairperson of the ARC, none of whom shall be a member of the Authority Executive, shall be appointed by the Authority.
- 2.2 The ARC shall comprise at least four members.
- 2.3 Each member of the ARC shall be financially literate and shall have skills and experience appropriate to the Authority's business.
- 2.4 Each member of the ARC shall ensure that he/she is informed with regard to the mandate, business model and business strategy of the Authority.
- 2.5 Each member of the ARC shall ensure that he/she is fully aware of his/her responsibilities under this Charter.
- 2.6 At least one member of the ARC will have recent and relevant financial control and reporting experience and qualifications.
- 2.7 Members of the ARC are appointed for a three-year term, service limited to a maximum of 2 terms.
- 2.8 In the absence of the ARC Chairperson, the remaining members present shall elect one of themselves to chair the meeting.

## **3. Secretary**

The secretary of the ARC shall be a member of the Authority Executive.

## **4. Quorum**

- 4.1 The quorum necessary for the transaction of business shall be three members.
- 4.2 A duly convened meeting of the ARC at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the ARC.
- 4.3 In exceptional circumstances the quorum can be reduced to two at the discretion of the ARC Chairperson.

## **5. Meetings**

- 5.1 The ARC shall meet at least four times every year and shall have the ability

to convene additional meetings as circumstances require.

- 5.2 Only ARC members, persons invited by the ARC to attend and the Secretary are entitled to attend meetings of the ARC. The ARC may invite such other persons (including the Chairperson of the Authority, the Pensions Regulator, members of the Executive, the internal auditor, etc.) to attend all or part of its meetings as it deems necessary.
- 5.3 The external auditors (i.e. representatives of the Office of the Comptroller & Auditor General) shall be invited to attend meetings of the ARC as necessary and at least annually.
- 5.4 With the approval of the Chairperson, the Secretary shall arrange meetings, circulate the agenda and supporting documentation to the ARC members at a reasonable period in advance of each meeting.
- 5.5 The Secretary will prepare the minutes of meetings, and such minutes shall be circulated promptly to all members of the ARC for their comment before finalisation.
- 5.6 Where a conflict of interest arises in the course of the work of the ARC, the member will bring this to the attention of the Chairperson and, where necessary, leave the room for the duration of the discussion and not take part in any decisions relating to the discussion. A note to this effect will be included in the minutes of the meeting.
- 5.7 The ARC shall meet without the Executive present at each meeting to discuss any relevant matters.

## **6. Reporting responsibilities**

- 6.1 The ARC, through its Chair, shall prepare a report for the Authority after each meeting of the ARC and present this to the following Authority meeting.
- 6.2 The ARC, through its Chair, shall make any recommendations to the Authority it deems appropriate on any area within its remit where it deems action or improvement is needed.
- 6.3 Following the end of each financial year, the ARC, through its Chair, shall formally report to the Authority outlining its activities during the year together with such advice and recommendations as it may deem appropriate. This report shall include an assessment on the work of the Internal Auditors, the supports provided to the ARC and a self-assessment of the ARC's own effectiveness.

## **7. Roles and responsibilities**

### **7.1 Internal controls and risk management systems**

The ARC shall:

- Assess, based on evidence provided by the Authority Executive,

whether there is adequate risk awareness and management within the organisation.

- Assess, based on evidence provided by the Authority Executive, whether internal control recommendations made by the internal and external auditors have been implemented by management.
- At each of its four regular meetings, review, consider and comment on a report from the Authority Executive on the handling of major control incidents, “near misses” and lessons learned since the previous meeting.
- Review, consider and comment on, the Register of Risks of the Authority as presented by the Authority Executive on a regular basis.
- Review, consider and comment on the Authority’s risk management policy and the risk management processes.
- Review, consider and comment on the controls and processes implemented by management to ensure that the financial statements derived from the underlying financial systems, comply with relevant standards and requirements and are subject to appropriate management review.
- Review and consider and comment to the Authority on the statements to be included in the annual report concerning internal controls and risk management.

## **7.2 Financial reporting**

The ARC shall:

- Review, consider and comment on the systems of control underlying the financial management processes, including reviewing the results of the external and internal audits and reviewing the procedures and practices associated with financial management and budgeting.
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.
- Meet with the Authority Executive and external auditors to review the financial statements, the key accounting policies and judgements, and the results of the audit.
- Ensure that significant adjustments, unadjusted differences, disagreements with the Authority Executive and critical accounting policies and practice are discussed with the external auditor.
- Receive and consider management reports in relation to the Authority’s investments.
- Taking account of public accountability and the special considerations

which attach to State bodies in relation to their management and operation, consider whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for an assessment of the State body's financial position and financial performance, business model and strategy.

- Review the Letter of Representation and Governance Statement before issue by the Authority to the external auditor.

### **7.3 Management accounts, annual budget and fees**

The ARC shall:

- Review, consider and comment on the quarterly, signed-off management accounts, including key non-financial performance indicators, presented at ARC meetings by the Authority Executive.
- Review, consider and comment to the Authority on the annual budget put forward by the Authority Executive, including highlighting any concerns where necessary.
- Review, consider and comment to the Authority on the annual fee recommendation put forward by the Authority Executive, including highlighting any concerns where necessary.

### **7.4 Compliance with laws, regulations and codes**

The ARC shall:

- Review the effectiveness of the system for monitoring compliance with laws, regulations and Codes of Practice for the Governance of State Bodies.
- Review the results of the Authority Executive investigation and follow-up of any fraudulent acts.
- Review the Authority's whistleblowing and protected disclosure policy and procedures and monitor the number of reports made on a regular basis.
- Obtain regular updates from management regarding any significant non-compliance matters.
- Review and recommend to the Authority any disclosures in the annual report in relation to Authority's compliance with the Code of Practice for the Governance of State Bodies.

### **7.5 Internal audit**

The ARC shall:

- Work with the Authority Executive to develop a proposal to appoint an

internal auditor.

- Review consider and comment on the internal audit charter.
- Review and approve the annual internal audit plan in consultation with the Pensions Regulator and the Head of Operations.
- Review promptly all reports on the Authority from the internal auditor.
- Monitor the significant findings, recommendations and judgements made by the internal auditor. Review and discuss management's proposed responses and verify that findings have been appropriately acted upon.

Meet the internal auditor at least once a year, without management being present, to discuss his or her remit and any issues arising from the internal audits carried out.

## **7.6 External audit**

The ARC shall:

- Keep under review the relationship with the Authority's external auditor, the Comptroller & Auditor General.
- Review all significant reports received by the Authority from the external auditors and management's responses thereto and consider the implications of the issues raised.
- Monitor the significant findings, recommendations and judgements made by the external auditor. Review and discuss management's proposed responses and verify that findings have been appropriately acted upon.
- Meet separately with the external auditors at least once a year, without management being present, to discuss any matters that the ARC or the auditors believe should be discussed privately and to ensure that the external auditors have access to the Chairperson of the ARC when required.

## **8. Authority authorisation**

8.1 The ARC is authorised by the Authority to carry out the functions as set out in this Charter.

8.2 The ARC shall provide independent advice to the Authority Executive who are ultimately responsible for all matters relating to the presentation of financial statements and all issues arising from internal and external audits of the Authority.

8.3 The ARC shall have authority to:

- approve the internal audit annual plan;

- approve the terms of engagement with the internal auditors in respect of the provision of audit services to the Authority; and
- perform activities within the scope of this Charter.

8.4 The ARC shall not be subject to any external direction in the performance of their duties within the scope of this Charter.

8.5 The ARC may investigate any matter falling within its terms of reference and the Charter.

8.6 The ARC is authorised to seek any information it requires from any employee of the Authority to enable it discharge its responsibilities and shall have made available to it on a timely basis all information requested from any employee in a clear, concise and well organised manner.

8.7 The ARC may obtain, at the Authority's expense, outside legal or other professional advice on any matter within its terms of reference.

## **9. Review of the Charter**

The ARC shall, at least once a year:

- Confirm that the functions outlined in this Charter have been carried out.
- Review the Charter and report its conclusions and recommend any changes it considers necessary to the Authority and the Authority Executive.
- Arrange for a review of the ARC's performance.