

DAERA Audit and Risk Assurance Committee (ARAC)

Terms of Reference (TOR)

1. PURPOSE AND ROLE

- 1.1** The Principal Accounting Officer and Departmental Board is responsible for ensuring that there are effective arrangements in place for governance, risk management and internal control.
- 1.2** The Principal Accounting Officer has established an Audit and Risk Assurance Committee (ARAC) to support them in these responsibilities by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.
- 1.3** As well as providing assurance to the Principal Accounting Officer, the committee ensures that high level information on risk and control is brought to the Principal Accounting Officer's and Departmental Board's attention, in order to assist them in identifying their priorities for action and providing strategic clarity.
- 1.4** In doing this the committee is supported by the work of, and reports received from, Internal Audit and the Northern Ireland Audit Office (NIAO), and from other assurance functions available in relation to Departmental activities.
- 1.5** The committee is advisory in nature. Its overarching purpose is to advise the Principal Accounting Officer and Departmental Board on the adequacy and the appropriateness of controls; it is then the Principal Accounting Officer and Departmental Board that make relevant decisions.
- 1.6** The committee has no authority, in its own right, over the operations of the Department or those units that conduct audit and assurance work, including

Internal Audit. It is **not** the task of the committee to substitute for the executive function in the management of Internal Audit, risk management, corporate governance, assurance reporting, internal control or any other review or assurance function.

- 1.7** Members of the committee are bound by the normal Civil Service rules relating to disclosure of information and must respect their privileged position without which the committee cannot have free and frank discussion.

2. RESPONSIBILITIES

- 2.1** The committee is authorised by Departmental Board to conduct any activity within the scope of its Terms of Reference. The main objective of the committee is to contribute independently to the Principal Accounting Officer / Departmental Board's overall process for ensuring that governance, risk management, and internal control processes operate effectively. The committee will do this by forming a consolidated view of all assurance activity within the Department.

- 2.2** The Committee will advise the Principal Accounting Officer and Departmental Board on:

- the strategic processes for risk management, internal control and corporate governance, and the Governance Statement;
- the accounting policies, the accounts, and the annual report of the Department, including the process for review of the accounts prior to submission for audit, levels of error identified, and responses to issues identified in the Report to those Charged with Governance;
- any significant issues emerging from the Department's Executive Agencies and Non-Departmental Public Bodies (NDPB) which may impact on the consolidated DAERA Annual Report and Accounts;
- the planned activity and results of both internal and external audit;
- adequacy of management responses to issues identified by audit activity;
- assurances relating to the corporate governance requirements for the Department;

- assurances relating to the Department's counter fraud activities, Raising a Concern processes and arrangements for special investigations; and
- ARAC may also consider Executive Agency and NDPB/Arm's Length Bodies (ALBs) reports on matters of key mutual strategic and assurance importance.

2.3 Although it has no express remit to do so, the committee may also, if requested to do so, help the Principal Accounting Officer prepare for being held to public account, by subjecting their executive decisions to constructive challenge. This is in the context of encouraging the Principal Accounting Officer to ensure that they can demonstrate that they have made the best possible decisions taking account of all available evidence.

3. MEMBERSHIP

3.1 The committee will be independent and objective and comprise of at least three members who have no executive responsibilities, appointed by the Principal Accounting Officer. Membership will consist of the Chair, who will be a DAERA Non-Executive Board Member (NEBM) with relevant experience; at least one other NEBM; and at least one independent external member drawn from the wider Northern Ireland public service.

3.2 The committee should collectively possess the requisite knowledge and skills to effectively engage with and challenge the organisation. Whilst it is not necessary for every member to be a finance specialist, it is important that the committee collectively has expertise in financial matters. At least one member will have recent and relevant financial experience.

3.3 Those appointed to the committee will be provided with suitable induction training to allow them to understand and contribute effectively to the achievement of the committee's Terms of Reference. The Chair of the committee will discuss induction training needs with newly appointed members of the committee on appointment.

3.4 Typically, the period of appointment will be a three-year period, which may be extended in further defined periods by agreement of the Principal Accounting Officer and Departmental Board. The maximum total term of appointment is six years.

3.5 ARAC Membership

Chair

The committee will be chaired by Shane Lynch, DAERA Non-Executive Board Member.

3.6 Membership of the committee will include the following:

DAERA Non-Executive Board Members

- Mr Shane Lynch (01 January 2024 – 31 December 2026)
- Dr Mike Johnston (01 April 2025 – 31 March 2028)
- Dr Scott King (01 March 2026 – 28 February 2029)

Independent External Members

- Robbie Davis (01 April 2023 – 31 March 2027)
- Michelle Scott (01 February 2022 – 01 February 2027)

3.7 Executive Attendees

Executive members of the organisation should not be appointed as members of the committee but will attend meetings, provide information, and participate in discussions.

3.8 Reflecting the relevant guidance, the Principal Accounting Officer; the Deputy Secretary of Strategic Planning and Corporate Services; the Finance Director; and the Director of Corporate Governance, while not members, will routinely attend ARAC.

3.9 The Head of Internal Audit and a representative(s) of the NIAO (as the external auditor) will also be regular attendees.

3.10 Other executive staff may be requested to attend meetings to provide the committee with information and such assurances as may be required by the committee to fulfil its responsibilities,

4. RIGHTS

4.1 The committee may co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge, and experience.

4.2 It may also procure specialist ad hoc advice at the expense of the Department.

4.3 Both of the above are subject to approval from the Principal Accounting Officer and the necessary budget cover being in place.

5. ACCESS

5.1 There are mutual rights of access between each of the following: the ARAC Chair; the Principal Accounting Officer; the Head of Internal Audit and NIAO representatives outside of the formal ARAC meeting structure. This is to ensure expectations are managed and that there is mutual understanding of current risks and issues.

5.2 The Chair of the committee will meet separately with the Principal Accounting Officer, the Finance Director, the Head of Internal Audit and the NIAO representatives at least once a year outside of the formal committee structure.

5.3 The Head of Internal Audit and NIAO representatives have free and confidential access to the Chair of the committee.

6. MEETINGS

6.1 The committee will normally meet 5-6 times a year. Two of these meetings will be to discuss the Annual Report and Accounts. The timing of these two meetings

will be dependent on the availability of scheduled accounts papers for consideration.

- 6.2** The Chair of the committee may convene additional meetings as deemed necessary.
- 6.3** All meetings will be in person. Only in exceptional circumstances and as agreed by the Chair will meetings be held virtually.
- 6.4** The minimum number of ARAC members required to provide a quorum for meetings is two, at least one member of the quorum has to be a Non-Executive Board Member.
- 6.5** The committee may sit privately without any non-members present for part of a meeting if it so wishes.
- 6.6** The committee may ask any other officials of the Department to attend to assist with discussions on a particular matter.
- 6.7** The committee may ask any or all of those who normally attend, but who are not members, to withdraw to facilitate open and frank discussion of particular matters.
- 6.8** The Principal Accounting Officer or Departmental Board may ask the committee to convene further meetings to discuss particular issues on which they would like the committee's advice.
- 6.9** The dates of ARAC meetings will be advised at least 6 months in advance taking account of Departmental Board meeting scheduling and timeframes for the Annual Report and Accounts.
- 6.10** Unless otherwise agreed, confirmed notice of each meeting advising of the venue, date and time, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend, no later than 5 working days before the date of each meeting.

6.11 Supporting papers shall be sent to committee members and attendees at the same time.

6.12 The committee Chair will meet jointly with the Chairs of the Audit and Risk Assurance Committees of the Department's Executive Agencies and NDPBs at least once a year.

Secretariat

6.13 Governance Branch will provide secretariat support to the committee.

Record of Meetings

6.14 Formal minutes of committee meetings will be prepared by the Secretariat and will be circulated for comment and subsequently formally agreed by the committee at the next meeting.

7. INFORMATION REQUIREMENTS

7.1 At each meeting, the committee will be provided with the draft minutes and updates on action points from the previous ARAC meeting.

7.2 At the commencement of each meeting, the Chair will request that any Declaration of Interests be made. Members and attendees must take personal responsibility for ensuring that possible Declaration of Interests are properly declared so that the nature of the conflict can be considered, and an appropriate course of action can be determined.

7.3 For each meeting (depending on the issues scheduled for consideration) the committee will be provided with:

- A progress report from the Head of Internal Audit summarising:

- work performed (and a comparison with work planned);
 - key issues emerging from Internal Audit work;
 - limited opinion reports (draft and final) including executive summaries;
 - changes to the Audit Strategy and annual audit plan;
 - any resourcing issues affecting the delivery of Internal Audit service, and
 - progress against implementing audit recommendations twice yearly.
- A progress report or verbal update from the NIAO summarising work done, emerging findings and planned activities.
- A report on risk management covering any significant changes to the strategic risks of the Department and a copy of the Corporate Risk Register.
- Progress reports on Raising a Concern and counter fraud activities; and as appropriate:
 - the Terms of Reference for the committee;
 - the Risk Management Strategy;
 - the Internal Audit Mandate and Charter;
 - the Internal Audit Strategy and associated audit plans;
 - the Head of Internal Audit's Annual Report and Opinion;
 - quality assurance reports on the Internal Audit function;
 - the draft accounts of the Department;
 - the draft Governance Statement;
 - a report on any changes to accounting policies;
 - the Report to those Charged with Governance;
 - NIAO reports of strategic importance to the Department and corresponding Departmental responses to recommendations;
 - PAC Reports and Memoranda of Reply;
 - reports summarising progress made on commitments given to NIAO and PAC in response to report recommendations;
 - assurance statement updates from the sponsors of the Department's Arm's Length Bodies;

- reports on progress in implementing the Departmental business plan, after scrutiny by the Departmental Board in the first instance;
- annual test drilling report on business cases and post project evaluation completion;
- information relevant to Direct Award Contracts awarded and;
- any other papers materially relevant to the work of ARAC or deemed appropriate to be brought before the committee.

8. PAPERS CONSIDERED BY CORRESPONDENCE

8.1 There may be occasions, by exception, where it is necessary for the committee to consider papers via correspondence. This can be for a variety of reasons, including for example:

- where urgent consideration of advice is needed, between normal scheduled meetings;
- where meetings have been cancelled or rescheduled, to prevent future meetings being overwhelmed;
- where a paper is a routine update and does not require formal discussion or consideration at committee level; or
- when an emergency protocol has been activated.

8.2 When a contributor wishes to submit a paper to be considered by correspondence, they should contact the ARAC Secretariat who will confirm with the Chair that this process would be appropriate for the topic or in the circumstances.

8.3 Papers to be circulated for consideration by correspondence will be circulated by ARAC Secretariat to ARAC members highlighting the action required.

8.4 Members will normally be given one calendar week to respond, with a reminder sent to any members who have not responded by the deadline. Should responses remain outstanding after that extended period, it will be recorded that the member did not provide a comment.

8.5 Responses to queries or comments from members will be collated in a document for consideration by the Chair. On receipt of the Chair's comments and consideration, members will be provided with all comments for their information.

9. REPORTING

9.1 After each ARAC meeting, depending on meeting scheduling, the Chair will provide either a written or verbal update for the Principal Accounting Officer and Departmental Board summarising the issues discussed by the committee. These updates will also highlight the advice being provided to the Principal Accounting Officer and Departmental Board. Minutes when agreed by the committee will also be provided to Departmental Board at the next scheduled Department Board meeting.

9.2 ARAC will also provide an annual report, timed to support the preparation of the annual Governance Statement, taking into account assurances from other parts of the Department in respect of key risks. This report will clearly present the committee's views on the Department's governance, risk management, internal control arrangements so as to be a benefit to the Principal Accounting Officer and Departmental Board.

9.3 The ARAC annual report will summarise ARAC's work for the past year and present the committee's opinion on:

- the effectiveness of governance, risk management and control;
- the comprehensiveness of assurances;
- the reliability and integrity of these assurances;
- whether the assurance available is sufficient to support the Principal Accounting Officer and Departmental Board in their decision making and accountability obligations;
- the implications of these assurances for the overall management of risk;
- matters they consider pertinent to the Governance Statement and long term issues they feel the Principal Accounting Officer and/or Departmental Board should give attention to;
- financial reporting for the year;

- the quality of Internal and External Audit and their approach to their responsibilities; and
- their own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.

10. REVIEW

10.1 The membership and Terms of Reference of the committee will be reviewed at least annually, with a report recommending any changes provided to the Departmental Board for consideration/approval where required.

Date of adoption of these Terms of Reference by Departmental Board:

27 May 2026