



## Section 1: Membership, Independence, Objectivity and Understanding

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
1.1	The Chair is a non-executive Board member and possesses an appropriate level of relevant experience. <b>(3.2)</b>		
1.2	Membership of ARAC has sufficient numbers to discharge its responsibilities. <b>(3.1)</b>		
1.3	ARAC explores the option of bringing in additional independent, non-executive members from sources other than the Board to ensure an appropriate level of skills and experience. <b>(3.2)</b>		
1.4	The Accounting Officer and the Finance Director routinely attend meetings. <b>(3.4)</b>		
1.5	The heads of Internal Audit and External Audit routinely attend meetings. <b>(3.4)</b>		

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
1.6	The Chair separately meets the Accounting Officer, Financial Director, Internal Audit and External Audit outside the formal committee structure on a regular basis and at least once per year. <b>(3.5)</b>		
1.7	ARAC members understand their responsibilities regarding identifying, declaring and resolving conflicts of interest. <b>(3.9)</b>		
1.8	ARAC members have a clear understanding of what is expected of them in their role, and this was set out clearly at the time of appointment. <b>(3.10, 3.11)</b>		
1.9	<b>Monitoring conflicts of interest</b> - If any conflicts of interest are identified, the ARAC Chair is effective in ensuring the associated risks are effectively managed and continually monitored - see para 4.26 of NIAO Conflicts of Interest - Good Practice Guide.		

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
1.10	<b>Conflicts of interest policy</b> - The conflict of interest policy is reviewed on an annual basis – <u>see para 4.9 and 4.13 of NIAO Conflicts of Interest - Good Practice Guide.</u>		
1.11	Terms of Reference are reviewed and approved annually by the Accounting Officer and Board Chair and are tabled at each ARAC meeting. <b>(5.26)</b>		
1.12	ARAC has access to sufficient funding to cover the costs incurred in fulfilling its role. <b>(5.31)</b> This should be sufficient to: <ul style="list-style-type: none"> <li>• meet the remuneration and working expenses of its members;</li> <li>• meet the relevant training needs of its members;</li> <li>• provide specialist (external) advice or opinions when required; and</li> <li>• provide external review of the effectiveness of ARAC.</li> </ul>		
1.13	ARAC meets at least four times during the year. <b>(5.30)</b>		

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
1.14	The number of meetings held during the year is sufficient to allow ARAC to perform as effectively as possible. <b>(5.30)</b>		
1.15	Meetings are well-aligned with the audit and assurance cycle. <b>(5.30 and Annex E)</b>		
1.16	All matters falling within the Terms of Reference of ARAC are covered adequately over the course of the year or a reasonable time period. <b>(Annex D)</b>		
1.17	Meetings of ARAC are long enough to ensure that all agenda items are covered in sufficient detail. <b>(Annex F)</b>		

## Membership, Independence, Objectivity and Understanding – Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
1.18	<b>Contribution to meetings</b> - All members and attendees make valuable contributions to meetings.		
1.19	<b>Deep dives</b> - Deep dives are undertaken in core and emerging risk areas, and these are sufficiently detailed so ARAC can understand the risk and challenge management.		
1.20	<b>Private meetings</b> - ARAC has the opportunity to meet Internal Auditors and External Auditors in private – without the presence of management – when necessary and this time is used effectively.		
1.21	<b>Appointments</b> - ARAC is clear on the type of skills and experience which should be sought in a new member – and the Chair is involved in the appointment process. <b>(Annex A, A.3)</b>		
1.22	<b>Time between ARAC meetings and main Board meetings</b> - There is sufficient time between ARAC meetings and main Board meetings to allow any work arising from ARAC meeting to be undertaken and reported to the Board as appropriate.		

Reference	Good Practice	Yes/No	Actions/Comments
1.23	<b>Culture and Behaviour</b> - ARAC acts in an inclusive and respectful manner, avoids 'group think', and provides an appropriate balance between challenge and support.		
1.24	<b>Preparation</b> - ARAC receives information and papers far enough in advance for members to fully consider before the meeting.		
1.25	<b>Resources</b> - ARAC is provided with sufficient administrative and secretarial support to undertake its duties to the required standard.		
1.26	<b>Balance of Agenda</b> - Sufficient time is afforded to the different providers of assurance to ARAC across the various lines of defence, notably risk management, Internal Audit and External Audit.		
1.27	<b>Forward Planning</b> - ARAC has a forward plan for its meetings so it can consider issues at the right time and in the right level of detail.		

Reference	Good Practice	Yes/No	Actions/Comments
1.28	<b>Minute taker</b> - There is a designated minute taker present at each meeting.		
1.29	<b>Record of reports presented</b> - All papers presented at ARAC meetings are at the right level of detail and presented in a manner which makes it easy for members to review and challenge. All papers should include a cover page outlining the main issues arising and should be tabled for either information, discussion, noting or for approval.		
1.30	<b>Hybrid meetings</b> - Where ARAC meetings are hosted online, a secure link to join the meeting on-line should be provided in advance. Appropriate technology should be in place prior to the meeting, ensuring all participants can be seen and heard clearly.		
<b>Additional comments and key takeaways</b>			



## Section 2: Skills and Experience

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
2.1	ARAC possesses a good range of skills and experience in relation to governance, risk and control. <b>(4.1)</b>		
2.2	At least one member of ARAC has recent and relevant financial experience sufficient to allow them to analyse the financial statements and understand good financial management disciplines. <b>(4.1)</b>		
2.3	ARAC proactively identifies which skills it requires to discharge its responsibilities most effectively. <b>(4.2)</b>		
2.4	The required skill sets for ARAC are reviewed at regular intervals. <b>(4.2)</b>		
2.5	<b>Co-opting members and procuring specialist skills</b> - ARAC uses the powers of co-opting members and procuring specialist skills where these are required. <b>(4.5)</b>		



Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
2.6	<b>Skills mapping</b> - ARAC documents and maps the skills of its members so it can identify areas of strength and any skills gaps. <b>(Annex G)</b>		

### Skills and Experience – Other Good Practice Arrangements

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
2.7	<b>Diversity</b> - ARAC draws on a sufficiently diverse membership, containing a variety of demographic attributes and characteristics.		
2.8	<b>Relevance of financial reporting experience</b> - The financial reporting expertise held by members is relevant and appropriate to the significant financial reporting risks of the organisation – particularly in respect of any complex estimates or judgements.		
2.9	<b>Non-Technical Skills</b> - ARAC benefits from a good mix of non-technical skills – for example, communication, influencing, negotiating, leadership and facilitation skills.		

**Additional comments and key takeaways**

## Training and Development

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
2.10	Members who have recently joined ARAC have been provided with induction training to help them understand their role and the organisation. <b>(4.6)</b>		
2.11	Members of ARAC who are unfamiliar with corporate governance and wider practice in government are specifically upskilled in this area. <b>(4.6)</b>		
2.12	Members keep their skills and knowledge up-to-date through networking and conferences to allow them to focus on key issues facing the organisation. <b>(4.3)</b>		
2.13	ARAC Chair ensures that members have an appropriate programme of engagement with the organisation and its activities to help them understand the organisation, its objectives, business needs, priorities and risk profile. <b>(4.7)</b>		

## Training and Development – Other Good Practice Arrangements

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
2.14	<b>Learning culture</b> - There is a positive culture of learning and personal development within ARAC		
2.15	<b>Emerging developments</b> - ARAC's training and development programme takes account of developments in corporate governance and emerging risk areas.		
2.16	<b>Public sector context</b> - For ARAC members unfamiliar with the operations of the public sector, special focus is given to this as part of their induction, focusing in particular on regularity.		
2.17	<b>Cross-government networking</b> - ARAC Chair attends cross-governmental (if a government department) or cross-departmental (if an arm's-length body) ARAC Chair meetings.		
<b>Additional comments and key takeaways</b>			

## Cyber and Digital

Reference	Good Practice	Yes/No	Actions/Comments
2.18	ARAC understands how cyber and digital risks impact on the organisation.		
2.19	ARAC has the level of skills and expertise required to challenge management and provide assurance to the Board that the organisation is properly managing its cyber and digital risks.		

## Information Security

Reference	Good Practice	Yes/No	Actions/Comments
2.20	ARAC understands the organisation's approach to managing information risks, and how it manages its GDPR requirements.		

## Climate Change and ESG

Reference	Good Practice	Yes/No	Actions/Comments
2.21	ARAC is satisfied the organisation's approach to managing ESG risks, and making appropriate disclosures, is in line with relevant standards such as the Greening Government Commitments and Sustainability Reporting Guidance.		

Reference	Good Practice	Yes/No	Actions/Comments
2.22	ARAC is provided with the appropriate means to effectively assess the organisation's approach to managing climate-related risks.		
2.23	ARAC assesses the organisation's net zero strategy with sufficient detail, and at regular intervals.		

### Projects and Programmes

Reference	Good Practice	Yes/No	Actions/Comments
2.24	ARAC is appropriately briefed on significant projects and programmes throughout their lifecycle e.g. provision of gateway reviews at each stage of the project.		
2.25	ARAC has the skills and expertise to provide effective critical challenge on the financial management, delivery risks and overall progress of projects or programmes.		

Procurement

Reference	Good Practice	Yes/No	Actions/Comments
2.26	ARAC has an appreciation of the risks associated with procurement in the public sector context.		
2.27	ARAC has the skills and expertise to challenge commercial activities and the procurement of goods and services.		
2.28	ARAC is informed of all Single Tender Action/Direct Award Contracts with supporting detail.		
2.29	ARAC is provided with regular updates of any significant legislative changes in procurement practices and how management is preparing for these.		
Additional comments and key takeaways			



## Section 3: Roles and Responsibilities – Assurance

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
3.1	ARAC helps the Accounting Officer and Board to formulate their assurance needs. <b>(5.3)</b>		
3.2	ARAC assesses whether the assurance received is of sufficient quality to meet the assurance needs outlined in 3.1. <b>(5.3)</b>		
3.3	ARAC understands the key sources of assurance in the organisation, and how and why each of these sources provides assurance to them. <b>(5.5)</b>		
3.4	ARAC understands the three lines of defence model, as set out in <u>the Orange Book 2023, Annex 2</u> , and how this applies in practice to the organisation. <b>(5.6)</b>		
3.5	ARAC is proactive in commissioning assurance work from appropriate sources where it identifies any significant governance, risk and control issues which have not been subject to sufficient review. <b>(5.9)</b>		

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
3.6	ARAC ensures the organisation operates appropriate and effective whistleblowing practices, in keeping with NIAO's <u>good practice guide on Raising Concerns</u> (June 2020), and has completed the associated <u>self-assessment checklist</u> .		

### Assurance – Other Good Practice Arrangements

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
3.7	<b>Assurance Mapping</b> - ARAC uses assurance mapping to identify where assurance is required and any key gaps where no assurance is provided, or where the quality of the assurance is poor.		
3.8	<b>Recommendation Tracking Department of Finance (DOF) Letters and other relevant guidance</b> - ARAC has an effective system for monitoring management's progress with recommendations from DoF Letters and other relevant guidance.		

#### Additional comments and key takeaways



## Governance

ARAC understands how governance arrangements support achievement of the organisation's strategies and objectives.

**(5.19) In particular, ARAC understands:**

Reference	Essential Requirements	Yes/No	Actions/Comments
3.9	the Board's operating framework, including the organisation's vision and purpose;		
3.10	mechanisms which ensure effective organisational accountability, performance and risk management;		
3.11	role definitions, committees and other structures which support the effective discharge of responsibilities, decision-making and reporting;		
3.12	the development, operation and monitoring of the system of internal controls and whether these will provide timely warnings of any failings;		
3.13	how appropriate ethics and values are promoted within the organisation;		

Reference	Essential Requirements	Yes/No	Actions/Comments
3.14	how management information is communicated to the Board and other appropriate areas of the organisation; and		
3.15	the nature of relationships with arm's-length bodies, if applicable.		

### Governance – Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.16	<b>Future assurance requirements</b> - ARAC monitors developments in corporate governance so it can proactively advise the Accounting Officer and Board on any changes to assurance requirements.		
3.17	<b>Annual governance statement</b> - ARAC reconciles assurance from Internal Audit, External Audit and other sources of assurance with conclusions drawn in the organisation's annual governance statement.		

Reference	Good Practice	Yes/No	Actions/Comments
3.18	<b>Corporate governance policy</b> - Without duplicating the work of the Board, ARAC advises on – and scrutinises the implementation of – its organisation's corporate governance policy.		
Additional comments and key takeaways			

### Risk Management and Internal Controls

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
3.19	ARAC understands the organisation's business strategy, operating environment and the associated risks to executing the strategy. <b>(5.20)</b>		
3.20	ARAC is satisfied that management takes an enterprise-wide view of the organisation's risks, including those that cross organisational boundaries. <b>(5.20)</b>		

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
3.21	There is a clear understanding of the role and activities of the Board in relation to managing risk. <b>(5.20)</b>		
3.22	ARAC discusses with the Board how its policies, attitude to, and appetite for risk are defined and communicated across the organisation. <b>(5.20)</b>		
3.23	ARAC understands and challenges the risk management framework and the assignment of responsibilities. <b>(5.20)</b>		
3.24	Adequate assurance has been obtained on the risk and control environment encompassing services outsourced to external providers, including shared service arrangements, and the wider supply chain. <b>(5.12)</b>		
3.25	(For government departments and groups only) assurance has been obtained on risks from across the group – and there is timely communication and visibility of these risks. <b>(5.11)</b>		

## Risk Management and Internal Controls – Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.26	<b>Risk Culture</b> - ARAC promotes the importance of a positive risk culture in the organisation as set out in <u>NIAO's good practice guide on Innovation and Risk Management</u> .		
3.27	<b>Managing Innovation</b> – ARAC is aware of how the organisation encourages best practice in innovation and risk management as set out in <u>NIAO's good practice guide on Innovation and Risk Management – Self Assessment Checklist</u> .		
3.28	<b>Risk Tolerance</b> - ARAC challenges management on whether there is a comprehensive process for identifying and evaluating risk, and for deciding what levels of risk are tolerable.		
3.29	<b>Risk Registers</b> - ARAC has sufficient understanding of the organisation to assess whether the risk register is an appropriate reflection of the risks facing the organisation.		
3.30	<b>Resources</b> - ARAC can assess whether there are sufficient resources to manage risk effectively across the organisation.		

Reference	Good Practice	Yes/No	Actions/Comments
3.31	<b>Emerging Risks</b> - ARAC challenges whether management's approach to identifying risks is broad enough to effectively identify new and emerging risks.		
3.32	<b>Risk Evaluation</b> - ARAC challenges management on its approach to evaluating risks, including the effectiveness of scenario planning and stress testing.		
3.33	<b>Review of "Near Misses"</b> - ARAC reviews information on 'near misses' to help determine whether the systems in place are sufficiently robust to mitigate future risk events.		
3.34	<b>Fraud and Error</b> - ARAC understands the main fraud and error risks as set out in <u>NIAO's various Fraud Risk guides</u> , and challenges management to consider timely options for tackling fraud and error risks.		
3.35	<b>Resilience</b> - ARAC considers the cumulative impact of risks and how these could impact on the ongoing resilience of the organisation.		

Reference	Good Practice	Yes/No	Actions/Comments
3.36	ARAC critically challenges and reviews the adequacy and effectiveness of control processes in responding to risks. <b>(5.20)</b>		
3.37	ARAC challenges whether the extent of the controls in place to mitigate risks is excessive, and whether any action is needed to address this. <b>(5.10)</b>		
3.38	<b>Understanding of internal control</b> - ARAC has a good understanding of how the organisation develops, operates and monitors the system of internal control.		
3.39	<b>Controls over material or significant risks</b> - ARAC seeks assurance on how any material or significant risks are managed through strategic, operational and compliance controls.		
3.40	<b>Timely indicators</b> - ARAC assesses whether the system of internal control would provide timely indicators of weaknesses and failings.		

Reference	Good Practice	Yes/No	Actions/Comments
3.41	<b>Root cause analysis of significant failings or weaknesses in internal control</b> - When any significant failings or weaknesses in internal control arise, ARAC reviews management's analysis of the root cause and subsequent action plan.		
3.42	<b>Financial control</b> - ARAC is satisfied that the organisation has a sound system of financial control – including the structure of delegations – which enables the organisation to achieve its objectives with good value for money.		
3.43	<b>IT controls</b> - ARAC has sufficient assurance over the quality of IT controls.		
3.44	<b>Design of fraud controls</b> - ARAC is satisfied that the organisation's controls are designed to effectively prevent and detect known fraud and error risks as set out in <u>NIAO's fraud risk guides</u> .		
3.45	<b>Evaluation of fraud controls</b> - ARAC has oversight of how controls are evaluated so it can understand how effectively fraud and error risks are being addressed.		



Reference	Good Practice	Yes/No	Actions/Comments
Additional comments and key takeaways			

## Training and Development

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
3.46	ARAC receives reports on major incidents as well as details of special investigations, including any whistleblowing cases. <b>(5.22)</b>		

## Training and Development – Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.47	<b>Counter fraud arrangements</b> – ARAC is satisfied that the organisation has adopted appropriate arrangements to identify and respond to the risk of fraud, including reporting losses and investigating fraud incidents as set out in <u>NIAO's good practice guide on Managing Fraud Risk in a Changing Environment</u> .		
Additional comments and key takeaways			

## Financial Reporting

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
3.48	ARAC reviews the clarity and completeness of disclosures in the year-end financial statements. <b>(5.23)</b>		
3.49	ARAC considers significant accounting policies, any changes to them, and any significant estimates and judgements, if possible, before the start of the financial year. <b>(5.23)</b>		
3.50	ARAC uses its understanding of the organisation to assess whether disclosures in the financial statements are set properly in context. <b>(5.23)</b>		
3.51	<p>In reviewing the Annual Accounts, ARAC specifically considers the following:</p> <ul style="list-style-type: none"> <li>• accounting policies comply with relevant requirements, particularly <u>HM Treasury's Financial Reporting Manual</u>;</li> <li>• assurances about the financial systems which provide the figures for the accounts;</li> <li>• the quality of the control arrangements for preparing the accounts;</li> <li>• key judgements made in preparing the accounts, and management's consideration of their ongoing relevance;</li> <li>• any disputes arising between those preparing the accounts and the auditors; and</li> <li>• reports, advice and findings from External Audit – especially the Report to those charged with governance (RTTCWG).</li> </ul>		

## Financial Reporting – Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.52	<b>Annual Report</b> - ARAC reviews the Annual Report to ensure that it is fair and balanced and is easily understandable.		
3.53	<b>Complex judgements and use of experts</b> - Where novel accounting issues or complex judgements have arisen during the year, ARAC has satisfied itself that management took specialist advice or enlisted expertise.		
3.54	<b>Continual monitoring of significant issues</b> - ARAC is effective in monitoring significant financial reporting issues throughout the year, particularly those which could lead to any potential qualification of the accounts.		
3.55	<b>Reports from third parties</b> - In reaching a view on the accounts, ARAC considers the implications of reports from third parties – for example, on legal matters, valuations or reports from regulators.		
3.56	<b>Key matters</b> - ARAC considers key matters on its own initiative rather than relying solely on the work of the External Auditor.		

Reference	Good Practice	Yes/No	Actions/Comments
3.57	<b>Understanding of the organisation</b> - ARAC has a detailed understanding of the organisation and its context and can successfully challenge whether the accounts provide a fair representation of activity.		
3.58	<b>Going concern</b> - ARAC sufficiently challenges the going concern assessment in the context of its review of the financial statements and understanding of the business.		
3.59	<b>Use of financial models</b> - ARAC offers appropriate challenge to any information which is generated through financial modelling.		
3.60	<b>Financial reporting developments</b> - ARAC is familiar with developments in financial reporting standards and can challenge their application in financial statements.		
3.61	<b>Group reporting</b> - (For government groups only) ARAC has sufficient oversight of significant financial reporting risks from across the department or group.		

Reference	Good Practice	Yes/No	Actions/Comments
3.62	<p><b>Submission of unsigned Annual Report and Accounts (ARA) to the C&amp;AG</b> - (For central government bodies) The Annual Report and Accounts should be accompanied by a letter, signed by the Accounting Officer, confirming that the Accounting Officer takes full responsibility for the ARA. This letter should make clear that the Accounting Officer has</p> <ul style="list-style-type: none"> <li>• reviewed the ARA to ensure they have been properly prepared in accordance with the guidance;</li> <li>• enquired of staff to ensure adequate working papers are available to support the figures in the ARA; and</li> <li>• enquired of staff to ensure that it is not anticipated that the ARA will be subject to significant adjustment as a result of the audit procedures.</li> </ul> <p>ARAC should be provided with confirmation that the above has happened.</p>		



## Section 4: Scope - Terms of Reference

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
4.1	ARAC's Terms of Reference are agreed by the Accounting Officer and the Board. <b>(5.26)</b>		
4.2	The Terms of Reference are reviewed on an annual basis. <b>(5.26)</b>		
4.3	The Terms of Reference do not conflict with guidance in the HM Treasury's Audit and Risk Assurance Committee Handbook. <b>(5.27)</b>		
4.4	The Terms of Reference make clear ARAC's independence as a committee. <b>(5.27)</b>		
4.5	ARAC's Terms of Reference are made publicly available, including on the organisation's website. <b>(5.26)</b>		

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
4.6	The Terms of Reference allow for ARAC to sit privately without any non-members present for all or part of a meeting if they wish. <b>(3.4)</b>		

**As a minimum, the following areas are covered by ARAC's Terms of Reference (5.26):**

Reference	Essential Requirements	Yes/No	Actions/Comments
4.7	details of ARAC membership.		
4.8	the reporting requirements to the Board.		
4.9	the key areas of responsibility on which ARAC will advise the Accounting Officer and Board.		
4.10	rights of ARAC over co-opting additional members or procuring specialist advice.		

Reference	Essential Requirements	Yes/No	Actions/Comments
4.11	the head of Internal Audit and a representative from External Audit will have free and confidential access to the Chair of ARAC.		
4.12	meeting information, including the number per year, the number of members required for the meeting to be quorate, and expected invitees.		
4.13	information requirements, including what information will be provided for each meeting, and what will be provided on request.		

### Terms of Reference – Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
4.14	<b>Benchmarking</b> - ARAC has compared its Terms of Reference against those of similar profile organisations.		
4.15	<b>Expectations</b> - In addition to core requirements, the Terms of Reference contain information which allows ARAC to function more effectively – for instance, expectations about how far in advance of meetings papers will be provided.		



Reference	Good Practice	Yes/No	Actions/Comments
4.16	<b>Proportionality</b> - The Terms of Reference properly reflect the role and scope of ARAC and are proportionate to the way ARAC actually operates.		
4.17	<b>Standing item</b> – The Terms of Reference are included as a standing agenda item at every ARAC for reference purposes.		
Additional comments and key takeaways			

## Internal Audit

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
4.18	ARAC performs a risk-based review of Internal Audit's strategy and annual programme of work. <b>(5.16)</b>		
4.19	ARAC assesses the adequacy of the budget and resources available to Internal Audit. <b>(5.16)</b>		

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
4.20	ARAC reviews the Internal Audit charter or terms of reference. <b>(5.16)</b>		
4.21	ARAC assesses the results of Internal Audit's work, and management's responses to the issues raised. <b>(5.16)</b>		
4.22	ARAC reviews the annual Internal Audit Opinion and associated annual report. <b>(5.16)</b>		
4.23	ARAC assesses the performance of Internal Audit against applicable standards, expected performance measures and the results of any internal or external quality assurance assessments. <b>(5.16)</b>		
4.24	ARAC reviews progress made by management in addressing Internal Audit recommendations and is proactive in obtaining confirmation that the recommendations are actually implemented. <b>(5.16)</b>		

Internal Audit – Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
4.25	<b>Other assurance activity</b> - ARAC frames the work of Internal Audit in the context of other assurance activity that takes place in the first and second lines of defence.		
4.26	<b>Support</b> - ARAC plays a role in providing support for, and acceptance of, the work of Internal Audit.		
4.27	<b>Coverage</b> - ARAC challenges whether the effectiveness of the risk, compliance and finance functions is evaluated as a part of its Internal Audit strategy.		
4.28	<b>Overall opinion</b> - ARAC considers how the individual components of the annual Internal Audit plan provide reasonable assurance on governance, risk and control for the organisation in totality.		
<b>Additional comments and key takeaways</b>			

## External Audit

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
4.29	ARAC considers and makes relevant enquiries about the External Auditor's planned audit approach. <b>(5.17)</b>		
4.30	ARAC considers the impact of the results of External Audit work. <b>(5.17)</b>		
4.31	ARAC promotes cooperation between External Audit and Internal Audit to maximise overall audit efficiency, capture opportunities to derive a greater level of assurance and minimise unnecessary duplication of work. <b>(5.17)</b>		
4.32	<p><b>Recommendations Tracking – NIAO Public Reports</b> – Where relevant, ARAC has an effective system for monitoring management's progress with recommendations from NIAO Public Reports.</p> <p>Management responses to recommendations should be included in a Memorandum of Reply (MOR) as set out in DAO 03/24 - <u>Guidance on Responding to Northern Ireland Audit Office Public Reports</u></p>		
4.33	<b>NIAO Good Practice Guides</b> - ARAC has an effective system for monitoring management's progress with any relevant recommendations arising from NIAO Good Practice Guides.		

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
4.34	<b>External Audit's findings and recommendations</b> – ARAC reviews and monitors management's responses to any findings set out in External Audit's RTTCWG.		

### External Audit – Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
4.35	<b>Objectives of External Audit</b> – ARAC has a clear understanding of the objectives, scope and remit of External Audit work.		
4.36	<b>Review of adequacy of scope</b> – ARAC has the opportunity to review the scope of External Audit work and – if not satisfied as to its adequacy – challenge whether additional work should be undertaken by the External Auditor.		
4.37	<b>Level of fees</b> – ARAC satisfies itself that the level of fees payable in respect of the audit services provided is appropriate and that an effective, high-quality audit could be conducted for such a fee.		
4.38	<b>Materiality</b> – ARAC is satisfied that it has a good understanding of materiality, including the benchmarks used and the calculation of materiality and performance materiality, as set out in <u>FRC ISA 320 – Materiality in Planning and Performing an Audit</u> .		

Reference	Good Practice	Yes/No	Actions/Comments
4.39	<b>Audit quality</b> - ARAC considers factors that could affect the quality of the audit during the year and discusses these with the auditor, as set out in FRC's paper <u>on Audit Quality Indicators</u> .		
4.40	<b>Expert advice</b> - ARAC is satisfied that the External Auditor has access to relevant expertise, for instance around pensions liabilities or property valuation.		
4.41	<b>Quality of review</b> - ARAC focuses on priority issues when undertaking its review of the results of External Audit work.		
4.42	<b>Review of audit representation letters</b> - ARAC reviews the audit representation letters before they are signed by the Accounting Officer and considers matters where representation has been requested that relates to non-standard issues.		
4.43	<b>Quality of information provided to External Audit</b> - ARAC takes steps to ensure External Audit receives quality, robust and timely audit evidence from the finance function.		

Reference	Good Practice	Yes/No	Actions/Comments
4.44	<b>Support for External Audit</b> - ARAC is supportive of External Audit's challenge of management and does not act as management's advocate.		
4.45	<b>Uncorrected misstatements</b> –ARAC should provide written endorsement of management's reasons for not correcting any uncorrected misstatements identified by External Audit.		
<b>Additional comments and key takeaways</b>			



## Section 5: Communications and Reporting

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
5.1	ARAC produces a report after each meeting for the Accounting Officer and Board (with a copy to the head of Internal Audit and the External Auditor) covering: <ul style="list-style-type: none"><li>• the key business taken by ARAC; and</li><li>• ARAC's views and advice on any issues they believe the Accounting Officer or Board should take action on. <b>(6.1)</b></li></ul>		
5.2	ARAC has effective communications with those it seeks briefings from (the executive and Internal and External Audit) and those it provides assurance to (the Board). <b>(6.3)</b>		
5.3	ARAC provides an Annual Report timed to support the preparation of the Annual Governance Statement. <b>(6.4)</b>		
5.4	ARAC's Annual Report is open and honest in presenting the ARAC's views. <b>(6.4)</b>		
5.5	ARAC's Annual Report summarises ARAC's work for the past year and how it discharges its responsibilities in accordance with HM Treasury's Audit and Risk Assurance Committee Handbook (July 2024) <b>(1.5, 6.5)</b>		



Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
5.6	There are mutual rights of access between each of the Chair of ARAC, the Accounting Officer, head of risk management (if a separate function), head of Internal Audit and the External Auditor. <b>(6.7)</b>		
5.7	There are periodic discussions with key attendees outside of the formal meetings to help ensure that expectations are managed and there is mutual understanding of current risks and issues. <b>(6.7)</b>		

### Communications and Reporting – Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
5.8	<b>Transparency</b> - ARAC reports its work as transparently as possible within the limits of what is confidential and commercially sensitive.		
5.9	<b>Working with the Board</b> - ARAC has a robust mechanism for working with the Board, so expectations and accountability are clear.		

Reference	Good Practice	Yes/No	Actions/Comments
5.10	<b>Technology</b> - ARAC uses technology to its advantage and communicates as a group in a way which is effective, efficient and secure.		
5.11	<b>Reports from ARAC to the Board</b> - Reports produced by ARAC are proportionate: there is enough information to provide the Board with the assurance it requires, but not too much that key information is diluted.		
5.12	<b>Visibility of risks across departments</b> - (For government departments only) the departmental ARAC has an effective way of gaining visibility over key risks and issues arising from ARACs within the departmental group.		
5.13	<b>Attendance at ARAC meetings by Departmental officials</b> - (For ALBs of government departments only) a departmental official is invited to and attends all ARAC meetings.		
<b>Additional comments and key takeaways</b>			



## Section 6: Continuous Improvement

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
6.1	<b>Chair's performance</b> - The Chair seeks appraisal of his or her performance from the Accounting Officer or Chair of the Board, as appropriate. <b>(Annex A, A2)</b>		
6.2	<b>ARAC members' performance</b> - The Chair assesses the performance of the individual members of ARAC, discusses their training and development needs and agrees a training and development plan. <b>(Annex A, A2)</b>		
6.3	<b>Periodic reviews</b> - The Chair ensures a periodic review of the overall effectiveness of ARAC. <b>(Annex A, A3)</b>		
6.4	<b>Assessment of outcomes</b> - After completing an effectiveness review, there is sufficient time and effort devoted to discussing results and agreeing an action plan based on the outcomes.		
6.5	<b>Monitoring of trends</b> - Evaluation of performance is not done in isolation, and year-on-year trends in different areas of performance are measured.		

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
6.6	<b>Feedback from key stakeholders</b> - The Chair considers ways in which to obtain feedback from the executive and other key stakeholders – for example, Internal and External Audit – on the performance of ARAC.		

### Continuous Improvement – Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
6.7	<b>Succession planning</b> - The results of the performance evaluation are used to inform and influence succession planning – for instance in highlighting skills gaps or a lack of diversity, similar to the process set out for succession planning in the <u>NIAO Report Board Effectiveness Good Practice Guide 2022</u> (Paras 1.23 to 1.25).		
6.8	<b>Method of evaluation</b> - ARAC carefully considers the extent and method of performance evaluation – for instance, using peer evaluation forms similar to those used for Board members and Chairpersons as set out in the <u>NIAO Report Board Effectiveness Good Practice Guide 2022</u> .		
6.9	<b>Objectivity and rigour</b> - The evaluation of performance is objective and rigorous enough for meaningful conclusions to be drawn.		
<b>Additional comments and key takeaways</b>			



## Section 7: Council Specific

Reference	Good Practice	Yes/No	Actions/Comments
7.1	Does ARAC report directly to full Council?		
7.2	Do the Terms of Reference clearly set out the purpose of ARAC?		
7.3	Do ARAC's terms of reference explicitly address all the core areas including: <ul style="list-style-type: none"><li>• Maintenance of governance, risk and control arrangements</li><li>• Financial and governance reporting</li><li>• Establishing appropriate and effective arrangements for audit and assurance</li></ul>		
7.4	Is an annual evaluation undertaken to assess whether ARAC is fulfilling its terms of reference and that adequate consideration has been given to all core areas?		
7.5	Where coverage of core areas has been found to be limited, are plans in place to address this?		

Reference	Good Practice	Yes/No	Actions/Comments
7.6	Is ARAC independent of executive decision-making and able to provide objective oversight?		
7.7	Does ARAC have sufficient importance in the local council so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance?		
7.8	Has an effective ARAC structure and composition of ARAC been selected? This should include: <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of ARAC that is not unwieldy</li> <li>• consideration as to the inclusion of at least one independent member</li> <li>• consideration as to the independent member chairing ARAC</li> </ul>		
7.9	Have independent members appointed to ARAC been recruited in an open and transparent way and approved by the full Council?		
7.10	Does ARAC review progress from recommendations arising from NIAO's: <ul style="list-style-type: none"> <li>• annual audit of the accounts; and</li> <li>• performance improvement audit and assessment annual exercise.</li> </ul>		
<b>Additional comments and key takeaways</b>			