

Annex A

Audit and Risk Assurance Committee Terms of Reference

Role of the ARAC

THO will use the ARAC to help him or her in his or her responsibility for issues of risk control and governance, reviewing the comprehensiveness of assurances in meeting his or her assurance needs and reviewing the reliability and integrity of these assurances.

Membership

The ARAC shall comprise at least four people who are not members of THO's staff, one of whom will chair the Committee.

The members of the ARAC will be appointed by THO following an open and transparent selection process which will involve DCLG Partnership and Delivery Unit representation on the interview panel. The appointments, including the selection of the Chair, will be subject to the approval of the Secretary of State. Appointments will be for three years and may be extended once. Any reappointments will be agreed with DCLG. The Chair of the ARAC will be involved in the appointment of new committee members and reappointment of existing members.

THO will not be a member of the ARAC but will attend its meetings. The ARAC is not a legally separate entity from THO.

The ARAC will be provided with a secretariat function.

Members of the ARAC will act in accordance with the principles of the Cabinet Office's Code of Conduct for Board Members of Public Bodies. Members will also uphold the seven principles of the Committee on Standards in Public Life's guidance (the Nolan Principles), namely:

1. Selflessness
2. Integrity
3. Objectivity
4. Accountability
5. Openness
6. Honesty
7. Leadership.

Members of the ARAC must declare any personal or business interests which may, or may be perceived to, influence their judgement in performing their role. These interests will be included in a register of interests maintained by THO which will be

made available on the THO website. Members of the ARAC must ensure that their entries are kept up to date.

Responsibilities

The ARAC will comply with the ARAC handbook (with adaptations appropriate to the governance structure of THO).

The ARAC will advise the AO on:

- the strategic processes for risk, control and governance and the Governance Statement;
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the management of risk and corporate governance requirements for the organisation;
- proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations; and
- the ARAC will also periodically review its own effectiveness and report the results of that review to the AO.

At least two members of the ARAC will also be members of the Panel of Advisors, if established.

The ARAC should maintain effective communication with all stakeholders, including internal audit, external audit and the DCLG Partnership and Delivery Unit. At the discretion of its Chair, the ARAC may also seek advice from the Chair of the DCLG ARAC.

Reporting

The ARAC will provide 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.

Rights

The ARAC may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience; and
- procure specialist ad-hoc advice at the expense of HOS, subject to budgets agreed by the AO.

Access

The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the ARAC.

Meetings

The ARAC will meet at least four times a year. The Chair of the ARAC may convene additional meetings, as they deem necessary.

A minimum of three members of the ARAC will be present for the meeting to be deemed quorate.

In the absence of the Chair for the whole or part of a meeting, the ARAC may elect a temporary Chair from one of the members present for the period of such absence.

The ARAC meetings will normally be attended by the AO, the Director of Finance and Corporate Performance, the Head of Internal Audit, a representative of External Audit. Representatives from the DCLG policy team and Partnership and Delivery Unit will be invited to every meeting and will receive copies of agendas and minutes.

The ARAC may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter.

The ARAC 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.

The AO may ask the ARAC to convene further meetings to discuss particular issues on which they want the Committee's advice.

Members of the ARAC will be remunerated in line with remuneration received by non-executive members of similar ALBs.

ARAC meetings shall only be cancelled by THO with the express agreement of the Chair.

Information requirements

For each main meeting, the ARAC will be provided with:

- a report summarising any significant changes to the organisation's strategic risks and a copy of the Corporate Risk Register;
- a progress report from the Head of Internal Audit summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from the work of internal audit;
 - management responses to audit recommendations;
 - changes to the agreed internal audit plan; and
 - any resourcing issues affecting the delivery of the objectives of internal audit.

- a progress report (written/verbal) 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 NAO, for example Value for Money reports and good practice findings);
- a report tracking actions from previous meetings;
- management assurance reports; and
- reports on the management of major incidents, “near misses” and lessons learned.

As and when appropriate the ARAC will also be provided with:

- proposals for the terms of reference of internal audit;
- the internal audit strategy;
- copies of finalised internal audit reports
- the Head of Internal Audit’s Annual Opinion and Report;
- quality assurance reports on the internal audit function;
- the draft accounts of the organisation;
- the draft Governance Statement;
- a report on any changes to accounting policies;
- external audit’s management letter;
- a report on any proposal to tender for the internal audit function;
- a report on co-operation between internal and external audit;
- the organisation’s risk management strategy;
- copies of relevant policies; and
- other documents and reports as required which are within the ARAC’s terms of reference.