

May 20th, 2025

Notice Of Meeting

You are requested to attend the meeting to be held on **Tuesday, 27th May 2025 at 7:00 pm** in **Hybrid - Church Street, Newtownards & via Zoom.**

Agenda

Agenda

 *AC 27.05.2025 Agenda.pdf*

Page 1

1. **Apologies**
2. **Chairman's Remarks**
3. **Declarations of Interest**

Reports for Noting

4. **Matters Arising from Previous Meetings**

a) Committee Minutes from 24 March 2025

Attached

 *Audit Committee Minutes 24.03.25.pdf*

Not included

 *Audit Committee Minutes 24.03.25 PM.pdf*

Page 3

b) Follow-up Actions

Report attached

 *Item 4b - Follow-up Actions.pdf*

Page 13

5. **External Audit**

a) Effective Audit and Risk Assurance Committees – A Good Practice Guide

Report attached

 *Item 5a - Effective Audit and Risk Assurance Committees A Good Practice Guide.pdf*

Page 15

 *Item 5a - Appendix 1 - GPG - Letter to Council CExs April 2025.pdf*

Page 16

 *Item 5a - Appendix 2 - NI Audit Office Good Practice Guide - Effective Audit & Risk Assurance Committees.pdf*

Page 17

 *Item 5a - Appendix 3 - Audit and Risk Assurance Committee Self-Assessment*

Page 81

6. Internal Audit

a) ANDBC Audit Committee Progress Report

Report attached

 *Item 6a - ANDBC Audit Committee Progress Report.pdf*

Page 134

b) Administration Service Audit

Report to follow

7. Corporate Governance

a) Statement of Assurance Summary Report

Attached

 *Item 7a - Statement of Assurance Summary Report.pdf*

Page 166

Reports for Approval

8. Corporate Governance

a) Revised Risk Management Policy & Strategy 2025-29

Report attached

 *Item 8a - Revised Risk Management Policy & Strategy 2025-2029.pdf*

Page 170

 *Item 8a - Appendix 1 - Risk Management Policy & Strategy. 2025-29. Ver 3 Final. Apr25.pdf*

Page 172

b) Risk Appetite Framework

Attached

 *Item 8b Risk Appetite Framework May 2025.pdf*

Page 195

 *Item 8b - Appendix 1 - Risk Appetite Framework 2025- App 3. Risk Strategy.pdf*

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9. Any Other Notified Business

ITEMS 10 – 12 *IN CONFIDENCE*****

Reports for Noting

10. Single Tender Actions Update

Report attached

 *Item 10 - Single Tender Actions Update.pdf*

Not included

11. Fraud, Whistleblowing and Data-protection matters

Verbal Update

12. Meeting with NI Audit Office & Internal Audit Service in the absence of Management

ARDS AND NORTH DOWN BOROUGH COUNCIL

20 May 2025

Dear Sir/Madam

You are hereby invited to attend a hybrid meeting (in person and via zoom) of the Audit Committee of the Ards and North Down Borough Council which will be held the Council Offices, 2 Church Street, Newtownards on **Tuesday, 27 May 2025** commencing at **7.00pm**.

Yours faithfully

Susie McCullough
Chief Executive
Ards and North Down Borough Council

A G E N D A

1. Apologies
2. Chairman's Remarks
3. Declarations of Interest

Reports for Noting:

4. Matters Arising from Previous Meetings
 - a) Committee Minutes from 24 March 2025 (report attached)
 - b) Follow-up Actions (report attached)
5. External Audit
 - a) Effective Audit and Risk Assurance Committees – A Good Practice Guide (report attached)
6. Internal Audit
 - a) ANDBC Audit Committee Progress (report attached)
 - b) Administration Service Audit (report to follow)
7. Corporate Governance:
 - a) Statement of Assurance Summary (report attached)

Reports for Approval:

8. Corporate Governance:
 - a) Revised Risk Management Policy & Strategy 2025-29 (Report attached)

b) Risk Appetite Framework (report attached)

9. Any Other Notified Business

ITEMS 10 – 12 *IN CONFIDENCE*****

Reports for Noting:

10. Single Tender Actions Update (report attached)

11. Fraud, Whistleblowing and Data-protection matters (verbal update)

12. Meeting with NI Audit Office & Internal Audit Service in the absence of Management (verbal update)

MEMBERSHIP OF AUDIT COMMITTEE (11 MEMBERS)

Alderman Armstrong-Cotter	Councillor McCollum (Vice Chair)
Councillor Harbinson	Councillor McKee
Councillor Ashe	Councillor McLaren
Councillor Cochrane	Councillor Thompson
Councillor Hollywood (Chair)	Councillor Wray
Mr P Cummings	

ITEM 8.1

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ARDS AND NORTH DOWN BOROUGH COUNCIL

A hybrid (in person and via Zoom) meeting of the Audit Committee was held at the Council Chamber, Church Street, Newtownards, on Monday 24th March 2025 at 7.00pm.

PRESENT: -

In the Chair: Councillor Hollywood

Councillors:	Ashe (Zoom, 19:02)	McKee (Zoom)
	Cochrane (Zoom)	McLaren
	McCollum	Thompson (Zoom, 19:16)

Independent Member: Mr P Cummings

In Attendance: Camile McDermott (Deloitte), Niamh Sammon (Deloitte), Brian O'Neill (NI Audit Office)

Officers: Chief Executive (S McCullough), Director of Corporate Services (M Steele), Head of Finance (S Grieve), and Democratic Services Officer (S McCrea)

1. APOLOGIES

Apologies for inability to attend were received from Councillors' Harbinson and Wray.

2. CHAIRMAN'S REMARKS

The Chair (Councillor Hollywood) welcomed Deloitte representatives Camile McDermott and Niamh Sammon respectively, Northern Ireland Audit Office representative Brian O'Neill as well as Independent Member Paul Cummings.

3. DECLARATIONS OF INTEREST

No Declarations of Interest were notified.

4. MATTERS ARISING FROM PREVIOUS MINUTES**4 (a) COMMITTEE MINUTES FROM 16 DECEMBER 2024**

PREVIOUSLY CIRCULATED:- Copy of the above minutes.

AGREED TO RECOMMEND, on the proposal of Councillor McKee, seconded by Councillor Cochrane, that the minutes be noted.

4 (b) **FOLLOW UP ACTIONS**

PREVIOUSLY CIRCULATED:- Report from the Director of Corporate Services detailing that, in line with good practice, a register of actions was maintained to ensure that requests from previous meetings of the Committee had been followed up on.

Item	Title	Action	Officer	Status
Dec 23 6b	Audit and Assessment Report	<ul style="list-style-type: none"> Drafting of formal consultation strategy 	Head of Comms & Marketing	In draft Sep 2025
Jun 24 11	Draft Financial Statements	<ul style="list-style-type: none"> Review of Scheme of Allowances to remove the need for Members to claim SRA 	Head of Finance	CSC March 2025
12	Private Meeting with Auditors	<ul style="list-style-type: none"> Need for progress with regard to Governance and Internal Audit issues 	Director of Corporate Services	Item 6a
		<ul style="list-style-type: none"> Members requested earlier draft financial statements 	Head of Finance	Due June 2025
		<ul style="list-style-type: none"> Need for additional meeting to be considered during the Annual Meeting 	Director of Corporate Services	Item 7

RECOMMENDED that Council notes the report.

AGREED TO RECOMMEND, on the proposal of Councillor McLaren, seconded by Councillor Ashe, that the recommendation be adopted.

5. **EXTERNAL AUDIT**

5 (a) **DRAFT AUDIT STRATEGY 2024/25**

PREVIOUSLY CIRCULATED:- Copy of the above report.

Brian O'Neill (NI Audit Office) summarised the draft audit strategy report to members, explaining that the performance audit would occur after the Council audit and the fee for services could be found at the bottom of page two. Some areas would require specialised skills such as pension as well as Land and Property Services. There were significant material risks as could be found on page 43 but it was noteworthy to mention that one significant risk was identified as applicable to

every audit which could be addressed by the likes of using Journal entries. On this occasion, the former Ards Leisure Centre debt from last year had been identified and certification was hoped for by September 2025.

Councillor McCollum proposed, seconded by Councillor McLaren, that the recommendation be adopted.

Councillor McCollum queried if further discussions had been entered into regarding the former leisure centre location. The Head of Finance explained that the Lands Officer had been investigating mapping issues that required additional affidavit preparation and was attempting to meet with the DSO, DfI and GIS Officers to try and correct the maps. It had been four years since the land was vested and so no predictions could be made on timeframes.

AGREED TO RECOMMEND, on the proposal of Councillor McCollum, seconded by Councillor McLaren, that the verbal update be noted.

6. INTERNAL AUDIT

The following items, 6a through 6h were agreed to be noted together.

6 (a) INTERNAL AUDIT PROGRESS REPORT 2024/25

PREVIOUSLY CIRCULATED:- Copy of the above report.

Camille McDermott (Deloitte) summarised the report to Members advising that there had been fifty recommendations at the start of the internal audit last year with five priority #1. During the year, a further nine recommendations had been added to the tracker. Management had confirmed that twenty had been closed, four of which were priority #1. As of this day, 24th March 2025, thirty-nine remained open. Eleven recommendations were overdue but work had started on these which included one priority #1. Twenty-three recommendations had not been started which were overdue but none were priority #1. There were a number of priority #2 and five of the items were not due. Overall, there was a positive movement on the actioned priority #1s over the year.

Councillor McCollum queried the procurement handbook mentioned on page 25 where it had been mentioned by a Head of Service that no formal review of spending had been taken. This had been the case for some time and she wished to query it in more detail. Camille McDermott advised that a recommendation had been made around spend. Where procurement occurred regularly, the individual spend may not be much but over the course of a year, it could amount significantly and present opportunities for annual tenders for example. Therefore, Deloitte were recommending a review be carried out on spend across the year to identify such recommendation areas. Management had indicated that due to capacity issues, no review had been carried out but at some point, management should be encouraged to revisit if the priority was not to be closed.

Councillor McCollum referred to, 'triggering absence,' and an unsuccessful recruitment campaign, asking for more detail on the technical aspect of the role. The

Head of Finance advised that the HR Department had attempted to recruit a Systems Officer to work on HR applications but had been unable on two to three occasions to recruit. The Head of Finance would discuss with HR if there was any possibility of contingency plans whilst awaiting the recruitment process.

The Director of Corporate Services referred to the technological solution for the automated reminder system regarding absence trigger points but noted it was the obligation of managers to oversee, similar to the training courses that the Council rolls out to staff that must be refreshed throughout the years. In relation to procurement, the team consisted of four people and with recent developments such as the Procurement Act placing additional strains on the team. In answer to Councillor McLaren's questions on capacity issues and their reasons, the Director of Corporate Services explained that the similar queries were raised in the Corporate Services Committee. Some of the areas required specialist skillsets and were within competitive markets. During recruitment exercises, applicants did not possess the correct mix of qualifications and skills whilst in IT and Digital departments, it was a matter of rate of pay.

Paul Cummings suggested the possibility of a shared recruitment resource amongst Councils for procurement. The Director of Corporate Services agreed, advising that the Council had explored some options through the Association of Local Government Finance Officers and SOLACE.

6 (b) PCSP REPORT

PREVIOUSLY CIRCULATED:- Copy of the above report.

Niamh Sammon (Deloitte) summarised the report to Members which was part of the annual audit requirement. In reviewing governance of PCSP, Deloitte focused on grants and tendering to ensure Council policies followed. There were no priority #1 or #2 and one priority #3 with an overall satisfactory level of assurance.

Councillor McCollum asked about the compiling of report cards and the sample and review processes. Niamh Sammon explained that the sample of ten tested report cards completed by projects had led to two findings. One issue had been that a number of cards had not been brought to the committee which had been an oversight by PCSP. Though they had not reached the committee, they had still been compiled. Projects were paid on quarterly basis with cards being a tool to report on progress versus outcomes. Councillor McCollum asked for clarification on its relation to performance value of grant achievements. Niamh Sammon explained that the purpose of Community Safety was an oversight function like Audit. There was another level of oversight and team in Council that checks each project against outcomes. In a report card, evidence was required to show a project had met particular requirements.

6 (c) LMP REPORT

PREVIOUSLY CIRCULATED:- Copy of the above report.

Niamh Sammon advised that the LMP report was part of the annual audit, and its purpose was to review governance, arrangements and controls in place for the management of LMP. There had been no findings in the review with an overall satisfactory level of assurance.

6 (d) TRANSFORMATION PROGRAMME REPORT

PREVIOUSLY CIRCULATED:- Copy of the above report.

Niamh Sammon summarised the report to Members, explaining that it looked at controls in place for management. The review looked at underlying frameworks with a sample of two projects. For the purposes of review, Deloitte looked at processes to monitor progress against project plans. One priority #2 had been identified regarding the risk to overall management with no standalone programme risk register. The solution would be to implement a risk register. There were also two priority #3 recommendations with an overall satisfactory level of assurance.

Councillor McCollum asked if the target date of 14th March had been implemented and the risk register put in place. Niamh Sammon advised that this information would be collated over the next quarter to be presented in the next Audit Committee. The Director of Corporate Services was able to advise that a STEP board meeting had taken place on the 14th March at which the risk register was on the agenda which meant it was therefore actioned.

6 (e) BUDGETARY CONTROL REPORT

PREVIOUSLY CIRCULATED:- Copy of the above report.

Niamh Sammon explained that the review looked at how the Council set budgets with monitoring and reporting. Deloitte had focussed on the 2024-25 financial year. To look back and sample test that controls worked. There were no priority #1 or #2 findings with four priority #3 finding and an overall satisfactory level of assurance.

6 (f) CASH HANDING REPORT

PREVIOUSLY CIRCULATED:- Copy of the above report.

Niamh Sammon advised Members that this report looked at Council key processes around cash handling, focusing on how cash was recorded as well as reconciliation processes and security. Two sample locations had been reviewed in the Leisure Services area. One priority #2 was identified on updates required to leisure centre cash management procedures regarding the limits on safes and it had been flagged so that staff had access to that information. There was also a noted process called the Reception Audit Report which was a weekly function by line managers. A recommendation was made that these weekly reports be documented as, at the time of review, Deloitte was unable to find evidence of such checks being completed weekly. There were also two priority #3 findings and an overall satisfactory level of assurance.

In answer to a line of questioning by Councillor McCollum, Niamh Sammon advised that findings from the review had been rolled out amongst all leisure centres but that the recommendations had been written to meet the specific procedures of the leisure services areas. It would be possible for those findings to be used across other Council Service areas, being updated accordingly to suit each area.

6 (g) DIGITAL TRANSFORMATION ADVISORY REPORT

PREVIOUSLY CIRCULATED:- Copy of the above report.

Niamh Sammon explained that this review sought to look toward risk management processes in Council surrounding digital transformation. It focused on the digital strategy that the Council had drafted which aligned with the Corporate Plan. There were processes for tracking progress of digital initiatives in the strategy. Members were asked to note that as the report was advisory there was no level of assurance provided. There were two high priority findings, one being that there was no centralised programme management system for digital initiatives and their defined outcomes. It would be essential for a process to exist to track and capture progress made. The second related to a recommendation to implement a standalone governance structure for digital transformation.

Councillor McCollum was curious if the target date of 30.09.2025 was realistic and the composition of a steering group would be. The Director of Corporate Services explained that the target date had been created by Council. For information, he outlined that it had only been in the last year that Council had signed off on the digital strategy with projects in development that are monitored through the STEP board which ensured senior management had oversight. As Digital Transformation matures, more projects would mean there would be interlinkages which would require a steering group but would be a separate entity to the STEP board.

6 (h) GOVERNANCE FRAMEWORK REPORT

PREVIOUSLY CIRCULATED:- Copy of the above report.

Niamh Sammon explained that the review looked at Council arrangements against good practice. There had been updates required to some Council policies and standing orders. The first priority #2 related to no version control on some policies and no defined policy review process. Therefore, a recommendation was made to implement regular review processes and version controls. The second priority #2 related to incidents of non-completion of the Declarations of Interest Policy. Two out of the sample of fifteen staff had not completed the annual declaration of interest and therefore a recommendation was made for management to ensure staff complete as required with a robust follow-up process which could include the involvement of senior management where there was non-compliance. There were three priority #3 and an overall satisfactory level of assurance.

Councillor McCollum proposed, seconded by Councillor McLaren, that the items 6a through 6h be noted together.

6 (i) DRAFT ANNUAL ASSURANCE REPORT

PREVIOUSLY CIRCULATED:- Copy of the above report.

Camille McDermott explained that the report to Members, advising that Section two set out all reviews completed throughout the year with twelve completions, one advisory, one follow up and the majority being satisfactory and two limited assurances in DPA and Assets. Deloitte would encourage managers to close off any open recommendations.

6 (j) DRAFT INTERNAL AUDIT PLAN 2025/26

PREVIOUSLY CIRCULATED:- Copy of the above report.

Camille McDermott summarised the Audit Plan to Members, explaining that Section 4 showed the areas to be covered whilst Section 5 showed how it compared to the overall strategy over four years that was established in 2023. Services reviews, climate change strategies and a number of operational areas would be covered including the use of agency, lease management, community planning as well as PCSP and LMP annual reviews.

Councillor McKee entered into a discussion with the Committee on the possibility of making a change to the proposed audit plans over the incoming year with the hopes of expanding its scope to include an audit of recruitment processes and procedures across the Council. This had previously been carried out in 2020.

On the proposal of Councillor McKee, seconded by Councillor McLaren an alternative proposal was put forth, that the committee notes the internal audit plan included in item 6J and expands the scope of the audit plan to include recruitment processes and procedures across the Council.

The Director of Corporate Services advised that one element of the original proposal would need to be swapped out. There was also the possibility of carrying out ten audits in 2025-26 and one less in 2026-27 but this would be dependent on costs and Deloitte's resources as well.

Councillor McKee explained the reasoning behind his proposal, citing a recent whistleblowing incident. The Director of Corporate Services explained that an agency staff audit was scheduled next year which specifically related to the referenced incident.

Councillor McCollum was unable to support the proposal at such a late stage with a draft audit plan already presented, though she understood the reasoning behind Councillor McKee's proposal. She suggested it may be wiser to proceed through an alternate route such as a Notice of Motion; a sentiment that Councillor Ashe agreed with.

The proposal was put the meeting and FELL with 2 voting FOR, 5 AGAINST, 0 ABSTENTIONS and 3 ABSENT.

Councillor McCollum proposed, seconded by Councillor Ashe, that the original recommendation be adopted and items 6j be noted.

AGREED TO RECOMMEND, that items 6a through 6j be noted.

7. WORK PLAN AND MEETING SCHEDULE FOR 2025/26

PREVIOUSLY CIRCULATED:- Report from the Director of Corporate Services detailing that, in order to assist the Committee with its oversight responsibilities a suggested meeting schedule and work plan had been prepared.

The following standing items were on each meeting's agenda, with the exception of the June meeting which was a single item agenda to consider the financial statements:

- Follow-up actions from previous committee meetings
- Internal Audit Update
- Single Tender Action Update
- Fraud, whistleblowing and data breaches update
- Meeting with Auditors in the absence of management

Meeting Date	Agenda Items
26 May 2025	<ul style="list-style-type: none"> • Statements of Assurance Update • Governance Statement Review • Review of Terms of Reference
24 June 2025	<ul style="list-style-type: none"> • Draft Financial Statements Review
23 September 2025	<ul style="list-style-type: none"> • Audited Financial Statements Approval • Draft Report to those charged with Governance • Corporate Risk Register Review • Policy Status Review
16 December 2025	<ul style="list-style-type: none"> • Final Report to Those charged with Governance • Final Audit Letter • Improvement Audit and Assessment Reports • Interim Statements of Assurance Update
24 March 2026	<ul style="list-style-type: none"> • Draft External Audit Strategy 2025/26 • Review of Corporate Risk Register • Annual Internal Audit Report • Internal Audit Plan 2026/27 • Meeting Schedule and work plan 2026/27

RECOMMENDED that Council notes the report.

The Head of Finance advised there was a minor correction to the schedule in that the next meeting had been scheduled on a bank holiday. He proposed changing the date to the 27th May 2025.

AGREED TO RECOMMEND, on the proposal of Councillor McCollum, seconded by Councillor McLaren, that recommendation be adopted.

8. ANY OTHER NOTIFIED BUSINESS

There were no other items of notified business.

EXCLUSION OF PUBLIC/PRESS

AGREED, on the proposal of Councillor McCollum, seconded by Councillor McLaren, that the public/press be excluded during the discussion of the undernoted items of confidential business at

9. SINGLE TENDER ACTIONS UPDATE

*****IN CONFIDENCE*****

NOT FOR PUBLICATION

Schedule 6:3. Relating to the financial or business affairs of any particular person

The Committee were asked to consider a report detailing an update on single tender actions since the last update was provided in December 2024.

10. FRAUD, WHISTLEBLOWING AND DATA-PROTECTION MATTERS

*****IN COMMITTEE*****

NOT FOR PUBLICATION

SCHEDULE 6:3 – INFORMATION RELATING TO THE FINANCIAL OR BUSINESS AFFAIRS OF ANY PARTICULAR PERSON (INCLUDING THE COUNCIL HOLDING THAT INFORMATION)

The Chief Executive raised any new incidences of fraud, whistleblowing and data protection.

11. MEETING WITH NI AUDIT OFFICE & INTERNAL AUDIT SERVICE IN THE ABSENCE OF MANAGEMENT

*****IN CONFIDENCE*****

NOT FOR PUBLICATION

SCHEDULE 6:3 – INFORMATION RELATING TO THE FINANCIAL OR BUSINESS AFFAIRS OF ANY PARTICULAR PERSON (INCLUDING THE COUNCIL HOLDING THAT INFORMATION)

A meeting was held in the absence of management.

RE-ADMITTANCE OF PUBLIC AND PRESS

AGREED, on the proposal of Councillor McLaren, seconded by Councillor McCollum that the public/press be re-admitted to the meeting.

TERMINATION OF MEETING

The meeting terminated at 20:52.

Unclassified

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ITEM 4b

Ards and North Down Borough Council

Report Classification	Unclassified
Exemption Reason	Not Applicable
Council/Committee	Audit Committee
Date of Meeting	27 May 2025
Responsible Director	Director of Corporate Services
Responsible Head of Service	
Date of Report	20 May 2025
File Reference	AUD02
Legislation	Local Government (Accounts and Audit) Regulations 2015
Section 75 Compliant	Yes <input type="checkbox"/> No <input type="checkbox"/> Other <input checked="" type="checkbox"/> If other, please add comment below:
Subject	Follow up actions from previous meeting
Attachments	

In line with good practice, a register of actions is maintained to ensure that requests from previous meetings of the Committee are followed up on.

Item	Title	Action	Officer	Status
Dec 23 6b	Audit and Assessment Report	Drafting of formal consultation strategy	Head of Comms & Marketing	In draft Sept 25
Jun 24 12	Private Meeting with Auditors	Earlier circulation of draft financial statements	Head of Finance	June 25
Mar 25 6a	Internal Audit Progress Report	Discuss interim arrangements for systems officer	Head of Finance	May 25
6f		Remind Service Unit Managers to keep	Head of Finance	Sep 25

Not Applicable

		income procedures up to date		
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RECOMMENDATION

It is recommended that Council notes the report.

Unclassified

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ITEM 5a**Ards and North Down Borough Council**

Report Classification	Unclassified
Exemption Reason	Not Applicable
Council/Committee	Audit Committee
Date of Meeting	27 May 2025
Responsible Director	Director of Corporate Services
Responsible Head of Service	Head of Finance
Date of Report	11 April 2025
File Reference	'-
Legislation	'-
Section 75 Compliant	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other <input type="checkbox"/> If other, please add comment below:
Subject	Effective Audit and Risk Assurance Committees – A Good Practice Guide
Attachments	1. Letter to Council CExs April 2025 2. NI Audit Office Good Practice Guide 3. Audit and Risk Assurance Committee Self-Assessment Checklist 4.HM Treasury Corporate governance in central government departments

A letter was received by the Chief Executive on 10 April 2025 from the Northern Ireland Audit Office. The letter relates to Effective Audit and Risk Assurance Committees and contains links to the appendices to this report.

RECOMMENDATION

It is recommended that Council note the letter and the appendices.

Via email to all Council Chief Executives

10 April 2025

Dear Chief Executive,

Effective Audit and Risk Assurance Committees – A Good Practice Guide

On 31 March 2025, we published our latest Good Practice Guide – Effective Audit and Risk Committees and is available to access on our website [here](#).

This good practice guide supplements the large amount of relevant guidance already available and is intended to bring all this guidance into one document to be used by all Audit and Risk Assurance Committees (ARACs) within both Central and Local Government in Northern Ireland.

The guide draws on insights and learnings from NIAO's attendance at many ARAC meetings across the NI public sector and provides examples of good practice from our own work with organisations in this area.

The guide includes a number of appendices, including a Self-Assessment Checklist and I would encourage the Chair of your ARAC to complete this checklist at least annually.

The constitution and membership of ARACs in local councils in Northern Ireland differs somewhat from central government public bodies and Section 7 of the guide provides guidance specific to local councils.

I would be grateful if you could please table a copy of this guide at the next ARAC meeting, where my staff would be happy to present its contents. If, however, you would like some hard copies, please contact Deborah.taylor@niauditoffice.gov.uk who will arrange this.

Yours faithfully,



Colette Kane
Local Government Auditor



Northern Ireland
Audit Office

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Effective Audit and Risk Assurance Committees

A Good Practice Guide

Published March 2025

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Foreword

An Audit and Risk Assurance Committee (ARAC) has a vital role in helping public sector organisations ensure that Accounting Officers and Boards gain the assurance they need on:

- governance;
- risk management;
- the control environment;
- the integrity of the financial statements; and
- other elements of the Annual Report and Accounts.

The ARAC provides an important governance function, helping to ensure that an organisation has good corporate governance and that it is effective and well managed.

ARAC plays a crucial role in supporting the Board in meeting its obligations for setting an organisation's risk appetite and ensuring that the framework of governance, risk management and controls is in place. This is highlighted in HM Treasury's Corporate governance in central government departments: code of good practice guidance (April 2017).

ARAC's role is a demanding one and requires strong and independent members with an appropriate range of skills and experience. It benefits from a collaborative relationship with the organisation to ensure that the committee gets the support and information that it needs.

An ARAC is essentially an oversight committee, however it has to satisfy itself that key controls are operating, that risks are being properly managed, that key accounting estimates and judgements are being properly made and that internal and external audits are effective.

ARAC should act as the conscience of the organisation, providing insight and constructive challenge where required, such as on risks arising from fiscal and resource constraints, new service delivery models, information flows on risk and control, and the agility of the organisation to respond to existing and emerging risks.

In the course of our work, the Northern Ireland Audit Office has worked closely with ARACs across the public sector, and this good practice guide draws on insights and learnings from NIAO's attendance at many ARAC meetings. It examines the role of ARACs in local government in Northern Ireland in accordance with CIPFA's Position Statement (2022) and how the principles apply to local government bodies in Northern Ireland.

I hope that ARAC Members, and the organisations they support, find this guide a useful tool in their continued efforts to ensure the highest standards in the delivery of public services in Northern Ireland.

Dorinnia Carville

Comptroller and Auditor General

March 2025



List of Abbreviations

AI	Artificial Intelligence
ALB	Arm's Length Body
ARAC	Audit and Risk Assurance Committee
CIPFA	Chartered Institute of Public Finance and Accountancy
DAO	Dear Accounting Officer
DoF	Department of Finance
ESG	Environmental, Social and Governance
FRC	Financial Reporting Council
GDPR	General Data Protection Regulation
HMT	His Majesty's Treasury
ISA	International Standard on Auditing
MoR	Memorandum of Reply
NAO	National Audit Office
NEBM	Non-Executive Board Member (A member of ARAC who is not part of the organisation's senior executive team)
NIAO	Northern Ireland Audit Office
NICS HR	Northern Ireland Civil Service Human Resources
RTTCWG	Report to those charged with governance
SIRO	Senior Information Risk Owner
ToR	Terms of Reference

Introduction

Introduction

1. An organisation's Board is responsible for ensuring that there are effective arrangements for governance, risk management and internal control. The Board, however, should be supported by:
 - an Audit and Risk Assurance Committee chaired by a suitably experienced non-executive Board member (NEBM); and
 - an Internal Audit service operating to the professional standards mandated for Internal Audit in the public sector.
2. The Department of Finance's ARAC Handbook (April 2018) states that an ARAC should:
 - be made up of at least three members;
 - support the Board in its role on advising the organisation on key risks;
 - not have any executive responsibilities or be charged with making or endorsing any decisions;
 - have adequate support, including a secretariat function;
 - lead the assessment of the annual Governance Statement for the Board; and
 - make publicly available its Terms of Reference (ToR).
3. The Northern Ireland Audit Office (NIAO) has a unique oversight role over a wide and diverse range of central government, arms-length and local government bodies. This good practice guide:
 - supplements the large amount of relevant guidance already available from the Department of Finance (DoF), HM Treasury (HMT) and the National Audit Office (NAO) and is intended to bring all this guidance into one document to be used by all ARACs within both Central and Local Government in Northern Ireland;
 - is intended to be used by ARAC members, secretariats and executive officers;
 - provides examples of good practice from our own work with organisations in this area; and
 - is written to promote good practice at ARACs.
4. HM Treasury's latest guidance on Audit and Risk Assurance Committees (July 2024) sets out the following five good practice principles for ARACs, stating that each principle is of equal importance:
 - Principle 1: Membership, independence, objectivity and understanding
 - Principle 2: Skills
 - Principle 3: The role of the ARAC
 - Principle 4: Scope of work
 - Principle 5: Communication and reporting

5. This guide has been split into seven core sections. The first five sections reflect the good practice principles set out in the HM Treasury's guide. Section 6 provides details on how a high-performing ARAC can continually improve as the challenges and requirements facing it evolve. Section 7 provides guidance specific to local councils in Northern Ireland.

Membership, independence, objectivity and understanding

6. ARAC should be independent and objective; in addition, the Chairperson and at least one other member should be a non-executive, who should have a good understanding of the objectives and priorities of the organisation and of their role as an ARAC member.

Skills and experience

7. ARAC should collectively own an appropriate skill mix to allow it to carry out its overall function and duties.

Roles and responsibilities

8. ARAC should support the Accounting Officer and Board 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.

Scope

9. The scope of ARAC work should be defined in its terms of reference and encompass all the assurance needs of the Accounting Officer and Board. Within this, ARAC should have particular engagement with the work of Internal Audit, risk management, External Audit, counter fraud and financial management and reporting issues.

Communication and reporting

10. ARAC should ensure that it has effective communication with all key stakeholders, for example, the Board, the Head of Internal Audit, the External Auditor, Executives of the organisation including the risk manager and other relevant assurance providers, such as the counter fraud manager.

Continuous Improvement

11. As the challenges and requirements of ARACs evolve, a high-performing ARAC will strive for continuous improvement. It is important that ARACs adopt a positive attitude to learning and development, regularly appraises its performance and is open to feedback from others.

Council Specific

12. ARACs of local councils within Northern Ireland differ somewhat to central government ARACs. Section 7 seeks to provide guidance specific to local councils.

13. Included in this guide are four appendices designed to assist ARACs in their role and to help promote and maintain good practice.

Appendix 1 - Audit and Risk Assurance Committee Self-Assessment Checklist

14. This self-assessment checklist allows for ARACs to review their overall effectiveness. It is recommended that ARACs should aim to assess their effectiveness against this checklist on an annual basis.

Appendix 2 - Example of Annual ARAC core work programme (for bodies with a March year-end)

15. This example of an annual ARAC core work programme gives suggested agenda items to present at the Audit and Risk Assurance Committee meetings.

Appendix 3 - Example of ARAC Annual Report Structure

16. Part of good practice for ARAC is producing an Annual Report to the Board highlighting the activities of ARAC for the year. Included in this guide is a template for the ARAC's Annual Report to the Board. This template includes key areas and should be tailored to each organisation.

Appendix 4 – The role of the Chair of the Audit and Risk Assurance Committee

17. Appendix 4 provides details on a number of additional responsibilities for the Chair of ARACs.

Part One:

Membership, Independence, Objectivity and Understanding

Membership, Independence, Objectivity and Understanding

- 1.1** To properly fulfil its role, an effective ARAC needs to be both independent and objective:
- It should comprise at least three members.
 - The Chairperson should be a Non-Executive Board Member (NEBM) with relevant experience.
 - The Chairperson of the Board should not be a member of ARAC.
 - There should be at least one other NEBM on ARAC.
 - There should be no Senior Executive appointments to ARAC (a Senior Executive has a managing role within the organisation).
 - ARAC should possess the requisite knowledge and skills to effectively engage with and challenge the organisation.
 - ARAC should seek additional independent, non-executive membership to ensure an appropriate level of skills and experience, as and when required.
- 1.2** Whilst Executive Members of the organisation should not be appointed to ARAC, it is important for the management of ARAC business that there must be regular attendance and appropriate input from all attendees including:
- the Accounting Officer;
 - the Finance Director;
 - the Head of Internal Audit; and
 - a representative of the External Auditor, who should routinely attend and be available to meet privately with the Committee members outside of the meeting.
- 1.3** It is also good practice for the Chair of ARAC to have regular meetings with the Accounting Officer and Finance Director. The Chair should also meet with the Head of Internal Audit and the External Auditor's senior representative separate from executive members to discuss any significant issues.
- 1.4** In order for members to have a clear understanding of their role, all ARAC members should be provided with up-to-date ToR which incorporate:
- what is expected of them in their role, including time commitments;
 - how they will be appraised;
 - the duration of their appointment; and
 - training required and how this will be provided.

- 1.5** The efficient management of ARAC business is essential. The regularity, timing and duration of meetings is therefore critical to ARAC being able to exercise its responsibilities effectively throughout the year. Strong agenda planning and management by the Chair is vital to ensuring ARAC devotes the right amount of time to issues competing for priority. A full committee cycle agenda is necessary to ensure all items are covered that are applicable throughout the financial year, including separate audit and risk requirements, especially when the committee is interacting with the Board on risk issues. Where necessary, ARAC members may wish to invite key individuals from the organisation to ARAC meetings to discuss specific issues/projects.
- 1.6** ARAC members must take personal responsibility for ensuring that possible conflicts of interest are properly declared. If a conflict of interest declaration is made by any ARAC member (including the Chair), the ARAC should then consider the nature of the conflict of interest before determining the course of action. This could include asking the member to leave while a particular item is being discussed or suggesting that the member should stand down where a conflict of interest is likely to exist for a long period.
- 1.7** We regularly observe public servants from an organisation who, because of their particular skill set, are appointed to sit on other ARACs within the public sector. It is important that these appointments are truly independent and free from any conflict of interest, and that they are able to contribute independently and objectively to each of the meetings.
- 1.8** Section 6.01 of the Northern Ireland Civil Service Handbook provides guidance on conflicts of interest and outlines that if a civil servant wishes to undertake any private work (paid or unpaid) with another public sector body (including another Government Department) approval must first be obtained from NICS HR Employee Relations, outlining if this work is paid or unpaid. Civil Servants may choose to apply for unpaid leave or use a portion of personal leave allowance to allow them to undertake paid work in another public sector post.



What does good practice look like?

- **An ARAC needs to have a good understanding of the objectives and priorities of the organisation.**
- **There should be clear up-to-date Terms of Reference.**
- **An ARAC needs to be independent.**
- **An ARAC needs to have the requisite breadth of skills and experience.**
- **An ARAC needs to have sufficient time and access to all relevant information to allow it to perform its functions effectively and efficiently.**
- **An ARAC needs to have regular attendance and appropriate input from all attendees.**
- **The Chair should have regular meetings with the Accounting Officer and the Finance Director to discuss any significant issues.**
- **The Chair should have regular meetings with the Head of Internal Audit and the External Auditor separate from executive officers to discuss any significant issues.**
- **An ARAC needs to have strong agenda planning and management with strong secretariat support.**
- **All potential conflicts of interest need to be declared.**
- **ARAC members meet privately prior to ARAC meetings to discuss the papers and any issues that they feel need further discussion or more information on.**



Our Observations

We have observed ARACs that have organised private meetings with Internal Audit and External Audit. Typically, these meetings are scheduled prior to the ARAC meeting. These pre-meetings give ARAC members the opportunity to ask questions of Internal and External Auditors and for both bodies to provide feedback to ARAC on any issues arising out of their work. These meetings are typically held at least twice per year, although we have seen instances where these meetings happen before every ARAC meeting.

Part Two: Skills and Experience

Skills and Experience

- 2.1** ARAC members require a wide range of skills and experience in relation to governance, risk and control. Members need to be mindful of when they need to upskill, build expertise and draw on specialist skills from elsewhere.
- 2.2** At least one member of ARAC should have recent and relevant financial experience sufficient to allow them to competently analyse the financial statements and recognise good financial management disciplines. The Accounting Officer and Board, in conjunction with the Chair of ARAC, should periodically review and agree on any additional skills that ARAC may require to maintain its effectiveness.
- 2.3** Where necessary, ARAC should have the authority to co-opt members or procure specialist advice to provide required skills, knowledge and experience to properly fulfil its role. It is important to ensure that any co-opted members are free from any conflicts of interest.
- 2.4** All ARAC members, whatever their status or background, will have training and development needs, especially for recent developments or emerging risk areas. Those who have recently joined ARAC will need induction training, to help them understand their role and/or the organisation. Those joining a public sector ARAC for the first time with no experience of government will need training to help them understand the public sector accountability framework, especially those elements relating to governance and accountability.
- 2.5** The Chair should, in addition, ensure that all committee 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. The Department of Finance's ARAC Handbook (April 2018) provides further guidance on the role of the Chair (included at Appendix 4).
- 2.6** An effective Chair should display the following characteristics:
 - an ability to plan the work of ARAC over the year and beyond;
 - skills to manage meetings;
 - an ability to bring an objective attitude;
 - a core knowledge and skills required of other ARAC members; and
 - a clear focus on the role of ARAC and the ambition to lead ARAC in line with good governance principles.



What does good practice look like?

- **ARAC as a whole should have an appropriate mix of skills that enables it to provide assurance to the Accounting Officer and Board.**
- **ARAC members should have a timely induction programme which outlines the requirements of the role, the organisation and, for those new to government, an understanding of public sector governance principles and processes.**
- **Training and development should be flexible, timely and tailored to individual member's needs.**
- **Skills and experience should be tailored to the challenges and objectives of the organisation.**
- **The skills mix should be regularly reviewed to ensure ARAC is equipped to discharge its responsibilities to the Accounting Officer and Board.**

- **ARAC members should be made aware of any relevant training opportunities and encouraged to attend where necessary.**
- **ARAC members should engage with the organisation to understand its objectives, business needs, priorities and risk profile.**

Other skills

2.7 ARACs should additionally consider whether they have the skills and capabilities to challenge organisations across a number of existing and emerging risk areas, some of which are outlined in this section. Areas requiring skills and expertise develop over time and differ from organisation to organisation. Skills requirements and gaps should be continually monitored. Examples of skills requirements we have seen in relation to existing and emerging risks in recent years include:

- Cyber and digital
- Information Security
- Climate Change and Environmental, Social and Governance (ESG)
- Artificial Intelligence
- Projects and Programmes
- Procurement

Cyber and digital

2.8 Cyber security is a key area of management activity that ARACs should review on a regular basis. In such circumstances, ARAC should support the Accounting Officer and Board in reviewing and mitigating cyber and digital risks. ARAC should be confident in its ability to challenge management's assessment of cyber and digital risk – and know when and how to draw upon expertise as and when required. ARACs should be able to understand whether the organisation is adopting a clear approach to cyber risk.

2.9 The assurance provided by ARACs to the Board that the organisation is properly managing its cyber risk does not necessitate understanding the full detail of the technology involved; rather that it can confirm that the appropriate framework is in place and that continuous monitoring and improvement initiatives are adopted and sustained.

2.10 In particular, to assess the organisation's cyber resilience, ARAC should evaluate whether the organisation has reviewed its cyber risk in relation to:

- governance, including management of system access;
- threat to protecting critical infrastructure;
- the identification and deployment of skills and capability in this area;
- training available for all staff to ensure appropriate levels of compliance;
- structure and resources;
- incident response; and
- the impact of any governance failings publicly reported elsewhere.

- 2.11** ARAC could consider using the organisation's Senior Information Risk Owner (SIRO) to provide assurance over these and other issues through regular briefs, including an annual report at year end.



What does good practice look like?

- The ARAC should regularly be provided with a paper setting out an evaluation of the organisation's response to cyber security which confirms that:
 - the organisation has properly identified and evaluated the cyber security risk;
 - there is sufficient assurance that the organisation is properly managing its cyber risk;
 - there are proper governance arrangements and controls to protect from, detect and respond to cyber security attacks/incidents;
 - the organisation has suitably skilled and experienced staff, or access to such staff, to deal with any cyber security related incidents; and
 - there is suitable awareness and ongoing training within the organisation on the risk from cyber-attack.
- The ARAC should understand how cyber and digital risks impact on the organisation.
- The ARAC should have 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

- 2.12** Information security is the protection of sensitive information against unauthorised access, disclosure, use, alteration or disruption. ARAC should support the Accounting Officer and Board in reviewing information risks. ARAC should be confident in its ability to challenge management's assessment of information security. ARAC should regularly review the organisation's information security policies, ensuring that they comply with General Data Protection Regulations (GDPR).



What does good practice look like?

- ARAC members are aware of the organisation's plans to manage information risk.
- ARAC should understand the requirements for information security set out in GDPR.
- ARAC members should obtain assurance that an appropriate information security policy in place which is regularly reviewed and updated.
- ARAC members should obtain assurance that suitable processes are in place to ensure information is guarded (i.e. controls are designed to prevent and detect security breaches).
- ARAC members should obtain assurance that information security incidents are suitably recorded, and the organisational response is reviewed to ensure it is appropriate.

Climate change and Environmental, Social and Governance (ESG)

- 2.13** ARAC should critically assess the organisation's progress with ESG responsibilities and commitments. Disclosures should be in line with relevant up-to-date standards and ARAC should be satisfied that the organisation is appropriately managing its ESG risks.
- 2.14** ARACs should have the ability to assess the process for managing climate-related risks and understand how they can impact on organisations.



What does good practice look like?

ARAC is aware and understands how management:

- is managing its ESG responsibilities and risks;
- has introduced and implemented its governance of climate change risk;
- builds awareness and understanding of climate change responsibilities across the organisation;
- identifies, assesses, mitigates and evaluates climate risk; and
- monitors and reports on climate risk.

Artificial Intelligence

2.15

The use of Artificial Intelligence (AI) has been expanding rapidly across society, particularly with the development of generative AI. AI has the potential to transform public services, but also presents risks and challenges and is becoming an emerging oversight responsibility for ARACs. ARAC should ensure that its members have sufficient training when it comes to emerging risk areas such as AI.



What does good practice look like?

ARAC is aware and understands how management:

- is responding to the emerging risks and challenges associated with AI, both in relation to its use within the organisation and its use by any services or suppliers of the organisation/stakeholders;
- is managing any AI services and risks and ensuring they are aligned with ARAC's risk appetite.
- has prepared the organisation for any new regulations regarding AI.

Projects and programmes

2.16

Government organisations regularly manage a number of projects and programmes. ARACs play a key role in challenging management throughout the project or programme lifecycle, so it is important that ARACs understand how and when to assess and challenge any significant project and programme risks.



What does good practice look like?

- ARAC is appropriately briefed on significant projects and programmes throughout their lifecycle.
- 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

- 2.17** In providing assurance to the Accounting Officer and Board over risk management and the control environment, ARAC should have the necessary skills and expertise to understand the complexities of procurement and challenge organisations to provide value for money for goods and services.
- 2.18** Additionally, the Department of Finance's Procurement policy notes outline mandatory procurement guidance for government public bodies.
- 2.19** Depending on the size of the organisation, there may be other committees with Terms of Reference related to projects, programmes and procurement and ARACs will need to understand the remits and activities of these committees as part of overall governance arrangements.



What does good practice look like?

- ARAC is aware of key procurement activities.
- ARAC has an appreciation of the risks associated with procurement in the public sector context.
- ARAC has the skills and expertise to challenge commercial activities and the procurement of goods and services.



Our Observations

We have observed ARACs which have included training and development as a standing item on their meeting agenda. A record of all formal training courses attended by members is maintained to ensure that ARAC has adequate knowledge of issues currently affecting the organisation, or new areas that have the potential to affect the organisation. This agenda item also provides the opportunity to highlight upcoming training courses available to ARAC members.

Part Three:

Roles and Responsibilities

Roles and Responsibilities

Assurance

- 3.1** The scope of ARAC's work should be clearly defined in its ToR and should encompass all the assurance needs of the Accounting Officer and Board. It is vital that ARACs understand how they receive its assurance and can identify any significant gaps. This will give ARACs the best possible chance of focusing on high-priority issues and fulfilling their role effectively.
- 3.2** An effective ARAC can help the Accounting Officer and Board to formulate their assurance needs, and then consider how well the assurance received actually meets these needs by gauging the extent to which assurance on the management of risk is comprehensive and reliable.
- 3.3** An effective model used widely across both the public and private sectors to categorise the various sources of assurance is the 'three lines of defence'. An understanding of the three lines of defence can help ARAC play a key role in helping the Accounting Officer and Board establish an optimum mix of assurance. The three lines of defence are as follows:
- First line of defence – Managers and staff who are responsible for identifying and managing risk;
 - Second line of defence – Risk Management and Compliance Function; and
 - Third line of defence – Independent and more objective assurance, including the role of Internal Audit.
- 3.4** Overall assurances provided to the Accounting Officer and Board should be reviewed and constructively challenged by ARAC. Where it identifies any significant risk, governance and control issues which are not being subjected to sufficient review, it should also be proactive in commissioning assurance work from appropriate sources.



What does good practice look like?

- **Assurance is central to ARAC's role in providing an independent assessment on governance, risk management and control processes.**
- **Assurance modelling, such as the "three lines of defence", will draw attention to the aspects of risk management, governance and control that are functioning effectively and, just as importantly, the aspects which need to be given more attention.**
- **ARAC should be proactive in commissioning work where assurance gaps have been identified from appropriate sources.**

Governance

- 3.5** It is essential that ARAC understands how governance arrangements support achievement of the organisation's strategies and objectives.
- 3.6** It should understand the operational systems in place to ensure effective organisational accountability, performance and risk management.



What does good practice look like?

- **ARAC must have a clear understanding of how governance arrangements support achievement of the organisation's strategic objectives.**
- **ARAC should monitor developments in corporate governance so that it can proactively advise the Accounting Officer and Board on any changes to assurance requirements.**

Risk management and internal controls

- 3.7** It is essential that ARAC understands the organisation's business strategy, operating environment, the framework for risk assessment and the associated risks. It should critically challenge and review the risk management and assurance framework and the adequacy and the effectiveness of associated control processes, to provide assurance that the arrangements are actively working in the organisation.
- 3.8** ARAC should discuss with the Board its policies, attitude to and appetite for risk, to ensure these are appropriately defined and communicated and that management operates within these parameters. Its role should include horizon scanning for potential issues that could affect the organisation in the future, together with reviewing and challenging, where appropriate, the risk management and assurance framework. It then can help provide assurance that the arrangements are actively working.
- 3.9** It should challenge and review the adequacy and effectiveness of the systems of control (including risk registers) in responding to risks within the organisation's governance, operations, compliance and information systems, including undertaking deep dives into significant risks.
- 3.10** It should invite risk owners along to ARAC meetings to challenge and review the classification of the risk and any control mitigations.



What does good practice look like?

- ARAC has a key role to play in providing assurance regarding the organisation's risk management processes.
- ARAC understands the risk management framework of the organisation and the assignment of responsibilities.
- ARAC critically challenges the effectiveness of the organisation's risk management frameworks, policies and processes.
- ARAC regularly reviews the Corporate Risk Register.
- ARAC monitors the organisation's risk culture, in addition to reviewing how well risk appetite is understood across the organisation.
- ARAC has a key role in providing assurance on systems of internal control and assuring the Accounting Officer and Board that controls are effective in mitigating the risks identified by management.
- ARACs should have a clear understanding of management's control environment and how it is designed to mitigate risk across the organisation.

Counter fraud and raising concerns

- 3.11** ARAC should consider counter fraud arrangements on a regular basis to understand the main fraud and error risks affecting the organisation and management actions to mitigate these risks. They should satisfy themselves that there is an appropriate anti-fraud policy in place which is regularly reviewed and updated.
- 3.12** NIAO has published a range of guidance on managing different types of fraud risks, including:
- [Planning Fraud Risk Guide](#) (published March 2023)
 - [Internal Fraud Risk Guide](#) (published February 2022)
 - [Grant Fraud Risk Guide](#) (published October 2021)
 - [Procurement Fraud Risk Guide](#) (published November 2020)
 - [COVID-19 Fraud Risk Guide](#) (published August 2020)
- 3.13** ARAC should assure themselves that suitable processes are in place to ensure fraud is guarded against and that losses and responses to them are suitably recorded and appropriate.
- 3.14** ARAC should review regular reports on any major incidents and near misses as well as details of any special investigations, raising concerns incidents and their outcome.



What does good practice look like?

- An appropriate anti-fraud policy and fraud response plan is in place and is regularly reviewed and updated.
- Suitable processes are in place to ensure fraud is guarded against (i.e. controls are designed to prevent and detect fraud and error).
- Losses are suitably recorded and the organisational response is reviewed to ensure it is appropriate.
- Raising concerns incidents are regularly reviewed and updated.

Financial reporting

- 3.15** ARAC should consider significant relevant accounting policies, any changes to them and any significant estimates and judgements, if possible before the start of the financial year.
- 3.16** At year end, ARAC should receive a comprehensive overview of the financial statements from the Finance Director, including comparisons with the prior year and current year budget, and an explanation for any significant issues arising. It should also review the clarity and completeness of disclosures in the year-end financial statements and consider whether the disclosures made are set properly in context.
- 3.17** ARAC should consider the control arrangements in place within the organisation for the preparation of the accounts. It should consider the advice and findings from External Audit and, if required, engage constructively with it to assist in the resolution of any disputes between External Audit and those preparing the accounts.



What does good practice look like?

- ARAC should have a thorough understanding of the processes in place to produce the financial statements to enable it to challenge the quality of the annual report and accounts;
- ARAC should seek assurances from senior management on the quality of the disclosures within the organisation's annual reports and accounts;
- ARAC should consider the contents of the Annual Report to ensure it is reasonable and in accordance with its understanding of the organisation;
- ARAC should engage constructively with the External Auditor, consider their reports and findings, especially the Report to those Charged with Governance, and follow up on all recommendations; and
- ARAC should hold the finance team accountable for adhering to the timetable agreed with External Audit for the production of the annual report and accounts.
- All ARAC members should be in attendance at the meeting that the Annual Report and Accounts are being proposed to be signed.



Our Observations

We have observed “deep dive” sessions by ARACs into significant risks affecting organisations. At these “deep dive” sessions during ARAC meetings, risk owners are invited to present in detail information relating to the risk. This allows ARAC members to fully understand the risk, critically challenge and review the adequacy and effectiveness of control processes in place.

Part Four: Scope

Scope

- 4.1** It is important that ARAC fully understands the scope of its work, and that this is set out clearly in its ToR. ARAC, the Accounting Officer and Board must be clear on their respective responsibilities – particularly when it comes to assurance requirements. Being clear on expectations and accountabilities will ensure that ARAC focuses its time and resources on its core requirements. ARAC should understand how it interacts with the organisation's various safeguards and how it should engage with other providers of assurance, such as Internal and External Audit.

Terms of Reference

- 4.2** ARAC's ToR should be agreed by the Accounting Officer/Board and made publicly available (including on the organisation's website). They should be reviewed regularly alongside the performance of ARAC. The responsibilities assigned to ARAC should not compromise its independence; it should not have any executive responsibilities or be charged with making or endorsing any decisions.
- 4.3** Under its ToR, ARAC should be able to request any employee of the organisation to report on the management of risk or on the control environment within their areas of responsibility. It should set a minimum number of meetings (at least four a year) and should have access to funding to cover the costs incurred in fulfilling its role. It will also need adequate secretariat support to perform its function.
- 4.4** A schedule of ARAC's agreed delegations from the Board, and the mechanisms for feedback and assurance, should be documented in the Board Operating Framework.



What does good practice look like?

The ToR should:

- **be reviewed by ARAC on an annual basis;**
- **be agreed by the Board, made publicly available and reviewed regularly;**
- **clearly establish the independence and core responsibilities of ARAC;**
- **set a minimum number of meetings (at least four a year);**
- **include the possibility to hold a separate meeting to discuss the Annual Report and Accounts; and**
- **ensure access to funding to cover the costs incurred in fulfilling its role.**

Internal Audit

- 4.5** The work of Internal Audit must be independent from the operations that it evaluates, reporting their work directly to the Board, typically via ARAC to provide effective oversight and governance. It is likely to be the single most significant resource used by ARAC in discharging its responsibilities. This is because the head of Internal Audit, in accordance with Internal Audit professional standards, has a responsibility to provide an annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control processes. The role of ARAC in relation to Internal Audit should include advising the Accounting Officer and Board (through ARAC) on:

- the Internal Audit strategy and periodic Internal Audit plans, forming a view on how well they reflect the organisation's risk exposure and support the Head of Internal Audit's responsibility to provide an annual opinion;
- the adequacy of the resources available to Internal Audit;
- the Internal Audit Charter/Terms of Reference for Internal Audit;
- the results of Internal Audit work, including reports on the effectiveness of systems for governance, risk management and control, management responses to issues raised, and progress made by management addressing all recommendations;
- the annual Internal Audit opinion and annual report; and
- the performance of Internal Audit, including conformance with the applicable standards, expected performance measures, and the results of both internal and external quality assessments.



What does good practice look like?

- **There is effective cooperation between the Head of Internal Audit and ARAC.**
- **ARAC advises the Accounting Officer and Board on the work of Internal Audit as a key strand of its assurance.**
- **ARAC seeks assurance from the Accounting Officer that any weaknesses identified are promptly addressed or mitigated.**
- **ARAC follows up on all recommendations raised in Internal Audit reports, while taking into account the priority rating of each point raised.**

External Audit

- 4.6** ARAC should have ongoing engagement with the External Audit function (which for most Northern Ireland public sector bodies is the Northern Ireland Audit Office (NIAO)). It should consider both the External Auditor's audit strategy and the results of External Audit work as well as resolution of any identified weaknesses. It should seek assurance that the External Auditor has liaised with Internal Audit and where appropriate has taken assurance from their work where their objectives cover areas of joint interest.
- 4.7** In addition, it should review and consider the potential implications for the organisation of the wider work carried out by the External Auditor, for example, any relevant recommendations from its programme of Public Reporting, including the content of any relevant good practice guides.



What does good practice look like?

- ARAC Chair has regular informal meetings with the External Auditor separately from the organisation's executive staff to establish open working relationships and provide auditors with the opportunity to discuss any issues of concern.
- ARAC asks open-ended questions to provide an understanding of the External Auditor's perspectives about sensitive and judgemental accounting policies, accounts and transactions.
- The work of External Audit is normally primarily conducted for the benefit of the NI Assembly/Council – but the process and conclusions are a significant source of independent and objective assurance for ARAC to draw on.
- ARAC follows up on all recommendations raised by External Audit, while taking into account the priority rating of each point raised.



Our Observations

We have observed ARACs that have performed annual reviews of their ToR at one ARAC meeting during the year. The ToR was presented to each ARAC member for review prior to the meeting. At the meeting, members were invited to provide their comments on the updated ToR and to approve it prior to being brought to the Board for approval. After the Board approved the updated ToR, it was then published on the organisation's website.

Part Five:

Communication and Reporting

Communication and Reporting

- 5.1** To be successful, ARAC must have clear lines of communication with the Accounting Officer, the Board and other key stakeholders. Establishing an effective mechanism for working with the Board is particularly important.
- 5.2** Communication should be tailored to the requirements of key stakeholders and should be a way to ensure that ARAC can perform at its optimum effectiveness.
- 5.3** After each ARAC meeting, a report/minute should be prepared for the Accounting Officer and Board, setting out the business discussed by ARAC and offering advice on those issues that the Accounting Officer and Board should act upon. Such reports should be shared with the Internal Auditor and External Auditor.
- 5.4** ARAC should also provide an Annual Report, timed to support the preparation of the Annual Governance Statement, taking into account assurances from other parts of the organisation in respect of key risks. The Annual Report should summarise ARAC's work for the past year, as set out in para 6.5 of the [Audit Risk and Assurance Committee Handbook](#). Appendix 3 provides further guidance on the structure of ARAC Annual Report.
- 5.5** The reports received by ARAC to exercise its responsibilities should be at the right level of detail and presented in a manner which makes it easy for members to review and challenge. Reports from ARAC to the Board should meet the Board's expectations in terms of content, scope and proportionality.
- 5.6** There should be mutual rights of access to information between the Chair of ARAC, the Board, risk manager, head of Internal Audit and the External Auditor. Regular discussions should take place (at least annually) outside formal meetings to ensure that expectations are managed and that there is mutual understanding of current risks and issues.



What does good practice look like?

- **ARAC has identified its key stakeholders and ensures that there is effective two-way communication with them. Relevant stakeholders include, for example, the Board, the head of Internal Audit, the External Auditor, and any other relevant assurance providers.**
- **There are regular reports from ARAC to the Board.**
- **An annual report is completed to support the preparation of the Annual Governance Statement.**



Our Observations

We have observed numerous ARACs producing its annual report to the Board. The annual report is presented at an ARAC meeting (in advance of the Annual Governance Statement being prepared) inviting comments from all ARAC members. The report provides a detailed account of the work of ARAC during the year and is presented in a clear, concise and easily understandable manner.

Part Six:

Continuous Improvement

Continuous Improvement

- 6.1** As the challenges and requirements of ARACs evolve, a high-performing ARAC will strive for continuous improvement. It is important that ARAC adopts a positive attitude to learning and development, regularly appraises its performance and is open to feedback from others.
- 6.2** An ARAC's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the organisation's business. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements for delivering effectiveness.
- 6.3** The Chair should take the lead in ensuring that ARAC members are provided with appropriate appraisal of their performance as a committee member and that training needs are identified and met. The Chair should seek appraisal of their own performance from the Accounting Officer (or Chair of the Board, as appropriate).
- 6.4** The Chair should ensure that there is a periodic review (at least annually) of the overall effectiveness of ARAC – Appendix 1 provides a self-assessment checklist to aid this process. The Chair should ensure any areas of concern from the reviews are considered and actioned.



What does good practice look like?

- **As part of the self-assessment process, the Chair assesses the performance of individual members and ARAC as a whole and as a team. In addition, the Chair should seek appraisal of their own performance from the Accounting Officer.**
- **Feedback is sought from ARAC's key stakeholders, for example, the Executive, Internal Audit, External Audit.**
- **Clear actions are identified and addressed to drive improvement.**



Our Observations

We have observed ARACs that have included requirements for their self-assessment review within their ToR. Comments provided on the self-assessment review are relevant and provide insightful detail of ARAC's performance. Reflecting on self-awareness adds value to ARACs and gives ARAC members greater confidence that they are fully meeting the demands of their challenging roles, particularly where self-assessment is undertaken on an ongoing basis and includes training. We have also seen some ARACs benchmark against other similar or same group ARACs and also the development of a network of ARAC chairs/members within the same departmental family and holding regular relevant training events to discuss similar type issues.

Part Seven:

Local

Government

Guidance

Local Government Guidance

- 7.1** The constitution and membership of ARACs in local councils in Northern Ireland differs somewhat from central government public bodies. Core membership is made up of elected representatives and ARAC often has different titles and ancillary responsibilities, and reports to the Council rather than a Board. Notwithstanding these differences, they should strive to follow best practice in line with a central government ARAC.

Membership, Independence, Objectivity and Understanding

- 7.2** It is recommended that suitable independent members are appointed to all local council ARACs. The role of the Chair of ARAC is key to the effectiveness of the Committee and best practice of having an independent chair comes from other sectors. Whilst there is no requirement for local authorities to adopt this, consideration should be given to having an independent member to chair ARAC as:
- it helps to ensure that the committee is chaired by someone with appropriate knowledge and expertise;
 - it reinforces the independent and objective nature of the work of an ARAC; and
 - it provides continuity in the chairing of the committee.
- 7.3** An external and independent view can often bring new experiences and approaches to ARAC discussions. Independent members' appointments should be for a fixed term and be formally approved by the Council. While operating as a member of ARAC, all independent members should follow the organisation's code of conduct and a register of interests should be maintained.

Skills and Experience

- 7.4** Consideration should be given by full Council to extending the appointment of the Chair of ARAC and all ARAC members for more than one year, which would bring continuity and experience to the role. ARAC members require a wide range of skills and experience in relation to governance, risk and control and it is important that ARAC members are appointed with the right skills.
- 7.5** The selection of the Chair should take into account the characteristics required of an effective Chair, as outlined in paragraph 2.6 of this guide.

Roles and Responsibilities

- 7.6** ARAC members should have a timely induction programme which outlines the requirements of the role including the Council's accountability framework, priorities and risk profile.
- 7.7** ARACs are a key component of a council's governance framework. ARAC's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. ARAC's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 7.8** The full council is the body charged with governance. ARAC may be delegated some governance responsibilities but is accountable to the full council.
- 7.9** ARAC has oversight of both Internal and External Audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Scope

- 7.10** CIPFA's Position Statement for local government bodies (2022) outlines that the core functions of ARAC are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers, and assist in ensuring robust arrangements are maintained.
- 7.11** The specific responsibilities include:
- maintenance of governance, risk and control arrangements;
 - financial and governance reporting; and
 - establishing appropriate and effective arrangements for audit and assurance.

Communication and Reporting

- 7.12** ARAC should report annually on how it has discharged its responsibilities and include an assessment of its performance.

Continuous Improvement

- 7.13** The Chair should take the lead in ensuring that training needs are identified and met for all ARAC members and that there is a periodic review (at least annually) of the overall effectiveness of ARAC – Appendix 1 provides a self-assessment checklist to aid this process, with Part 7 of this Appendix providing further details on ARACs for local councils in Northern Ireland. The Chair should ensure any areas of concern from the reviews are considered and actioned.



What does good practice look like?

- The Council ARAC reports directly to the full Council rather than another committee.
- At least one independent member should be appointed to the Council ARAC.
- The Chair should be strong and independently minded, displaying a depth of knowledge, skills and experience.
- Consideration should be given to appointing an independent member as Chair of the Council ARAC.
- ARAC members should strive to be in attendance at each meeting of the ARAC.
- All ARAC members should be in attendance at the meeting that the Annual Report and Accounts are being proposed to be signed.



Our Observations

We have observed a local council that has appointed an independent member as Chair of the Council ARAC. This independent Chair has been in this position for more than one year, bringing continuity, knowledge and experience to the ARAC. Having an independent member as Chair reinforces the independence and objective nature of the work of the Council ARAC.

Appendices

Appendix 1: Audit and Risk Assurance Committee Self-Assessment Checklist

This self-assessment checklist is a comprehensive way for ARACs to review their overall effectiveness. We recommend that it is completed annually.

Each section of the questionnaire has been split into three distinct areas:

- Essential Requirements – these questions reflect guidance set out in the body of the HM Treasury Audit and Risk Assurance Committee Handbook (July 2024). Paragraph references to the appropriate section in the HM Treasury ARAC Handbook are included in each question.
- Other Good Practice arrangements – these questions go beyond basic requirements and set a standard for ARACs to demonstrate leading behaviours.
- Additional Comments and key takeaways – at the end of each section is a space for ARAC to add its commentary and highlight any actions that have arisen.

Section		Questions
Section 1 - Membership, Independence, Objectivity and Understanding	Membership, Independence, Objectivity and Understanding	1.1 – 1.30
Section 2 – Skills and Experience	Skills and Experience Training and Development Cyber and Digital Information security Climate change and ESG Projects and programmes Procurement	2.1 – 2.9 2.10 – 2.17 2.18 – 2.19 2.20 2.21 – 2.23 2.24 – 2.25 2.26 – 2.29
Section 3 – Roles and Responsibilities	Assurance Governance Risk management and internal controls Training and Development Financial Reporting	3.1 – 3.8 3.9 – 3.18 3.19 – 3.45 3.46 – 3.47 3.48 – 3.62
Section 4 - Scope	Term of Reference Internal Audit External Audit	4.1 – 4.17 4.18 – 4.28 4.29 – 4.45
Section 5 - Communications and Reporting	Communications and Reporting	5.1 – 5.13
Section 6 – Continuous Improvement	Continuous Improvement	6.1 – 6.9
Section 7 – Council Specific	Council Specific	7.1 – 7.10

A downloadable copy of the checklist is available on the [NIAO website](#).



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. (3.2)		
1.2	Membership of ARAC has sufficient numbers to discharge its responsibilities. (3.1)		
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. (3.2)		
1.4	The Accounting Officer and the Finance Director routinely attend meetings. (3.4)		
1.5	The heads of Internal Audit and External Audit routinely attend meetings. (3.4)		
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. (3.5)		
1.7	ARAC members understand their responsibilities regarding identifying, declaring and resolving conflicts of interest. (3.9)		
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. (3.10, 3.11)		
1.9	Monitoring conflicts of interest - 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.		
1.10	Conflicts of interest policy - The conflict of interest policy is reviewed on an annual basis - see para 4.9 and 4.13 of NIAO Conflicts of Interest - Good Practice Guide.		
1.11	Terms of Reference are reviewed and approved annually by the Accounting Officer and Board Chair and are tabled at each ARAC meeting. (5.26)		
1.12	ARAC has access to sufficient funding to cover the costs incurred in fulfilling its role. (5.31) This should be sufficient to: <ul style="list-style-type: none"> • meet the remuneration and working expenses of its members; • meet the relevant training needs of its members; • provide specialist (external) advice or opinions when required; and • provide external review of the effectiveness of ARAC. 		
1.13	ARAC meets at least four times during the year. (5.30)		
1.14	The number of meetings held during the year is sufficient to allow ARAC to perform as effectively as possible. (5.30)		
1.15	Meetings are well-aligned with the audit and assurance cycle. (5.30 and Annex E)		
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. (Annex D)		
1.17	Meetings of ARAC are long enough to ensure that all agenda items are covered in sufficient detail. (Annex F)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
1.18	Contribution to meetings - All members and attendees make valuable contributions to meetings.		
1.19	Deep dives - 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	Private meetings - 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	Appointments - 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. (Annex A, A.3)		
1.22	Time between ARAC meetings and main Board meetings - 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.		
1.23	Culture and Behaviour - ARAC acts in an inclusive and respectful manner, avoids 'group think', and provides an appropriate balance between challenge and support.		
1.24	Preparation - ARAC receives information and papers far enough in advance for members to fully consider before the meeting.		
1.25	Resources - ARAC is provided with sufficient administrative and secretarial support to undertake its duties to the required standard.		
1.26	Balance of Agenda - 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	Forward Planning - ARAC has a forward plan for its meetings so it can consider issues at the right time and in the right level of detail.		
1.28	Minute taker - There is a designated minute taker present at each meeting.		
1.29	Record of reports presented - 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	Hybrid meetings - 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.		
Additional comments and key takeaways			



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. (4.1)		
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. (4.1)		
2.3	ARAC proactively identifies which skills it requires to discharge its responsibilities most effectively. (4.2)		
2.4	The required skill sets for ARAC are reviewed at regular intervals. (4.2)		
2.5	Co-opting members and procuring specialist skills - ARAC uses the powers of co-opting members and procuring specialist skills where these are required. (4.5)		
2.6	Skills mapping - ARAC documents and maps the skills of its members so it can identify areas of strength and any skills gaps. (Annex G)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
2.7	Diversity - ARAC draws on a sufficiently diverse membership, containing a variety of demographic attributes and characteristics.		
2.8	Relevance of financial reporting experience - 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	Non-Technical Skills - 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. (4.6)		
2.11	Members of ARAC who are unfamiliar with corporate governance and wider practice in government are specifically upskilled in this area. (4.6)		
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. (4.3)		
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. (4.7)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
2.14	Learning culture - There is a positive culture of learning and personal development within ARAC.		
2.15	Emerging developments - ARAC's training and development programme takes account of developments in corporate governance and emerging risk areas.		
2.16	Public sector context - 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	Cross-government networking - ARAC Chair attends cross-governmental (if a government department) or cross-departmental (if an arm's-length body) ARAC Chair meetings.		
Additional comments and key takeaways			

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.		
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

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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. (5.3)		
3.2	ARAC assesses whether the assurance received is of sufficient quality to meet the assurance needs outlined in 3.1. (5.3)		
3.3	ARAC understands the key sources of assurance in the organisation, and how and why each of these sources provides assurance to them. (5.5)		
3.4	ARAC understands the three lines of defence model, as set out in the <u>Orange Book 2023, Annex 2</u> , and how this applies in practice to the organisation. (5.6)		
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. (5.9)		
3.6	ARAC ensures the organisation operates appropriate and effective whistleblowing practices, in keeping with NIAO's good practice guide on <u>Raising Concerns</u> (June 2020), and has completed the associated self-assessment checklist.		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.7	Assurance Mapping - 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	Recommendation Tracking Department of Finance (DOF) Letters and other relevant guidance - 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 (including Audit and Risk Assurance Committee Handbook Reference)	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;		
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.		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.16	Future assurance requirements - ARAC monitors developments in corporate governance so it can proactively advise the Accounting Officer and Board on any changes to assurance requirements.		
3.17	Annual governance statement - ARAC reconciles assurance from Internal Audit, External Audit and other sources of assurance with conclusions drawn in the organisation’s annual governance statement.		
3.18	Corporate governance policy - 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. (5.20)		
3.20	ARAC is satisfied that management takes an enterprise-wide view of the organisation's risks, including those that cross organisational boundaries. (5.20)		
3.21	There is a clear understanding of the role and activities of the Board in relation to managing risk. (5.20)		
3.22	ARAC discusses with the Board how its policies, attitude to, and appetite for risk are defined and communicated across the organisation.(5.20)		
3.23	ARAC understands and challenges the risk management framework and the assignment of responsibilities. (5.20)		
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. (5.12)		
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. (5.11)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.26	Risk Culture - ARAC promotes the importance of a positive risk culture in the organisation as set out in NIAO's good practice guide on Innovation and Risk Management.		
3.27	Managing Innovation – 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	Risk Tolerance - 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	Risk Registers - 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	Resources - ARAC can assess whether there are sufficient resources to manage risk effectively across the organisation.		
3.31	Emerging Risks - ARAC challenges whether management's approach to identifying risks is broad enough to effectively identify new and emerging risks.		

3.32	Risk Evaluation - ARAC challenges management on its approach to evaluating risks, including the effectiveness of scenario planning and stress testing.		
3.33	Review of "Near Misses" - ARAC reviews information on 'near misses' to help determine whether the systems in place are sufficiently robust to mitigate future risk events.		
3.34	Fraud and Error - ARAC understands the main fraud and error risks as set out in <u>NAIO's various Fraud Risk guides</u> , and challenges management to consider timely options for tackling fraud and error risks.		
3.35	Resilience - ARAC considers the cumulative impact of risks and how these could impact on the ongoing resilience of the organisation.		
3.36	ARAC critically challenges and reviews the adequacy and effectiveness of control processes in responding to risks. (5.20)		
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. (5.10)		
3.38	Understanding of internal control - ARAC has a good understanding of how the organisation develops, operates and monitors the system of internal control.		
3.39	Controls over material or significant risks ARAC seeks assurance on how any material or significant risks are managed through strategic, operational and compliance controls.		
3.40	Timely indicators - ARAC assesses whether the system of internal control would provide timely indicators of weaknesses and failings.		
3.41	Root cause analysis of significant failings or weaknesses in internal control - 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	Financial control - 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	IT controls - ARAC has sufficient assurance over the quality of IT controls.		
3.44	Design of fraud controls - 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>NAIO's fraud risk guides</u> .		
3.45	Evaluation of fraud controls - ARAC has oversight of how controls are evaluated so it can understand how effectively fraud and error risks are being addressed.		
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. (5.22)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.47	Counter fraud arrangements – 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>NAIO’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. (5.23)		
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. (5.23)		
3.50	ARAC uses its understanding of the organisation to assess whether disclosures in the financial statements are set properly in context. (5.23)		
3.51	In reviewing the Annual Accounts, ARAC specifically considers the following: <ul style="list-style-type: none">accounting policies comply with relevant requirements, particularly <u>HM Treasury’s Financial Reporting Manual</u>;assurances about the financial systems which provide the figures for the accounts;the quality of the control arrangements for preparing the accounts;key judgements made in preparing the accounts, and management’s consideration of their ongoing relevance;any disputes arising between those preparing the accounts and the auditors; andreports, advice and findings from External Audit – especially the Report to those charged with governance (RTTCWG).		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.52	Annual Report - ARAC reviews the Annual Report to ensure that it is fair and balanced and is easily understandable.		
3.53	Complex judgements and use of experts - 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	Continual monitoring of significant issues - 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	Reports from third parties - 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	Key Matters - ARAC considers key matters on its own initiative rather than relying solely on the work of the External Auditor.		
3.57	Understanding of the Organisation - 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	Going Concern - ARAC sufficiently challenges the going concern assessment in the context of its review of the financial statements and understanding of the business.		
3.59	Use of financial models - ARAC offers appropriate challenge to any information which is generated through financial modelling.		
3.60	Financial reporting developments - ARAC is familiar with developments in financial reporting standards and can challenge their application in financial statements.		
3.61	Group Reporting - (For government groups only) ARAC has sufficient oversight of significant financial reporting risks from across the department or group.		
3.62	<p>Submission of unsigned Annual Report and Accounts (ARA) to the C&AG - (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"> • reviewed the ARA to ensure they have been properly prepared in accordance with the guidance; • enquired of staff to ensure adequate working papers are available to support the figures in the ARA; and • 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. <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. (5.26)		
4.2	The Terms of Reference are reviewed on an annual basis. (5.26)		
4.3	The Terms of Reference do not conflict with guidance in the HM Treasury's Audit and Risk Assurance Committee Handbook. (5.27)		
4.4	The Terms of Reference make clear ARAC's independence as a committee. (5.27)		
4.5	ARAC's Terms of Reference are made publicly available, including on the organisation's website. (5.26)		
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. (3.4)		

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

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	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.		
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.		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
4.14	Benchmarking - ARAC has compared its Terms of Reference against those of similar profile organisations.		
4.15	Expectations - 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.		
4.16	Proportionality - The Terms of Reference properly reflect the role and scope of ARAC and are proportionate to the way ARAC actually operates.		
4.17	Standing Item – 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. (5.16)		
4.19	ARAC assesses the adequacy of the budget and resources available to Internal Audit. (5.16)		
4.20	ARAC reviews the Internal Audit charter or terms of reference. (5.16)		
4.21	ARAC assesses the results of Internal Audit’s work, and management’s responses to the issues raised. (5.16)		
4.22	ARAC reviews the annual Internal Audit Opinion and associated annual report. (5.16)		
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. (5.16)		
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. (5.16)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
4.25	Other assurance activity - 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	Support - ARAC plays a role in providing support for, and acceptance of, the work of Internal Audit.		
4.27	Coverage - ARAC challenges whether the effectiveness of the risk, compliance and finance functions is evaluated as a part of its Internal Audit strategy.		
4.28	Overall opinion - 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.		
Additional comments and key takeaways			

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. (5.17)		
4.30	ARAC considers the impact of the results of External Audit work. (5.17)		
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. (5.17)		
4.32	Recommendations Tracking – NIAO Public Reports – Where relevant, ARAC has an effective system for monitoring management's progress with recommendations from NIAO Public Reports. 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>		
4.33	NIAO Good Practice Guides - ARAC has an effective system for monitoring management's progress with any relevant recommendations arising from NIAO Good Practice Guides.		
4.34	External Audit's findings and recommendations – ARAC reviews and monitors management's responses to any findings set out in External Audit's RTTCWG.		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
4.35	Objectives of External Audit - ARAC has a clear understanding of the objectives, scope and remit of External Audit work.		
4.36	Review of adequacy of scope - 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	Level of fees - 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	Materiality - 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 FRC ISA 320 – Materiality in Planning and Performing an Audit .		
4.39	Audit quality - 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 on Audit Quality Indicators .		
4.40	Expert advice - ARAC is satisfied that the External Auditor has access to relevant expertise, for instance around pensions liabilities or property valuation.		
4.41	Quality of review - ARAC focuses on priority issues when undertaking its review of the results of External Audit work.		
4.42	Review of audit representation letters - 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	Quality of information provided to External Audit - ARAC takes steps to ensure External Audit receives quality, robust and timely audit evidence from the finance function.		
4.44	Support for External Audit - ARAC is supportive of External Audit's challenge of management and does not act as management's advocate.		
4.45	Uncorrected Misstatements - ARAC should provide written endorsement of management's reasons for not correcting any uncorrected misstatements identified by External Audit.		
Additional comments and key takeaways			



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">the key business taken by ARAC; andARAC's views and advice on any issues they believe the Accounting Officer or Board should take action on. (6.1)		
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). (6.3)		
5.3	ARAC provides an Annual Report timed to support the preparation of the Annual Governance Statement. (6.4)		
5.4	ARAC's Annual Report is open and honest in presenting the ARAC's views. (6.4)		
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) (1.5, 6.5)		
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. (6.7)		
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. (6.7)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
5.8	Transparency - ARAC reports its work as transparently as possible within the limits of what is confidential and commercially sensitive.		
5.9	Working with the Board - ARAC has a robust mechanism for working with the Board, so expectations and accountability are clear.		
5.10	Technology - ARAC uses technology to its advantage and communicates as a group in a way which is effective, efficient and secure.		
5.11	Reports from ARAC to the Board - 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	Visibility of risks across departments - (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	Attendance at ARAC meetings by Departmental officials - (For ALBs of government departments only) a departmental official is invited to and attends all ARAC meetings.		
Additional comments and key takeaways			



Section 6: Continuous Improvement

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
6.1	Chair's performance - The Chair seeks appraisal of his or her performance from the Accounting Officer or Chair of the Board, as appropriate. (Annex A, A2)		
6.2	ARAC members' performance - The Chair assesses the performance of the individual members of ARAC, discusses their training and development needs and agrees a training and development plan. (Annex A, A2)		
6.3	Periodic reviews - The Chair ensures a periodic review of the overall effectiveness of ARAC. (Annex A, A3)		
6.4	Assessment of outcomes - 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	Monitoring of trends - Evaluation of performance is not done in isolation, and year-on-year trends in different areas of performance are measured.		
6.6	Feedback from key stakeholders - 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.		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
6.7	Succession planning - 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	Method of evaluation - 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	Objectivity and rigour - The evaluation of performance is objective and rigorous enough for meaningful conclusions to be drawn.		
Additional comments and key takeaways			



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"> • Maintenance of governance, risk and control arrangements • Financial and governance reporting • Establishing appropriate and effective arrangements for audit and assurance 		
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?		
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"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of ARAC that is not unwieldy • consideration as to the inclusion of at least one independent member • consideration as to the independent member chairing ARAC 		
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"> • annual audit of the accounts; and • performance improvement audit and assessment annual exercise. 		
Additional comments and key takeaways			

Appendix 2: Example of Annual ARAC core work programme (for bodies with a March year-end)

Items	Spring	Summer	Autumn	Winter
Standing Items				
Apologies	✓	✓	✓	✓
Conflicts of Interest	✓	✓	✓	✓
Review and approve the draft minutes from the previous meeting.	✓	✓	✓	✓
Update on matters arising from the previous meeting.	✓	✓	✓	✓
Review the organisation's strategic risk register and risk management processes put in place by the executive team and consider undertaking deep dives into specific risks and how evolving risks are reported.	✓	✓	✓	✓
Consider Internal Audit update and any individual reports.	✓	✓	✓	✓
Consider External Audit update and any individual reports.	✓	✓	✓	✓
Report tracking the implementation of both Internal and External Audit recommendations.	✓	✓	✓	✓
Consider any Fraud/Raising Concerns reports.	✓	✓	✓	✓
Review of Single Tender Action/Direct Award Contracts.	✓	✓	✓	✓
AOB	✓	✓	✓	✓
Confidential meeting with Internal and External Auditors.	✓	✓	✓	✓
Other Items				
Review and consider the annual report and accounts, including any changes to accounting estimates and judgements.	✓ Draft	✓ Final		
Consider/advise on the contents of the (draft) Governance Statement for the financial year just ended.	✓	✓		
Agree ARAC's annual report to the Accounting Officer and Board/Chief Executive and Council.	✓ Draft	✓ Final		
Review the Internal Audit mandate, charter, terms of reference, strategy and the periodic work plan for the coming financial year.	✓			
Consider counter fraud work plans for the coming year, including ensuring a review of the counter fraud strategy and policy.	✓			
Consider the External Audit strategy proposed in respect of current year's annual report and accounts.	✓			
Consider the (emerging) External Audit opinion and findings on the annual report and accounts.		✓		
Consider Head of Internal Audit annual report and opinion.		✓		
Discuss the implications of the result of the Accounting Officer's review of effectiveness of the system of control in relation to the Annual Governance Statement.		✓		
Consider annual reports on counter fraud, raising concerns, conflicts of interest, cyber security and any other sources of annual assurance.		✓		
Review/Update Self-Assessment Assurance Checklist (See Appendix 1)			✓	
Review the overall Assurance Framework.				✓
Review ARAC's Terms of Reference.				✓
Consider any recommendations arising from External Audit's performance improvement audit and assessment annual exercise (councils only).				✓

Appendix 3: Example of ARAC Annual Report Structure

Introduction

The introduction should provide a summary of the role and activities of ARAC within the organisation, including the reporting structure, its independence and the steps taken to obtain the necessary assurance around the year-end process, culminating in the Annual Report and Accounts, including the Governance Statement.

Membership

All ARAC members should be listed (including dates of appointment), highlighting who the Chairperson is, Non-Executive Board Members (NEBMs) and if there were any new appointments or resignations in the year.

Meetings

It is important that members are in regular attendance. The attendance statistics for each meeting during the year should be published. This ensures that the quorum is being met. See below a suggested table which should be tailored to each organisation.

	Spring	Summer	Autumn	Winter
ARAC Members				
Chair	✓ / x	✓ / x	✓ / x	✓ / x
Non-Executive Board Member 1	✓ / x	✓ / x	✓ / x	✓ / x
Non-Executive Board Member 2	✓ / x	✓ / x	✓ / x	✓ / x
Non-Executive Board Member 3	✓ / x	✓ / x	✓ / x	✓ / x
Other attendees				
Internal Auditors	✓ / x	✓ / x	✓ / x	✓ / x
External Auditors	✓ / x	✓ / x	✓ / x	✓ / x
Accounting Officer	✓ / x	✓ / x	✓ / x	✓ / x
Executive Members	✓ / x	✓ / x	✓ / x	✓ / x

In addition, commentary should be included as to how:

- an agenda, together with relevant documentation, was circulated to Committee members in advance of each meeting;
- conflicts of interest were handled;
- minutes of each meeting were approved; and
- at the end of each meeting, Committee members met privately with Internal Audit and External Audit.

Risk Management

There should be an update on the arrangements for risk management and the ongoing monitoring and oversight of the corporate risk register.

Internal Control Assurances

There should also be a section highlighting the internal control mechanisms, policies and additional assurance statements considered and discussed by the Committee during the year, examples such as:

- Annual IT Assurance Statement;
- Annual Report on complaints, fraud and raising concerns;
- Annual Report on cyber-security;
- Annual Report on procurement; and
- Annual Report on ESG.

Internal Audit

This section provides an overview of the work performed by Internal Audit and their approach to their responsibilities during the year, including their Annual Report. See below a suggested table for providing details of Internal Audit reports.

Area	Recommendations	Status at Reporting Date	Assurance Rating
Title of Internal Audit report	X high priority X medium priority X low priority	Ongoing/Completed Implementation date:	Satisfactory/Limited/ Unacceptable

External Audit

This section provides an overview of the work performed by External Audit and their approach to their responsibilities during the year, including their reports. There is also the opportunity to include the findings of other public reports published by External Audit and any impact on the organisation.

Governance

This section provides an opportunity for ARAC to comment on any issues in relation to the Governance Statement or to bring to the attention of the Accounting Officer or Board.

Conclusion - ARAC Effectiveness

ARAC should conclude:

- its view on its own effectiveness;
- as to whether it is satisfied that it has fulfilled its duties as guided by its Terms of Reference;
- that by reviewing the work of Internal and External Audit and other assurances provided to the Committee, every effort has been made to review and oversee internal control and risk management arrangements; and
- if sufficient assurance has been provided to the Accounting Officer in the discharge of his/her accountability obligations.

Appendix 4: The role of the Chair of the Audit and Risk Assurance Committee

The role of the Chair of ARAC goes beyond chairing meetings. It is key to the effectiveness of the Committee. Their role includes a number of additional responsibilities beyond Committee meetings themselves, including:

- Before each meeting the Chair and the Committee Secretary should meet to discuss and agree the scheduled business for the meeting. The Chair should take ownership of, and have final say in, the decisions about what business will be conducted at any particular meeting.
- ARAC meeting time should be optimised by ensuring that all agenda papers are issued in good time. Each paper should be summarised with an outline provided of the key points, which are then cross referenced to the organisational business and risk agenda. In addition a brief comment should be included to clarify what Committee action is required.
- Ensuring that after each meeting appropriate reports are prepared from ARAC to the Accounting Officer and Board. They should also provide an annual report to the Accounting Officer and Board.
- The Chair should have bilateral meetings at least annually with the Accounting Officer, the Head of Internal Audit and the External Auditor. Where any person is appointed to these positions the Chair should meet them as soon as practicable after their appointment.
- The Chair should ensure that all ARAC members have an appropriate programme of engagement with the organisation and its activities to help them understand the organisation, its objectives, business needs and priorities.
- The Chair should establish a mechanism to enable key stakeholders to consider the overall risk and assurance needs.
- The Chair should encourage good, open relationships between ARAC, Accounting Officer, Finance Director and Internal and External Auditors.
- The profile of ARAC can be raised to support and add weight to audit work by:
 - promoting audit issues with the Board and other directors to make sure they appreciate the purpose and value of audit;
 - holding managers within the organisation to account for the implementation of all audit recommendations; and
 - when appropriate calling business heads to meetings, for example, to clarify issues and explain how they are delivering agreed actions for risks for which they are responsible;
 - arranging separate meetings for the Chair, NEBMs and Internal and External Auditors to help establish good open working relationships;
 - arranging meetings with Internal Auditors and the Finance Director etc in the weeks leading up to ARAC meetings to discuss potential agenda items and papers that should be provided;
 - arranging pre-meetings with the Internal Auditors (and possibly External Audit) immediately before ARAC meeting to help focus discussions; and
 - the Chair should ensure that there is an appropriate process between meetings for action points arising from Committee business to be appropriately pursued. The Chair should also ensure that members who have missed a meeting are appropriately briefed on the business conducted in their absence. Chairs may choose to rely on the Secretariat to take responsibility for these actions.

- **Committee Appraisal:** The Chair should take the lead in ensuring that Committee members are provided with appropriate appraisal of their performance as a Committee member and that training needs are identified and addressed. They should seek appraisal of their own performance from the Accounting Officer (or Chair of the Board, as appropriate). In addition, they should ensure that there is a periodic review of the overall effectiveness of ARAC and of its terms of reference.
- **Committee Appointments (Central Government only):** The Chair should be involved in the appointment of new Committee members. Their advice should be sought in relation to the skills and experience being sought by the Committee when a new member is appointed.



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Section 1: Membership, Independence, Objectivity and Understanding

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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. (3.2)		
1.2	Membership of ARAC has sufficient numbers to discharge its responsibilities. (3.1)		
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. (3.2)		
1.4	The Accounting Officer and the Finance Director routinely attend meetings. (3.4)		
1.5	The heads of Internal Audit and External Audit routinely attend meetings. (3.4)		
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. (3.5)		
1.7	ARAC members understand their responsibilities regarding identifying, declaring and resolving conflicts of interest. (3.9)		
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. (3.10, 3.11)		
1.9	Monitoring conflicts of interest - 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.		
1.10	Conflicts of interest policy - The conflict of interest policy is reviewed on an annual basis – see para 4.9 and 4.13 of NIAO Conflicts of Interest - Good Practice Guide.		
1.11	Terms of Reference are reviewed and approved annually by the Accounting Officer and Board Chair and are tabled at each ARAC meeting. (5.26)		
1.12	ARAC has access to sufficient funding to cover the costs incurred in fulfilling its role. (5.31) This should be sufficient to: <ul style="list-style-type: none"> • meet the remuneration and working expenses of its members; • meet the relevant training needs of its members; • provide specialist (external) advice or opinions when required; and • provide external review of the effectiveness of ARAC. 		
1.13	ARAC meets at least four times during the year. (5.30)		
1.14	The number of meetings held during the year is sufficient to allow ARAC to perform as effectively as possible. (5.30)		
1.15	Meetings are well-aligned with the audit and assurance cycle. (5.30 and Annex E)		
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. (Annex D)		
1.17	Meetings of ARAC are long enough to ensure that all agenda items are covered in sufficient detail. (Annex F)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
1.18	Contribution to meetings - All members and attendees make valuable contributions to meetings.		
1.19	Deep dives - 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	Private meetings - 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	Appointments - 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. (Annex A, A.3)		
1.22	Time between ARAC meetings and main Board meetings - 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.		
1.23	Culture and Behaviour - ARAC acts in an inclusive and respectful manner, avoids 'group think', and provides an appropriate balance between challenge and support.		
1.24	Preparation - ARAC receives information and papers far enough in advance for members to fully consider before the meeting.		
1.25	Resources - ARAC is provided with sufficient administrative and secretarial support to undertake its duties to the required standard.		
1.26	Balance of Agenda - 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	Forward Planning - ARAC has a forward plan for its meetings so it can consider issues at the right time and in the right level of detail.		
1.28	Minute taker - There is a designated minute taker present at each meeting.		
1.29	Record of reports presented - 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	Hybrid meetings - 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.		
Additional comments and key takeaways			



Section 2: Skills and Experience

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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. (4.1)		
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. (4.1)		
2.3	ARAC proactively identifies which skills it requires to discharge its responsibilities most effectively. (4.2)		
2.4	The required skill sets for ARAC are reviewed at regular intervals. (4.2)		
2.5	Co-opting members and procuring specialist skills - ARAC uses the powers of co-opting members and procuring specialist skills where these are required. (4.5)		
2.6	Skills mapping - ARAC documents and maps the skills of its members so it can identify areas of strength and any skills gaps. (Annex G)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
2.7	Diversity - ARAC draws on a sufficiently diverse membership, containing a variety of demographic attributes and characteristics.		
2.8	Relevance of financial reporting experience - 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	Non-Technical Skills - 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. (4.6)		
2.11	Members of ARAC who are unfamiliar with corporate governance and wider practice in government are specifically upskilled in this area. (4.6)		
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. (4.3)		
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. (4.7)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
2.14	Learning culture - There is a positive culture of learning and personal development within ARAC.		
2.15	Emerging developments - ARAC's training and development programme takes account of developments in corporate governance and emerging risk areas.		
2.16	Public sector context - 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	Cross-government networking - ARAC Chair attends cross-governmental (if a government department) or cross-departmental (if an arm's-length body) ARAC Chair meetings.		
Additional comments and key takeaways			

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.		
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

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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. (5.3)		
3.2	ARAC assesses whether the assurance received is of sufficient quality to meet the assurance needs outlined in 3.1. (5.3)		
3.3	ARAC understands the key sources of assurance in the organisation, and how and why each of these sources provides assurance to them. (5.5)		
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. (5.6)		
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. (5.9)		
3.6	ARAC ensures the organisation operates appropriate and effective whistleblowing practices, in keeping with NIAO's good practice guide on <u>Raising Concerns</u> (June 2020), and has completed the associated <u>self-assessment checklist</u> .		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.7	Assurance Mapping - 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	Recommendation Tracking Department of Finance (DOF) Letters and other relevant guidance - 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 (including Audit and Risk Assurance Committee Handbook Reference)	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;		
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.		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.16	Future assurance requirements - ARAC monitors developments in corporate governance so it can proactively advise the Accounting Officer and Board on any changes to assurance requirements.		
3.17	Annual governance statement - ARAC reconciles assurance from Internal Audit, External Audit and other sources of assurance with conclusions drawn in the organisation's annual governance statement.		
3.18	Corporate governance policy - 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. (5.20)		
3.20	ARAC is satisfied that management takes an enterprise-wide view of the organisation's risks, including those that cross organisational boundaries. (5.20)		
3.21	There is a clear understanding of the role and activities of the Board in relation to managing risk. (5.20)		
3.22	ARAC discusses with the Board how its policies, attitude to, and appetite for risk are defined and communicated across the organisation. (5.20)		
3.23	ARAC understands and challenges the risk management framework and the assignment of responsibilities. (5.20)		
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. (5.12)		
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. (5.11)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.26	Risk Culture - ARAC promotes the importance of a positive risk culture in the organisation as set out in NIAO's good practice guide on Innovation and Risk Management.		
3.27	Managing Innovation – 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	Risk Tolerance - 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	Risk Registers - 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	Resources - ARAC can assess whether there are sufficient resources to manage risk effectively across the organisation.		
3.31	Emerging Risks - ARAC challenges whether management's approach to identifying risks is broad enough to effectively identify new and emerging risks.		

3.32	Risk Evaluation - ARAC challenges management on its approach to evaluating risks, including the effectiveness of scenario planning and stress testing.		
3.33	Review of "Near Misses" - ARAC reviews information on 'near misses' to help determine whether the systems in place are sufficiently robust to mitigate future risk events.		
3.34	Fraud and Error - 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	Resilience - ARAC considers the cumulative impact of risks and how these could impact on the ongoing resilience of the organisation.		
3.36	ARAC critically challenges and reviews the adequacy and effectiveness of control processes in responding to risks. (5.20)		
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. (5.10)		
3.38	Understanding of internal control - ARAC has a good understanding of how the organisation develops, operates and monitors the system of internal control.		
3.39	Controls over material or significant risks ARAC seeks assurance on how any material or significant risks are managed through strategic, operational and compliance controls.		
3.40	Timely indicators - ARAC assesses whether the system of internal control would provide timely indicators of weaknesses and failings.		
3.41	Root cause analysis of significant failings or weaknesses in internal control - 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	Financial control - 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	IT controls - ARAC has sufficient assurance over the quality of IT controls.		
3.44	Design of fraud controls - 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	Evaluation of fraud controls - ARAC has oversight of how controls are evaluated so it can understand how effectively fraud and error risks are being addressed.		
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. (5.22)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.47	Counter fraud arrangements – 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 NIAO's good practice guide on Managing Fraud Risk in a Changing Environment .		
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. (5.23)		
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. (5.23)		
3.50	ARAC uses its understanding of the organisation to assess whether disclosures in the financial statements are set properly in context. (5.23)		
3.51	In reviewing the Annual Accounts, ARAC specifically considers the following: <ul style="list-style-type: none"> • accounting policies comply with relevant requirements, particularly HM Treasury's Financial Reporting Manual; • assurances about the financial systems which provide the figures for the accounts; • the quality of the control arrangements for preparing the accounts; • key judgements made in preparing the accounts, and management's consideration of their ongoing relevance; • any disputes arising between those preparing the accounts and the auditors; and • reports, advice and findings from External Audit – especially the Report to those charged with governance (RTTCWG). 10		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
3.52	Annual Report - ARAC reviews the Annual Report to ensure that it is fair and balanced and is easily understandable.		
3.53	Complex judgements and use of experts - 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	Continual monitoring of significant issues - 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	Reports from third parties - 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	Key Matters - ARAC considers key matters on its own initiative rather than relying solely on the work of the External Auditor.		
3.57	Understanding of the Organisation - 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	Going Concern - ARAC sufficiently challenges the going concern assessment in the context of its review of the financial statements and understanding of the business.		
3.59	Use of financial models - ARAC offers appropriate challenge to any information which is generated through financial modelling.		
3.60	Financial reporting developments - ARAC is familiar with developments in financial reporting standards and can challenge their application in financial statements.		
3.61	Group Reporting - (For government groups only) ARAC has sufficient oversight of significant financial reporting risks from across the department or group.		
3.62	<p>Submission of unsigned Annual Report and Accounts (ARA) to the C&AG - (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"> • reviewed the ARA to ensure they have been properly prepared in accordance with the guidance; • enquired of staff to ensure adequate working papers are available to support the figures in the ARA; and • 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. <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. (5.26)		
4.2	The Terms of Reference are reviewed on an annual basis. (5.26)		
4.3	The Terms of Reference do not conflict with guidance in the HM Treasury's Audit and Risk Assurance Committee Handbook. (5.27)		
4.4	The Terms of Reference make clear ARAC's independence as a committee. (5.27)		
4.5	ARAC's Terms of Reference are made publicly available, including on the organisation's website. (5.26)		
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. (3.4)		

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

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	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.		
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.		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
4.14	Benchmarking - ARAC has compared its Terms of Reference against those of similar profile organisations.		
4.15	Expectations - 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.		
4.16	Proportionality - The Terms of Reference properly reflect the role and scope of ARAC and are proportionate to the way ARAC actually operates.		
4.17	Standing Item – 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. (5.16)		
4.19	ARAC assesses the adequacy of the budget and resources available to Internal Audit. (5.16)		
4.20	ARAC reviews the Internal Audit charter or terms of reference. (5.16)		
4.21	ARAC assesses the results of Internal Audit's work, and management's responses to the issues raised. (5.16)		
4.22	ARAC reviews the annual Internal Audit Opinion and associated annual report. (5.16)		
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. (5.16)		
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. (5.16)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
4.25	Other assurance activity - 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	Support - ARAC plays a role in providing support for, and acceptance of, the work of Internal Audit.		
4.27	Coverage - ARAC challenges whether the effectiveness of the risk, compliance and finance functions is evaluated as a part of its Internal Audit strategy.		
4.28	Overall opinion - 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.		
Additional comments and key takeaways			

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. (5.17)		
4.30	ARAC considers the impact of the results of External Audit work. (5.17)		
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. (5.17)		
4.32	Recommendations Tracking – NIAO Public Reports – Where relevant, ARAC has an effective system for monitoring management's progress with recommendations from NIAO Public Reports. Management responses to recommendations should be included in a Memorandum of Reply (MOR) as set out in DAO 03/24 - Guidance on Responding to Northern Ireland Audit Office Public Reports		
4.33	NIAO Good Practice Guides - ARAC has an effective system for monitoring management's progress with any relevant recommendations arising from NIAO Good Practice Guides.		
4.34	External Audit's findings and recommendations – ARAC reviews and monitors management's responses to any findings set out in External Audit's RTTCWG.		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
4.35	Objectives of External Audit - ARAC has a clear understanding of the objectives, scope and remit of External Audit work.		
4.36	Review of adequacy of scope - 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	Level of fees - 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	Materiality - 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> .		
4.39	Audit quality - 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	Expert advice - ARAC is satisfied that the External Auditor has access to relevant expertise, for instance around pensions liabilities or property valuation.		
4.41	Quality of review - ARAC focuses on priority issues when undertaking its review of the results of External Audit work.		
4.42	Review of audit representation letters - 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	Quality of information provided to External Audit - ARAC takes steps to ensure External Audit receives quality, robust and timely audit evidence from the finance function.		
4.44	Support for External Audit - ARAC is supportive of External Audit's challenge of management and does not act as management's advocate.		
4.45	Uncorrected Misstatements - ARAC should provide written endorsement of management's reasons for not correcting any uncorrected misstatements identified by External Audit.		
Additional comments and key takeaways			



Section 5: Communications and Reporting

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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"> the key business taken by ARAC; and ARAC's views and advice on any issues they believe the Accounting Officer or Board should take action on. (6.1) 		
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). (6.3)		
5.3	ARAC provides an Annual Report timed to support the preparation of the Annual Governance Statement. (6.4)		
5.4	ARAC's Annual Report is open and honest in presenting the ARAC's views. (6.4)		
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) (1.5, 6.5)		
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. (6.7)		
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. (6.7)		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
5.8	Transparency - ARAC reports its work as transparently as possible within the limits of what is confidential and commercially sensitive.		
5.9	Working with the Board - ARAC has a robust mechanism for working with the Board, so expectations and accountability are clear.		
5.10	Technology - ARAC uses technology to its advantage and communicates as a group in a way which is effective, efficient and secure.		
5.11	Reports from ARAC to the Board - 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	Visibility of risks across departments - (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	Attendance at ARAC meetings by Departmental officials - (For ALBs of government departments only) a departmental official is invited to and attends all ARAC meetings.		

Additional comments and key takeaways



Section 6: Continuous Improvement

Reference	Essential Requirements (including Audit and Risk Assurance Committee Handbook Reference)	Yes/No	Actions/Comments
6.1	Chair's performance - The Chair seeks appraisal of his or her performance from the Accounting Officer or Chair of the Board, as appropriate. (Annex A, A2)		
6.2	ARAC members' performance - The Chair assesses the performance of the individual members of ARAC, discusses their training and development needs and agrees a training and development plan. (Annex A, A2)		
6.3	Periodic reviews - The Chair ensures a periodic review of the overall effectiveness of ARAC. (Annex A, A3)		
6.4	Assessment of outcomes - 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	Monitoring of trends - Evaluation of performance is not done in isolation, and year-on-year trends in different areas of performance are measured.		
6.6	Feedback from key stakeholders - 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.		

Other Good Practice Arrangements

Reference	Good Practice	Yes/No	Actions/Comments
6.7	Succession planning - 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	Method of evaluation - 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	Objectivity and rigour - The evaluation of performance is objective and rigorous enough for meaningful conclusions to be drawn.		
Additional comments and key takeaways			



Section 7: Council Specific

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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"> • Maintenance of governance, risk and control arrangements • Financial and governance reporting • Establishing appropriate and effective arrangements for audit and assurance 		
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?		
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"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of ARAC that is not unwieldy • consideration as to the inclusion of at least one independent member • consideration as to the independent member chairing ARAC 		
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"> • annual audit of the accounts; and • performance improvement audit and assessment annual exercise. 		
Additional comments and key takeaways			



HM Treasury



Cabinet Office

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Corporate governance in central government departments:

code of good practice



HM Treasury



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Corporate governance in central government departments: code of good practice



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Foreword

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Good corporate governance is fundamental to any effective and well-managed organisation – be it private or public sector – and is the hallmark of any corporate entity that is run accountably and with the long-term interest clearly in mind. Ensuring that central government departments are run as efficiently and effectively as possible is central to this goal. By holding our public servants to the highest standards and providing them with strong, robust frameworks in which they can thrive while delivering public service, we can build a government that operates as smoothly as possible for the everyday citizen.

This updated *code of good practice* builds on the last code published in 2011, and reflects the steps we have taken since then to make government as efficient and effective as possible for the taxpayer. Since 2011, there has been a step change in the governance of central government departments. Secretaries of state now chair departmental boards, bringing a high level of focus on issues such as performance, risk management, talent and the challenge and scrutiny of major projects.

This departmental board model is now embedded as a key element of the fabric of corporate governance across central government departments. Boards help departments and the government succeed in achieving their aims by encouraging good planning, managing performance regularly and raising delivery capability. They also help foster a culture of openness and good governance by providing a clear oversight structure.

There are now over eighty non-executive board members across central government departments, bringing diverse experience from senior positions in large and complex organisations outside government. The introduction of the new role of Government Lead Non-Executive, supported by a team in the Cabinet Office, has helped to co-ordinate this network and encourage successful collaboration between departments.

Indeed, as the Prime Minister has recognised, the departmental board model has been “an overall success, bringing useful external expertise and challenge into the running of departments”. That is why it is important that the code supports the departmental board model as it continues to embed further in all departments across Whitehall.

We are determined that this code will continue to support good governance within the public sector – supporting the government’s commitment to build a country that works for everyone and where everyone plays by the same rules.



RT HON BEN GUMMER MP

Minister for the Cabinet Office and Paymaster General



RT HON DAVID GAUKE MP

Chief Secretary to the Treasury

Departmental board model: summary

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Government departments are not the same as for-profit corporations, but they face many similar challenges. They need to be business-like. They can do this by tapping into the expertise of senior leaders with experience of managing complex organisations. These experts will provide challenge and support through their membership of departmental boards, which will provide the collective strategic and operational leadership of government departments.

Box 1.A: Extract from the Ministerial Code

"Secretaries of state should chair their departmental board. Boards should comprise other ministers, senior officials, a Lead Non-Executive and non-executive board members, (largely drawn from the commercial private sector and appointed by the Secretary of state in accordance with Cabinet Office guidelines). The remit of the board should be performance and delivery, and to provide the strategic leadership of the department."

Source: Ministerial Code, Cabinet Office, December 2016, paragraph 3.5¹

Composition and remit

The boards will be balanced, with roughly equal numbers of ministers, senior civil servants, and non-executives from outside government. They will be chaired by the Secretary of state and meet on at least a quarterly basis. However, best practice is that boards should meet more frequently.

Boards are advisory in the sense that they will provide advice to the department on issues within their remit, such as strategy and the deliverability of policies. They are supervisory in the sense that they scrutinise reporting from the department on performance, and challenge the department on how well it is achieving its objectives.

Policy will be decided by ministers alone, with advice from officials. Boards will give advice and support on the operational implications and effectiveness of policy proposals, focusing on getting policy translated into results. They will operate according to recognised precepts of good corporate governance in business: leadership, effectiveness, accountability and sustainability.

Boards advise on, and supervise, five main areas: strategic clarity, commercial sense, talented people, results focus, and management information.

The board may choose for its committees to carry out some of its activities. As a minimum, there should be committees responsible for audit and risk assurance (the responsibilities of which will include reviewing the comprehensiveness of assurances and integrity of financial statements), and nominations (the responsibilities of which will include ensuring there are satisfactory systems for identifying and developing leadership and high potential, scrutinising the incentive structure and succession planning for the board and the senior leadership of the department). The board should also ensure that governance arrangements are sufficiently scrutinised; this responsibility may be discharged by the board itself or by a board sub-committee (such as the audit and risk assurance committee or a nominations committee), as the board sees fit.

¹ www.gov.uk/government/publications/ministerial-code

Board members' roles and responsibilities

Principles of public life

All board members should uphold the seven principles of public life (the Nolan principles): selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Chair of the board

The chair of the board will normally be the Secretary of state (the lead non-executive board member, or another ministerial board member, may occasionally deputise if necessary). He or she will maintain a high standard of discussion and debate, helping to steer the department by facilitating collective working and ensuring that systems are in place to provide board members with the support they need to carry out their role effectively, such as providing them with timely, relevant evidence on which to base their decisions.

Lead non-executive board member

Each board will have a lead non-executive board member, who will meet regularly with other non-executive board members to ensure their views are understood and that the Secretary of state is made aware of any concerns (including through ensuring that the non-executive board members meet alone with the Secretary of state from time to time). The lead non-executive board member will support the Secretary of state in his or her role as chair of the board and liaise with the Government Lead Non-Executive.

Non-executive board members

Non-executive board members, appointed by the Secretary of state, will be experts from outside government. They will come primarily from the commercial private sector, with experience of managing large and complex organisations. In order to achieve representative boards with broad-based experience, departments will aim as far as possible to ensure that there is at least one non-executive board member with substantial experience in the public and/or not-for-profit sectors, in addition to members with strong commercial expertise. Departments should aim to achieve boards which are diverse – for example, they should include at least one female non-executive board member. These considerations will also be kept in mind when planning for succession.

They will exercise their role through influence and advice, supporting as well as challenging the executive. They will advise on performance (including agreeing key performance indicators), operational issues (including the operational / delivery implications of policy proposals), and on the effective management of the department. They will also provide support, guidance and challenge on the progress and implementation of the single departmental plan, and in relation to recruiting, appraising and ensuring appropriate succession planning of senior executives. They will form committees responsible for audit and risk assurance, and nominations. To share best practice and to ensure departments learn from the successes and failures of comparable organisations, they will meet regularly with other non-executive board members across government and the Government Lead Non-Executive.

Departments will support this work by providing appropriate management information and direct access to officials outside of board meetings.

Non-executive board members will report their views in their own section of the department's annual report. Through the network of lead non-executive board members, led by the Government Lead Non-Executive, they will also be able to feed their views back to the Prime Minister.

As a last resort, if non-executive board members judge that the permanent secretary is an obstacle to effective delivery, they will be able to recommend to the Prime Minister, Secretary of state and the Cabinet Secretary and Head of the Civil Service that the permanent secretary should be removed from his or her post.

Government Lead Non-Executive

The Government Lead Non-Executive will meet regularly with departmental lead non-executive board members, individually and as a collective, and feed their views back to the Prime Minister; Cabinet Secretary and Head of the Civil Service; and the Chief Executive of the Civil Service. The Government Lead Non-Executive will report to Parliament through an annual report to the Public Administration and Constitutional Affairs Committee. This report will include the key concerns of the non-executive board member network and provide feedback on policy implementation. It will also collate examples of best practice in the work of boards and non-executive board members. The report will also be provided to the Prime Minister; Secretaries of State; Cabinet Secretary and Head of the Civil Service; and Chief Executive of the Civil Service.

About this code

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Why corporate governance?

Corporate governance is the way in which organisations are directed, controlled and led. It defines relationships and the distribution of rights and responsibilities among those who work with and in the organisation, determines the rules and procedures through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance. Importantly, it defines where accountability lies throughout the organisation.

Accountabilities and role of the board

This code does not change existing responsibilities and accountabilities of ministers and accounting officers to Parliament. Central government is a difficult environment to manage well and can benefit from the introduction of outside expertise. But it has many unique characteristics and it would not be appropriate to import governance arrangements directly from other sectors.

Governance arrangements in central government departments are intended to support, help and challenge the way departments are run and how they deliver. Departmental boards are therefore advisory bodies to support and challenge ministers and accounting officers.

The code is drafted to offer flexibility in the way a board behaves, particularly to foster a sense of equal status and collective corporate behaviour amongst board members. In particular it may be appropriate in certain areas for the board to assume the characteristics of a supervisory body, in order to provide governance oversight to support the accounting officer.

Each department needs to be pragmatic in the way they implement the principles of the code. One size never fits all, but the 'comply or explain' mechanism enables departments to deviate from the principles and supporting provisions if justifiable for the good governance of the department.

Good governance is central to the effective operation of government departments. Government departments are not the same as for-profit corporations, but they need to be business-like and operate according to recognised precepts of good governance in business:

- **Leadership** – articulating a clear vision for the department and giving clarity about how policy activities contribute to achieving this vision, including setting risk appetite and managing risk
- **Effectiveness** – bringing a wide range of relevant experience to bear, including through offering rigorous challenge and scrutinising performance
- **Accountability** – promoting transparency through clear and fair reporting
- **Sustainability** – taking a long-term view about what the department is trying to achieve and what it is doing to get there

This code is the primary reference and overview of good practice for corporate governance in central government departments. It should be cascaded to management throughout central government. There is further guidance on various aspects of corporate governance in government in a number of other publications, including *Managing Public Money*, the *Audit*

and risk assurance committee handbook, the Ministerial Code, the Civil Service Code, the Code of conduct for board members of public bodies, and Partnerships between departments and arm's length bodies: code of good practice.

Codifying the requirements for good governance can only go so far. To maximise the effectiveness of an organisation, people within the governance structure need to adopt appropriate behaviour too. Compliance with this code cannot guarantee good performance but it does make it more likely. The principles, policy and provisions outlined in this code provide a framework designed to facilitate good decision-making by departments. In order to foster good decision-making, the board needs to adopt open and transparent behaviours.

This code

This is a refreshed version of the previous code, which was published in 2011. This revised edition of the code does not contain fundamental changes, but brings certain aspects of the 2011 code up to date. The code is intended to be a living document, which will evolve in line with best practice.

Relevant government policy on how the principles should be implemented is clearly identified throughout the code, with departments expected to apply the principles and supporting provisions to suit their business needs as appropriate. In addition to central government departments, the principles in the code generally hold across other parts of central government, including departments' arm's length bodies (ALBs),¹ which are encouraged to adopt the principles in the code wherever relevant and practical. Arrangements for ALBs may depend on statute. Generally, ministers do not chair ALBs, nor non-ministerial departments where statute sets out the applicable governance.

The devolved administrations have different structures. The principles remain relevant and devolved administrations may want to consider how to identify and adopt them. In ALBs and non-ministerial departments, in line with other good practice guidance, such as the *UK corporate governance code* issued by the Financial Reporting Council,² it is good practice to operate a board with a non-executive chair and a chief executive, adopting the other principles of this code, as appropriate.

Comply or explain

This code is based on principles. Departments should apply the principles of the code to meet their business needs. The code needs to be considered in its entirety to ensure a comprehensive perspective of good practice. The code focuses on the role of boards, since these provide leadership. Departures from this code may be justified if good governance can be achieved by other means. Reasons for departure should be explained clearly and carefully in the governance statement³ accompanying its annual resource accounts. In providing an explanation, a department should aim to illustrate how its practices are both consistent with the principle to which the particular provision relates and contribute to good governance. Guidance issued by HM Treasury and the Cabinet Office sets out a suggested approach for departments on how the principles may be applied.⁴

¹ Non-Ministerial Departments (NMDs) which have a relationship with their sponsor department similar to its other ALBs should apply this code as an ALB. Other NMDs should apply the code as central departments.

² www.frc.org.uk

³ The governance statement includes: the areas formerly covered by the statement on internal control; an account of how the code has been complied with or an explanation of reasons for departure from the code; and disclosure of attendance at board meetings.

⁴ *Corporate governance in central government departments: code of good practice – guidance note*, available on www.gov.uk

1 Parliamentary accountability

Principles

1.1 The minister in charge of the department is responsible and answerable to Parliament for the exercise of the powers on which the administration of that department depends. He or she has a duty to Parliament to account, and to be held to account, for all the policies, decisions and actions of the department, including its ALBs.

1.2 The departmental accounting officer is personally responsible and accountable to Parliament for the organisation and quality of management in the department, including its use of public money and the stewardship of its assets.

Supporting provisions

1.3 The lead minister in a department may devolve to his or her junior ministers responsibility for a defined range of departmental work, including parliamentary business.

1.4 In non-ministerial departments, there should be an agreement as to which minister(s) should answer for the department's affairs in Parliament.

1.5 Generally speaking, civil servants working for a departmental minister may exercise powers of the minister in charge of the department. Ministers remain accountable to Parliament for decisions made under their powers.

1.6 The official at the head of the department is normally appointed as its accounting officer. The duties of the post are outlined in chapter 3 of *Managing Public Money*.

1.7 Parliament grants resources to departments for specified purposes. HM Treasury administers these resources on behalf of Parliament and appoints the accounting officers who are charged with ensuring resources are used as Parliament intends. The accounting officer of a central government department may look to the Cabinet Secretary and the Head of the Civil Service for support in this role.

1.8 The accounting officer should establish and document a clear allocation of responsibilities amongst officials in the department, but he or she retains overall personal responsibility and accountability to Parliament for:

- regularity and propriety
- prudent and economical administration
- avoidance of waste and extravagance
- ensuring value for money, judged for the Exchequer as a whole, not just for the department
- efficient and effective use of available resources
- the organisation, staffing and management of the department

1.9 Accounting officers should routinely scrutinise significant policy proposals or plans to start or vary major projects and then assess whether they measure up to the standards set out in Chapter 3 of *Managing Public Money*, so that they can identify any discrepancy. The accounting officer should draw any such problems to the attention of the responsible minister to see whether they can be resolved. If the minister decides to continue with a course the accounting officer has advised against (whether or not supported by the collective decision of the board), the accounting officer should ask for a formal written direction to proceed. An accounting officer may not rely on a departmental board minute as an alternative to a formal written direction.

1.10 The accounting officer should disclose all ministerial directions to the board at the next board meeting, and arrange for the existence of any direction to be published, no later than in the governance statement of the next Annual Report and Accounts, unless the matter must be kept confidential. Directions should not be kept confidential from the board.

1.11 The principal accounting officer, at his or her discretion, may appoint other senior officials in the department as additional accounting officers for certain accounts, requests for resources, or distinct parts of an estimate, and normally appoints the permanent heads of executive agencies and other ALBs as accounting officers for these bodies. The principal accounting officer retains overall responsibility to Parliament for ensuring a high standard of financial management in the departmental family as a whole.

2 Role of the board

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Principles

2.1 Each department should have an effective board, which provides leadership for the department's business, helping it to operate in a business-like manner. The board should operate collectively, concentrating on advising on strategic and operational issues affecting the department's performance, as well as scrutinising and challenging departmental policies and performance, with a view to the long-term health and success of the department.

Government policy

2.2 The board forms the collective strategic and operational leadership of the department, bringing together its ministerial and civil service leaders with senior non-executives from outside government, helping the department to operate in a business-like manner. The board's role includes appropriate oversight of ALBs.

2.3 The board does not decide policy or exercise the powers of the ministers. The department's policy is decided by ministers alone on advice from officials. The board advises on the operational implications and effectiveness of policy proposals. The board will operate according to recognised precepts of good corporate governance in business:

- **Leadership** – articulating a clear vision for the department and giving clarity about how policy activities contribute to achieving this vision, including setting risk appetite and managing risk
- **Effectiveness** – bringing a wide range of relevant experience to bear, including through offering rigorous challenge and scrutinising performance
- **Accountability** – promoting transparency through clear and fair reporting
- **Sustainability** – taking a long-term view about what the department is trying to achieve and what it is doing to get there

2.4 The board should meet on at least a quarterly basis; however, best practice is that boards should meet more frequently. It advises on five main areas:

- **Strategic Clarity** – setting the vision and/or mission and ensuring all activities, either directly or indirectly, contribute towards it; long-term capability and horizon scanning, ensuring strategic decisions are based on a collective understanding of policy issues; using outside perspective to ensure that departments are challenged on the outcomes
- **Commercial Sense** – approving the distribution of responsibilities; advising on sign-off of large operational projects or programmes; ensuring sound financial management; scrutinising the allocation of financial and human resources to achieve the plan; ensuring organisational design supports attaining strategic objectives; setting the department's risk appetite and ensuring controls are in place to manage risk; evaluation of the board and its members, and succession planning
- **Talented People** – ensuring the department has the capability to deliver and to plan to meet current and future needs

- **Results Focus** – shaping the single departmental plan, including strategic aims and objectives; monitoring and steering performance against plan; scrutinising performance of ALBs; and setting the department's standards and values
- **Management Information** – ensuring clear, consistent, comparable performance information is used to drive improvements

2.5 Some activities may be exercised by committees of the board. As a minimum, this will include committees responsible for audit and risk assurance (the responsibilities of which will include reviewing the comprehensiveness of assurances and integrity of financial statements), and nominations (the responsibilities of which will include ensuring there are satisfactory systems for identifying and developing leadership and high potential, scrutinising the incentive structure and succession planning for the board and the senior leadership of the department). The board should also ensure that governance arrangements are sufficiently scrutinised; this responsibility may be discharged by the board itself or by a board sub-committee (such as the audit and risk assurance committee or a nominations committee).

Supporting provisions

2.6 The board supports ministers and senior officials in directing the business of the department in as effective and efficient way as possible, with a view to the long-term health and success of the department.

2.7 The board also supports the accounting officer in the discharge of obligations set out in *Managing Public Money*¹ for the proper conduct of business and maintenance of ethical standards.

2.8 The board and its members should:

- collectively affirm and document its understanding of the department's purpose and document the board's role and responsibilities in a board operating framework. This document should include a formal schedule of matters reserved for board discussion, i.e. those which should not be delegated to committees. The board operating framework should be reviewed and updated from time to time, and at least every two years
- act corporately and objectively when discharging its responsibilities
- act in the public interest in keeping with the Nolan principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Board members should act in accordance with the *Code of conduct for board members for public bodies*²
- support actions to ensure that officials comply with the *Civil Service Code*³
- ensure that the department's reporting obligations to the Treasury, Cabinet Office and Parliament are met effectively and efficiently

2.9 The board's activities should be recorded and communicated as appropriate within the department. Boards may permit certain members of the department to observe all or part of their meetings.

¹ www.gov.uk/government/publications/managing-public-money

² www.gov.uk/government/publications/board-members-of-public-bodies-code-of-conduct

³ www.gov.uk/government/publications/civil-service-code

2.10 Board committees should only exercise governance functions and not stray into the executive management of the department which is the role of officials. The nominations committee and the audit and risk assurance committee should each be chaired by a non-executive board member and have clear terms of reference agreed by the board. The board should ensure that it receives adequate and timely feedback on the work of those committees and is able to consider their decisions formally. A schedule of agreed delegations to committees of the board, and the mechanisms for feedback and assurance, should be documented in the board operating framework.

2.11 The permanent secretary is responsible for the executive management of the department. The permanent secretary should set out annually for the board a structure for discharging this responsibility.

2.12 Where board members have concerns, which cannot be resolved, about the running of the department or a proposed action, they should ensure that their concerns are recorded in the minutes. This might occur, for example, in the rare circumstance in which the lead minister, as chair of the board, considers it necessary to depart from the collective view of the board.

3 Board composition

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Principles

3.1 The board should have a balance of skills and experience appropriate to fulfilling its responsibilities. The membership of the board should be balanced, diverse and manageable in size.

3.2 The roles and responsibilities of all board members should be defined clearly in the department's board operating framework.

Government policy

3.3 The board should be balanced, with approximately equal numbers of ministers, senior officials and non-executive board members. It should comprise:

- the department's lead minister, who should chair
- other departmental ministers
- the permanent secretary
- the finance director, who should be professionally qualified¹
- other senior officials
- at least four non-executive board members, the majority of whom should be senior people from the commercial private sector, with experience of managing complex organisations. Non-executive board members should be appointed in accordance with the relevant sections of the guidance

3.4 The chair of the board, who will normally be the lead minister, will maintain a high standard of discussion and debate, helping to steer the department by facilitating collective working and ensuring that systems are in place to provide board members with the support they need to carry out their role effectively.

3.5 Non-executive board members will exercise their role through influence and advice, supporting as well as challenging the executive, and covering such issues as:

- support, guidance and challenge on the progress and implementation of the single departmental plan
- performance (including agreeing key performance indicators), operational issues (including the operational and delivery implications of policy proposals), adherence to relevant standards (e.g. commercial, digital), and on the effective management of the department
- the recruitment, appraisal and suitable succession planning of senior executives, as appropriate within the principles set out by the Civil Service Commission

¹ Annex 4.1 of *Managing Public Money* explains this requirement and sets out the main duties and responsibilities of the finance director. The term 'finance director' is used in this code to refer to the qualified finance professional who sits on the board with management responsibility for the finance function. It is government policy that all departments should have professional finance directors reporting to the permanent secretary with a seat on the departmental board, at a level equivalent to other board members.

3.6 Non-executive board members will also take an active role in:

- forming an audit and risk assurance committee
- forming a nominations committee
- meeting other non-executive board members across government and the Government Lead Non-Executive from time to time to share best practice and to ensure departments learn from the successes and failures of comparable organisations
- reporting their views in their own section of the department's annual report
- feeding their views back to the Prime Minister and the Government Lead Non-Executive, through the network of lead non-executive board members

3.7 In each department, one of the non-executive board members should be designated as the lead non-executive board member. This person should:

- support the lead minister as chair of the board
- meet the other non-executive board members regularly, ensuring that their views are given due weight on the board and the lead minister is aware of any concerns
- ensure that the non-executive board members collectively meet the lead minister alone from time to time
- liaise with the Government Lead Non-Executive (see paragraph 3.9 below)
- play an active role in the cross-government network of lead non-executive board members

3.8 If the non-executive board members believe that the permanent secretary is a barrier to effective delivery, in extreme cases they can recommend that the Prime Minister, lead minister and Cabinet Secretary and Head of the Civil Service, should remove him or her from post.**3.9** The Government Lead Non-Executive, appointed by the Prime Minister, should:

- meet departmental lead non-executive board members, individually and as a collective, regularly
- report to Parliament through an annual report to the Public Administration and Constitutional Affairs Committee. This report will include the key concerns of the non-executive board member community and provide feedback on policy implementation. It will also collate examples of best practice in the work of boards and non-executive board members. The report will also be provided to the Prime Minister; Secretaries of State; Cabinet Secretary and Head of the Civil Service; and Chief Executive of the Civil Service
- act as a non-executive board member of the Cabinet Office board

Supporting provisions**3.10** The board should provide collective strategic and operational leadership to the departmental family, helping it to operate in a business-like manner.**3.11** The board should include people with a mix and balance of skills and understanding to match and complement the department's business and its strategic aims, typically including:

- leadership
- management of change in complex organisations
- process and operational delivery
- knowledge of the department's business and policy areas
- corporate functions, such as finance, human resources, digital, commercial and project delivery

3.12 The mix and balance of skills and understanding should be reviewed periodically, at least annually as part of the board effectiveness evaluation (see paragraph 4.12 below), to ensure they remain appropriate for the department's board.

3.13 The search for board candidates should be conducted, and appointments made, on merit, with due regard for the benefits of diversity on the board, including gender, on which the Government has an aspiration that half of all new appointees made to public bodies are women. This includes non-executive appointments to departmental boards. However, this is not just about gender; diversity is about encouraging applications from candidates with the widest range of backgrounds.

3.14 The lead minister, taking into account the views of the board, should decide whether the next most senior minister or the lead non-executive board member should chair the board in his or her absence.

3.15 The board should agree and document in its board operating framework a *de minimis* threshold and mechanism for board advice on the operation and delivery of policy proposals.

3.16 The board should be informed of government-wide policies and initiatives and challenge officials on the department's compliance.

3.17 Non-executive board members should provide advice, support and informal ongoing feedback to the department's permanent secretary and other civil service board members.

3.18 In consultation with the chair and the department's lead non-executive board member, non-executive board members may take the lead on some of the board's activities. These should be set out in the board operating framework.

3.19 In consultation with the permanent secretary and the lead non-executive board member, the chair may appoint board members who are senior officials or other board members from any of the department's ALBs. Such appointments would be part of the board structure set out in 3.3 and subject to the same selection criteria applied to other board members who are officials or non-executive board members.

4 Board effectiveness

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Principles

4.1 The board should ensure that arrangements are in place to enable it to discharge its responsibilities effectively, including:

- formal procedures for the appointment of new board members, tenure and succession planning for both board members and senior officials
- allowing sufficient time for the board to discharge its collective responsibilities effectively
- induction on joining the board, supplemented by regular updates to keep board members' skills and knowledge up-to-date
- timely provision of information in a form and of a quality that enables the board to discharge its duties effectively
- a mechanism for learning from past successes and failures within the departmental family and relevant external organisations
- a formal and rigorous annual evaluation of the board's performance and that of its committees, and of individual board members
- a dedicated secretariat with appropriate skills and experience

Supporting provisions

4.2 An effective board requires the effective discharge of the chair's responsibilities. The lead non-executive board member will support the chair to help him or her carry out the role effectively, particularly given the competing demands on the chair's time.

4.3 All boards should have a nominations committee, which will advise the board on key elements of effectiveness, including ensuring there are satisfactory systems for identifying and developing leadership and high potential, scrutinising the incentive structure and succession planning for the board and the senior leadership of the department.

4.4 The nominations committee will be advisory; it will advise on whether the department's systems (e.g. for rewarding senior executives) are effective in helping the department achieve its goals. It will not have a role in deciding individual cases (for example the level of reward of a particular senior executive). These functions will continue to be carried out by the executive; under the scrutiny of the nominations committee.

4.5 The terms of reference for the nominations committee will include at least the following three central elements:

- scrutinising systems for identifying and developing leadership and high potential
- scrutinising plans for orderly succession of appointments to the board and of senior management, in order to maintain an appropriate balance of skills and experience
- scrutinising incentives and rewards for executive board members and senior officials, and advising on the extent to which these arrangements are effective at improving performance

4.6 The attendance record of individual board members should be disclosed in the governance statement and cover meetings of the board and its committees held in the period to which the resource accounts relate.

4.7 The permanent secretary should support the chair to ensure that board members have the skills, knowledge and familiarity with the department required to fulfil their role on the board and its committees. Through the board secretariat, the department should provide the necessary resources for developing and updating the knowledge and capabilities of board members, including access to its operations and staff.

4.8 Board members' time is a finite resource. The permanent secretary should support the chair, through the board secretary, to ensure that board members receive accurate, timely and clear information. Board information should be concise and fit for purpose, setting out comprehensive, relevant evidence, and avoiding duplication of data collection efforts. It should cover the main areas of the board's activities (set out in 2.4 above), along with background on the department's policy portfolio.

4.9 Wherever possible, the information presented to the board should enable comparison with other departments or relevant organisations.

4.10 Where necessary, board members should seek clarification or amplification on board issues or board papers through the board secretary. The board secretary will consider how officials can best support the work of board members; this may include providing board members with direct access to officials where appropriate.

4.11 An effective board secretary is essential for an effective board. Under the direction of the permanent secretary, the board secretary's responsibilities should include:

- developing and agreeing the agenda for board meetings with the chair and lead non-executive board member, ensuring all relevant items are brought to the board's attention
- ensuring good information flows within the board and its committees and between senior management and non-executive board members, including:
 - challenging and ensuring the quality of board papers and board information
 - ensuring board papers are received by board members according to a timetable agreed by the board
 - providing advice and support on governance matters and helping to implement improvements in the governance structure and arrangements
- ensuring the board follows due process
- providing assurance to the board that the department:
 - complies with government policy, as set out in the code
 - adheres to the code's principles and supporting provisions on a comply or explain basis (which should form part of the report accompanying the resource accounts)
 - acting as the focal point for interaction between non-executive board members and the department, including arranging detailed briefing for non-executive board members and meetings between non-executive board members and officials, as requested or appropriate

- recording board decisions accurately and ensuring action points are followed up
- arranging induction and professional development of board members (including ministers)

4.12 The lead non-executive board member should support the chair to ensure a board effectiveness evaluation is carried out annually, and with independent input at least once every three years.

4.13 The lead non-executive board member should ensure the chair acts on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board and, where appropriate, recommending new members be sought for the board (subject to the open appointments process) or seeking the resignation of board members.

4.14 Evaluations of the performance of individual board members should show whether each continues to contribute effectively and corporately and demonstrates commitment to the role (including commitment of time for board and committee meetings and other duties).

4.15 All potential conflicts of interest for non-executive board members should be considered on a case by case basis. Where necessary, measures should be put in place to manage or resolve potential conflicts. The board should agree and document an appropriate system to record and manage conflicts and potential conflicts of interest of board members. The board should publish, in its governance statement, all relevant interests of individual board members and how any identified conflicts, and potential conflicts, of interest of board members have been managed.

5 Risk management

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Principles

5.1 The board should ensure that there are effective arrangements for governance, risk management and internal control for the whole departmental family. Advice about and scrutiny of key risks is a matter for the board, not a committee. The board should be supported by:

- an audit and risk assurance committee, chaired by a suitably experienced non-executive board member
- an internal audit service operating to *Public Sector Internal Audit Standards*¹
- sponsor teams of the department's key ALBs

5.2 The board should take the lead on, and oversee the preparation of, the department's governance statement for publication with its resource accounts each year.

Government policy

5.3 The board's regular agenda should include scrutinising and advising on risk management.

5.4 The key responsibilities of non-executive board members include forming an audit and risk assurance committee.

Supporting provisions

5.5 The head of internal audit should periodically be invited to attend board meetings, where key issues are discussed relating to governance, risk management processes or controls across the department and its ALBs.

5.6 The board should assure itself of the effectiveness of the department's risk management system and procedures and its internal controls. The board should give a clear steer on the desired risk appetite for the department² and ensure that:

- there is a proper framework of prudent and effective controls, so that risks can be assessed, managed and taken prudently
- there is clear accountability for managing risks
- departmental officials are equipped with the relevant skills and guidance to perform their assigned roles effectively and efficiently.

5.7 The board should also ensure that the department's ALBs have appropriate and effective risk management processes through the department's sponsor teams.

5.8 The board should ensure an ALB makes effective arrangements for internal audit. It is good practice to work with a group or shared internal audit provision, for example covering a department and its ALBs. In any case, the board should ensure it provides for internal audit access to its ALBs.

¹ www.gov.uk/government/publications/public-sector-internal-audit-standards

² www.gov.uk/government/publications/orange-book

5.9 The board and accounting officer should be supported by an audit and risk assurance committee, comprising at least three members. The chair of the committee should be a non-executive board member of the board with relevant experience. There should be at least one other non-executive board member of the board on the committee; the committee may also choose to seek further non-executive membership from non-members of the board in order to ensure an appropriate level of skills and experience. At least one, but preferably more, of these committee members should have recent and relevant financial experience.

5.10 Advising on key risks is a role for the board. The audit and risk assurance committee should support the board in this role.

5.11 An audit and risk assurance committee should not have any executive responsibilities or be charged with making or endorsing any decisions. It should take care to maintain its independence. The audit and risk assurance committee should be established and function in accordance with the *Audit and risk assurance committee handbook*.³

5.12 The board should ensure that there is adequate support for the audit and risk assurance committee, including a secretariat function.

5.13 The annual governance statement (which includes areas formerly covered by the statement on internal control) is published with the resource accounts each year. In preparing it, the board should assess the risks facing the department and ensure that the department's risk management and internal control systems are effective. The audit and risk assurance committee should normally lead this assessment for the board.

5.14 The terms of reference of the audit and risk assurance committee, including its role and the authority delegated to it by the board, should be made available publicly. The department should report annually on the work of the committee in discharging those responsibilities.

5.15 All boards should ensure the scrutiny of governance arrangements, whether at the board or at one of its subcommittees (such as the audit and risk assurance committee or a nominations committee). This will include advising on, and scrutinising the department's implementation of, corporate governance policy.

³ www.gov.uk/government/publications/audit-committee-handbook

6 Arm's length bodies

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Principle

6.1 Where part of the business of the department is conducted with and through arm's length bodies (ALBs),¹ the department's board should ensure that there are robust governance arrangements with each ALB board.

6.2 These arrangements should set out the terms of their relationship in accordance with the principles and standards set out in *Partnerships between departments and arm's length bodies: code of good practice*,² and explain how they will be put in place to set clear objectives and promote high performance. Appropriate arrangements should also be put in place to safeguard regularity and propriety.

Government policy

6.3 The regular agenda of the departmental board should include scrutiny of the performance of the department's ALBs, as part of general performance management against the department's single departmental plan.

Supporting provisions

6.4 ALBs are publicly accountable, whether funded directly from Parliament, a central government department, or through a government sponsored commercial structure that enables the body to generate its own revenue. Therefore, ALBs are accountable to their host department for performance and the use of their resources (as set out in paragraph 1.8 above), within the established arm's length relationship as set out in the framework document.

6.5 Each central government department is accountable to Parliament, through the minister responsible for the department as set out in Chapter 1. This accountability includes the performance of the department's ALBs.

6.6 The board should ensure that the department has a written agreement (in accordance with Chapter 7 of *Managing Public Money* and the principles set out in *Partnerships between departments and arm's length bodies: code of good practice*) with each of its ALBs, which defines clearly how the relationship should work.

6.7 Each departmental agreement with an ALB should be drawn up to reflect the:

- purpose and responsibilities of the ALB
- legal framework (if any) of the ALB
- environment in which it operates (e.g. commercial, judicial, advisory)
- partnership model adopted between the ALB and the department

¹ The term "arm's length bodies" includes executive agencies, non-departmental public bodies and non-ministerial departments. There may also be value in considering the department's governance arrangements for other organisations, such as public corporations and strategic partners e.g. public-private partnerships and private finance initiatives partners.

² *Partnerships between departments and arm's length bodies: code of good practice* describes the four key principles for effective partnerships between departments and ALBs (purpose, assurance, value and engagement).

6.8 The written agreement should be reviewed and updated periodically. Certain events may trigger such a review, such as the appointment of a new chair or chief executive officer in an ALB, changes of senior personnel in the sponsor team in the host department or a significant change in government policy relating to the ALB's business. Written agreements should be reviewed formally every three to five years.

6.9 The agreement should include clear information about:

- the shared aims and mutual responsibilities, including a management framework and agreed tolerances for meeting performance targets, and actions to be taken where these are not achieved
- the arrangements for reporting and consultation in order to ensure that the departmental board receives information enabling it to monitor the areas specified in paragraph 2.4 above
- the mechanisms to provide the department with assurance on information provided by ALBs on their performance
- the roles and responsibilities of both the department and ALB, along with expectations of support from the other party
- the process for making board and senior management appointments in the ALB

6.10 Departments may want the agreement to specify reporting relationships along professional lines, in addition to that of the department's accounting officer and the ALB's accounting officer. In particular, the relationship between the departmental finance director and the ALB's finance director should be specified, to support the relationship between accounting officers.

6.11 Guidance on the framework documents between departments and ALBs is included in Chapter 7 of *Managing Public Money*.³

6.12 Departments should ensure that their relationship with their ALB partners is in accordance with the principles set out in *Partnerships between departments and arm's length bodies: code of good practice*.⁴ Where appropriate, departments may also choose to adopt a variety of supplementary arrangements to manage these relationships. For example, senior members of ALBs may be members or observers of departmental boards in their capacity as stakeholders; similarly, departmental board members may be members of the boards of ALBs.

6.13 The department's relationship with ALBs should reflect the board's assessment of each ALB's ability to manage its risks, including those relating to delivery and financial management, and its performance. The aim should be to ensure that the department's monitoring, and support, is proportionate to the size and type of its ALBs and concentrated on those with the most significant risks.

6.14 The department should report annually on the arrangements it has in place for promoting sound working partnerships with its ALBs, which should include an assessment against the principles and standards of *Partnerships between departments and arm's length bodies: code of good practice*. Periodically, there should be an external review of the governance arrangements between the department and its ALBs, which may be incorporated within other external reviews whether commissioned by the department or the centre of government.

³ www.gov.uk/government/publications/managing-public-money

⁴ www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice

6.15 The department should periodically review the effectiveness of its portfolio of ALBs and whether or not they are:

- delivering in line with departmental single departmental plans
- effective and provide value-for-money
- the most appropriate mechanism for implementing policy objectives
- well governed and accountable for what they do

HM Treasury contacts

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Ards and North Down Borough Council

Audit Committee Progress Report

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Progress to Date

Summary Status of the 2025/26 Plan

Progress to Date

Summary Status of the 2025/26 Plan

We have begun the delivery of the 2025/26 Plan. An overview of our progress on the 2025/26 Plan (as at 13/05/2025) is set out below:

Final Report / Complete	Draft Report	Fieldwork	Planning	Yet to Commence	Cancelled/ Deferred	Total
-	-	1	3	7	-	11

Since our previous Audit Committee progress report we have:

- Completed fieldwork for the Administration Service review.
- Issued draft terms of reference for the Lease Management review.

Further detail on reviews is provided in **Appendix I**.

Final Reports

Summary of Findings Identified

Final Report

Administration Service Review

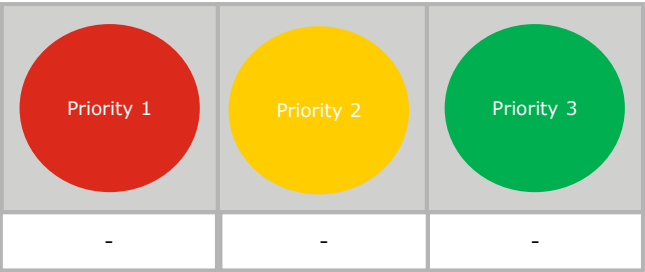
Background

The 2025/26 Annual Internal Audit Plan includes provision for an assurance review of the controls in place to manage risks associated with service planning, budgetary control, risk management and performance monitoring/reporting within the Administration Service Unit.

Overview

In order to complete this engagement, we used a combination of the following:

- Discussions with key members of the Service such as Head of Service and Service Unit managers to walkthrough key processes.
- Discussions with Finance, to discuss the budget monitoring and reporting processes.
- Review of key items of documentation such as policies and procedures, Service Plans, risk registers and reports.
- A limited programme of sample testing to assess control operating effectiveness.
- Consideration of possible improvements or alternatives for the controls in place.
- Reporting of findings with practical recommendations for improvement where appropriate.



Overall Opinion

As a result of our audit a **TBC** level of assurance was provided.

Findings

There was XX **Priority 3** finding identified during our review. This can be summarised as follows;

- **TBC**

There were XX **Priority 1** or **Priority 2** findings identified during our review.

Appendix I

Progress to Date

Progress to Date

Update on Annual Internal Audit Plan – 2025/26

In this section we have provided an overview of our progress regarding the 2025/26 Internal Audit Plan as at 13/05/2025.

Review Area	Sponsor	Planned Days	Audit Status	Assurance Level	Planned Start Date	Actual Start Date	Notes
Quarter 1							
Service Review – Administration	Head of Administration	15	Fieldwork complete	-	w/c 7 th April 2025	w/c 7 th April 2025	Fieldwork complete. Finalising closing meeting queries with client on 14/05/2025. Draft report to be issued following this.
Use of Agency Staff Policy and Processes	Director of Corporate Services / Head of HR and Organisational Development	10	Fieldwork in progress	-	w/c 28 th April 2025	w/c 28 th April 2025	Fieldwork in progress.
Service Review – Community and Culture	Head of Community and Culture	15	Planning commenced	-	3 rd June 2025	-	Planning meeting held on 13/05/2025. Draft terms of reference to be issued.
Staff Performance Management	Director of Corporate Services / Head of HR and Organisational Development	13	Planning commenced	-	w/c 9 th June 2025	-	Planning meeting held on 07/05/2025. Draft terms of reference to be issued.
Lease Management	Head of Administration	13	Planning commenced	-	w/c 30 th June 2025	-	Draft terms of reference issued 29/04/2025.
Quarter 2							
Community Plan Implementation	Community Planning Manager	12	Planning to commence	-	28 th July 2025	-	Planning to commence.
PCSP	Head of Community and Culture	14	Planning to commence	-	w/c 8 th September 2025	-	Planning to commence.
Digital Services Governance	Head of Strategic Transformation and Performance	13	Planning to commence	-	September 2025	-	Planning to commence.

Progress to Date

Update on Annual Internal Audit Plan – 2025/26

Review Area	Sponsor	Planned Days	Audit Status	Assurance Level	Planned Start Date	Actual Start Date	Notes
Quarter 3							
Climate Change Strategy	Director of Corporate Services / Head of Administration	15	Planning to commence	-	November 2025	-	Planning to commence.
Cyber Security	Head of Strategic Transformation and Performance	15	Planning to commence	-	November 2025	-	Planning to commence.
Quarter 4							
Labour Market Partnership	Head of Economic Development	5	Planning to commence	-	w/c 19 th January 2026	-	Planning to commence.
Other Areas							
Follow-ups	Head of Finance / HoST	17	Ongoing	n/a	Quarterly	-	Latest follow up exercise results presented in Appendix II.

Changes to the Internal Audit Plan and AOB

Amendments and AOB to be noted by the Audit Committee

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We have no other business to present however would be happy to discuss any other business that Ards and North Down Borough Council may wish to consider.

Appendix II

Outstanding Recommendations Update



Internal Audit have compiled a database of Internal Audit recommendations and seek management updates quarterly for all open recommendations (including any from previous years which remain open) as follows:

- **For Priority 1 findings reported as closed we conduct testing on the recommendation to confirm closure**
- **For Priority 2 findings reported as closed we asked for documentary evidence to support this**
- **For Priority 3 findings reported as closed, the management update as to whether it is closed (and when) or not is sufficient**

The results from our first quarter update for 2025/26 will be now reported to the Audit Committee.

Outstanding Recommendations

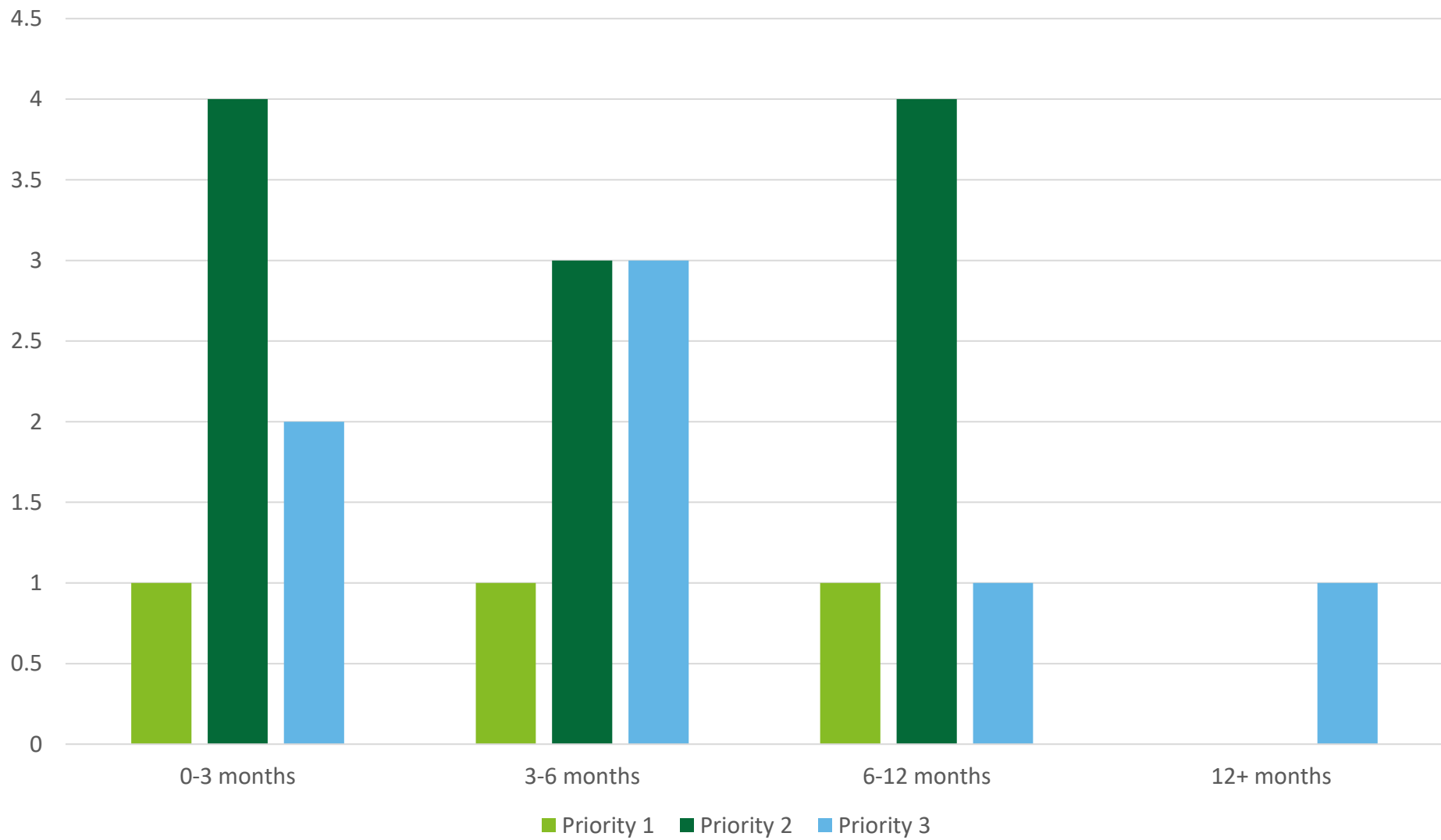
Update as at 13/05/2025

	Priority 1	Priority 2	Priority 3	Total
Total Open Issues as at 13/03/2025	4	22	14	40
Items added to tracker since last Audit Committee	-	4	11	15
Issues closed/superseded since last Audit Committee	-	(4)	(7)	(11)
Issues risk accepted since last Audit Committee	-	-	(1)	(1)
Total items remaining open as at 13/05/2025	4	22	17	43
Items started and overdue	3	7	3	13
Items not started and overdue	-	11	7	18
Items not yet due	1	4	7	12

Outstanding Recommendations

Update as at 13/05/2025

Updated target date for overdue partially and not implemented Priority 1s and overdue not yet implemented Priority 2 and 3s



Quarterly Follow-Ups Update

May 2025

Table showing details of risk accepted Priority 3 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Stats
1	Governance Framework	<p>1. We selected a sample of two meetings each for the Council and the six Council Committees. We noted the following:</p> <p>a. Four instances (Environment Committee – 07/09/2024, Community & Wellbeing - 11/09/2024, Planning Committee - 06/02/2024; and Council – 28/02/2024) where the Committee meetings lasted for more than two hours, however, we did not identify evidence of 15 minute breaks taken (as required per the Council’s Standing Orders).</p> <p>b. One instance (Community and Wellbeing Committee - 11/09/2024) where the meeting pack was 421 pages in length.</p> <p>c. Two instances (Audit Committee - 19/03/2024 and 23/09/2024) where the meeting minutes marked items which are to be "In Confidence" as "In Committee".</p> <p>We acknowledge that management issued an email to the Democratic Services team on 9th January 2025 to be consistent in marking items discussed in confidence as “in confidence” and also recording breaks taken during meetings.</p>	<p>he Council should ensure that:</p> <p>1. Appropriate breaks are taken during Council and Committee meetings in line with provisions in the Council’s Standing Orders. Where breaks are taken, evidence of breaks should be recorded on the relevant meeting minutes.</p> <p>2. Measures will be implemented to condense meeting packs for Council and Committee meetings.</p> <p>3. There is consistency in the recording of instances where items are discussed in confidence at Council and Committee meetings.</p>	3	<p>1. Appropriate breaks will be taken during Council and Committee meetings in line with provisions in the Council’s Standing Orders. Where breaks are taken, evidence of breaks will be recorded on the relevant meeting minutes. Measures will be implemented to condense meeting packs for Council and Committee meetings. There is consistency in the recording of instances where items are discussed in confidence at Council and Committee meetings.</p>	31/03/2025	<p>1. Advised as completed on report.</p> <p>2. Risk accepted.</p> <p>3. Advised as completed on report.</p>

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Stats
1	Vehicle Management	<p>The Council’s Asset Management Policy states that replacement of assets should be made in line with duly approved replacement strategies setting out criteria by which the need for replacement is to be made and including indicative useful lives for each class of asset. There were two procurement exercises completed during our review period for the purchase of six refuse disposal vehicles. Our review identified the following:</p> <p>Vehicle Replacement Strategy</p> <p>1. The Vehicle Replacement Strategy does not consider buy/lease cost analysis at the time of vehicle replacement and therefore there was a lack of documented rationale for the purchase of vehicles rather than leasing.</p> <p>The Transport Service Unit Manager advised that lease vs buy options are considered at the time of procurement, however this is informal and not documented.</p> <p>Vehicle Procurement</p> <p>2. There was lack of documented approval from the Head of Assets and Property and the Head of Finance on the need analysis completed by the Transport Service Unit Manager required as per the Vehicle Replacement form.</p> <p>3. The Vehicle Replacement forms were incomplete and did not record, as required, details of decommissioning and what would happen to the vehicles replaced (redeployed, traded, sold at auction, scrapped, or used as spare).</p>	<p>1)The Vehicle Replacement Strategy should be reviewed to include the decision-making process between buying and leasing of new vehicles. This should include conducting cost-benefit analysis, considering strategic objectives, assessing operational needs, and documenting the rationale behind the chosen approach on the Vehicle Replacement form.</p> <p>2)Management should ensure the needs analysis on the Vehicle Replacement form is completed by Transport Unit Manager and approved from the Head of Assets and Property and the Head of Finance before initiating any new or replacement vehicle acquisition.</p> <p>3)Management should ensure that POs for vehicle procurement are fully completed and authorised in line with Council’s Authorisation limits.</p> <p>4) Records of quotations obtained any evaluation criteria for assessing the quotations and the vendor selection rationale (particularly if a direct award is made under a framework) should be retained.</p>	1	<p>1. Vehicle Replacement Strategy Transport Manager to introduce an Excel based calculator to review the whole-life costs of the buying or leasing, allowing for easy comparison.</p> <p>Vehicle Procurement</p> <p>2.Needs analysis forms: The samples obtained during the audit highlighted some non-compliance soon after the implementation of the replacement form. More recent forms have been fully completed and fail-safe checks are now in place with admin and Heads of Service to ensure that vehicles are not ordered unless the forms are fully complete.</p> <p>3.Purchase orders are now signed by Heads of Service, and where necessary, the Director, prior to orders being placed. The forthcoming electronic purchasing system will have a built-in fail-safe feature to prevent orders being issued without the necessary sign-off approvals in place.</p> <p>4.Obtaining quotes when utilising frameworks. For every vehicle purchased, a basic specification will be devised by the transport manager. Key features from end-users will be established and incorporated into the specification. This process already happens informally, although this will now be formalised and recorded on a purchase record sheet for each vehicle. This will clearly set out the key factors that lead to an order being placed with a particular supplier.</p>	01/06/2024	<p>1. Deloitte viewed the excel based calculator that reviews costs of buying and leasing. This is split between electric and diesel . – action implemented.</p> <p>2. Since the audit, Needs analysis forms completed for 6 vehicles for cleansing. Deloitte reviewed all 6 forms and confirmed that these have been fully completed including signatures from Head of Assets and Property and Head of Finance . – action implemented.</p> <p>3. Deloitte viewed a copy of the purchase order. Awaiting evidence of approval.</p> <p>4. Deloitte viewed the report submitted to the Environment Committee regarding the “Purchase of Replacement Vehicles”. Awaiting evidence of detailed specification.</p> <p>Updated target date of implementation; 31/03/2025</p>

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Stats
1	Vehicle Management	<p>4.The Purchase Orders (POs) were not formally approved in line with Council’s Authorisation Limits. For the procurement values of £116,950 and £223,076 respectively, the Director’s authorisation is required on the PO; however, these two POs had only been signed by the Transport Service Unit Manager whose delegated authority level is £10,000.</p> <p>5.The two POs reviewed were incomplete as they did not capture all required details on the Council’s PO template such as date of quotations/price obtained, and Council Approval reference.</p> <p>6.There was lack of documented rationale as to why the direct award option had been selected rather than a further competition from suppliers on the multi-supplier framework. There was no evidence to confirm that a comparative assessment of prices or consideration of alternative suppliers or formal quotations were obtained before the PO was raised.</p>	See previous slide.	1	See previous slide.	01/06/2024	See previous slide.

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
2	Procurement (below threshold)	<p>The Council’s Purchasing and Payments Policy, implemented 1 April 2024, states that POs should be completed and approved for all purchases before placing the order. The policy also noted the exceptions where POs are not required to be raised. The Council’s Procurement Handbook provides guidance and templates to Council staff on below tender threshold procurement.</p> <p>Update of Procurement Handbook We identified that the Procurement Handbook does not specify a requirement to raise a PO for all goods and services raised by the Council and exceptions to this and also there is no cross reference to the new Purchasing and Payments Policy.</p> <p>Raising and approval of POs POs are raised at a Service level and are not required to be provided to Finance. Invoices are received by the Finance team, who then send spreadsheet to the relevant authorised officer who adds their initials as approval for the invoice to be paid. Finance do not require evidence of the PO in order to make the payment.</p>	<p>1) The Council should update the Procurement Handbook to refer to the guidance for purchasing as per the Council’s Purchasing and Payments Policy.</p> <p>2) Staff should be reminded of the need for compliance with the Purchasing and Payments Policy, and in particular ensure that the following is completed in line with the Purchasing and Payments Policy;</p> <ul style="list-style-type: none">• POs are raised for all expenditure;• POs are approved in line with the authorisation levels; and,• Details of goods or services to be procured such as quantity and value are updated on POs. <p>3) In order to support the completion of the processes outlined above, Finance should perform periodic checks on a sample of POs to ensure compliance with the Policy.</p>	1	<p>1. The Procurement Handbook will be updated to cross reference to the Purchasing and Payments Policy.</p> <p>2. Staff will be reminded of the need to raise purchase orders in line with the Purchasing and Payments Policy. Appropriate actions such as returning purchase invoices not quoting purchase order numbers will be considered, in order to increase compliance.</p> <p>3. The Financial Operations Accountant will monitor compliance with the Purchasing and Payments Policy with regards to use of purchase orders over the course of the interim solution and will lead follow-up action in cases of non-compliance.</p>	31/03/2025	<p>1. The Head of Service advised “Lack of Resources preventing this being actioned.”</p> <p>2. Deloitte viewed the email sent during February 2025 reminding staff of the need to raise purchase orders in line with the Purchasing and Payments Policy. – action implemented.</p> <p>3. Deloitte viewed the reports used to monitor compliance with the Purchasing and Payments Policy with regards to use of purchase orders . – action implemented.</p> <p>Updated target date of implementation; 31/09/2026 31/03/2025</p>

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
2	Procurement (below threshold)	<p>On review of a sample of 25 procurements below tender threshold from May 2023 to May 2024, we identified the following:</p> <ul style="list-style-type: none">• For 10 out of 25 sample procurements, POs were not raised as required. We noted that the value of these procurements range from £77.00 - £4,043.00 with a total value of £9,510.67;• For 4 out of 15 sample procurements (where a PO was raised) there was no evidence of authorisation of PO. We noted that the values range from £12,777.00 - £18,720.00 with a total value of £65,763.06;• For 5 out of 15 sample procurements POs were authorised but were not in line with the Authorisation Levels Master document. We noted that the values range from £90.00 - £29,160.00 with a total value of £77,290.48; and• For 2 out of 15 sample procurements, the value of the POs was not recorded. We noted that both the POs were for repairs. The values of the invoices were £174.00 and £407.79. <p>Management advised that a recent contract has been awarded for the implementation of a new Finance System within the Council. As part of system design, the Council intend to implement built-in workflow to direct the electronic PO to the appropriate authoriser. As the timeline for the go live of the new Procure to Pay module is April 2026, an interim purchase ordering system with work-flow will be rolled out across Council by April 2025 to increase compliance as part of the culture change process.</p>	See previous slide.	1	See previous slide.	31/03/2025	See previous slide.

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
3	Travel and Subsistence	The Council is currently operating under legacy policies and two different methods of processing claims, one is manual, and the other is an electronic system called Transfare. Audit was advised that there is currently a paper in draft format which continues to be developed. This paper will form the basis for a single Ards and North Down Travel & Subsistence policy once it is completed and has been reviewed by the necessary departments and committees. Audit was also advised that a new online system “Core 2” is being implemented for processing all claims which is to be in place for 01/04/2019.	ANDBC should finalise a single Travel & Subsistence policy as soon as possible and implement a single method of processing claim submissions, either electronically or manually.	2	A first draft of the key issues for decisions in relation to a new Travel & Subsistence policy has been drawn up for discussion with CLT, HoST and SUMS. Once this has been reviewed and instruction given a clearer path for the policy will become evident. It is hoped the draft policy will proceed through the necessary stages to be implemented for 31/03/2019.	31/03/2019	<p>The Head of Service advised “Legal advice is required in respect of a number of areas before further work can be completed. Due to other work priorities this will be requested before the end of May.”</p> <p>Updated target date of implementation; 31/12/2025 31/03/2026 31/03/2025 31/03/2024 01/10/2023 31/03/2022</p>
4	Travel and Subsistence	A review has not been carried out within the new Council to determine whether staff are classified correctly as either casual car users or essential car users. Audit found that the Head of Finance is currently gathering information and statistics on travel and subsistence (as part of the paper referred to in Issue 1.) and that as a result any issues revealed (including inaccuracies relating to essential/non-essential car users) will be addressed.	Consideration should be given to prioritising the update of essential car user status to ensure eligibility is being correctly applied given changes that may have occurred in staff roles and locations of work.	2	Establishing the criteria that should be used to determine whether a post is essential user is one of the key issues to be decided upon in establishing the new policy. The review of the key issues draft document by CLT, HoST and SUMS will give clear direction regarding the essential user issue.	31/03/2019	<p>The Head of Service advised “Legal advice is required in respect of a number of areas before further work can be completed. Due to other work priorities this will be requested before the end of May.”</p> <p>Updated target date of implementation; 31/12/2025 31/03/2026 31/03/2025 31/03/2024 01/10/2023 31/03/2022</p>

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
5	Overtime, Flexi & TOIL	We were advised that there is no formal mechanism to monitor hours worked (core hours and overtime) by Council employees against the Working Time Directive (48 hours per week average across a rolling 17 weeks).	The Council should review how to monitor hours worked (e.g. potential for reporting in Core) to ensure that, unless staff have formally opted out, there is compliance with the Working Time Directive.	2	Management will endeavour to configure a reporting routine in the new integrated HR/Employee Payments system currently being implemented.	31/03/2020	<p>The Head of Service advised “Digital services Manager has prepared a draft report on insight to be reviewed”.</p> <p>Updated target date of implementation; 31/07/2025 31/03/2025 30/09/2024 31/03/2024 30/06/2023 01/12/2022</p>

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
6	Procurement	<p>We completed an analysis of individual invoices under £30,000 during the previous 12 months and identified 121 suppliers where the cumulative procurement for a similar service during the year exceeded the £30,000 tender threshold. Among the top 60 of these suppliers by spend, there were four suppliers identified where a competitively tendered contract was not in place. The spend for these 4 suppliers was £105k, £80k, £66k and £62k. We noted that the Procurement Handbook specifies an annual frequency of review by the Procurement Service Unit of cumulative spend to identify areas where competitive tenders should be obtained, but that this was in practice an ad-hoc review due to staff capacity and had not been documented or resulted in a formal report in the previous year.</p>	<p>To support value for money and efficiency in procurement, an analysis of spend should be produced and documented by Procurement on an annual basis, with input sought from budget holders on the feasibility of obtaining corporate contracts / putting out to tender for areas where similar goods or services are obtained.</p>	2	<p>1. The Procurement Handbook outlines an approach for review of spend with responsibility primarily with respective Services, with the Handbook advising for Procurement to be contacted where there are potential tendering opportunities. Corporately, spend is reviewed by the Procurement Manager when resources permit. It's accepted that there would be value in more frequent, formalised and wholesale reviews though the ability to achieve this will be dependent upon resource availability.</p> <p>A previous audit recommended that "Management should consider supporting the current Procurement Unit to allow the issue of corporate contracts to be addressed, potentially leading to ANDBC to make significant savings". A business case was submitted to this end though is not currently provided for in the draft 2020/21 budget due to competing pressures. It is likely this will continue to restrict the ability to realise the full potential of corporate spend reviews. The business case will be reviewed again for the 2021/22 budget process, if not prior to this under the Council's Strategic Transformation and Efficiency Programme, launching in 2020.</p> <p>2. In addition to the above, any corporate reviews that are carried out on an ad hoc basis during 2020/21 will be documented</p>	01/12/2020	<p>The Head of Service advised "No formal review of spend has been undertaken since the last update due to limited PSU resources."</p> <p>Updated target date of implementation; 31/03/2026 31/03/2025 31/03/2024 01/01/2025 01/05/2024 30/04/2023 30/04/2022</p>

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
7	HR: Recruitment & Retention	<p>The Council does not have a formal workforce strategy. A number of councils in the United Kingdom produce and publish formal workforce strategy documents setting high-level objectives for recruitment, retention and training of staff, along with analysis of workforce composition, demographic factors, turnover and anticipated future hiring aspirations (e.g. based on transformation projects or key initiatives in the corporate plan). These exercises can provide increased clarity over recruitment and workforce development in a whole-council context and drive improvements through facilitation of forward planning for recruitment and retention projects. Whilst a formal workforce strategy is not in place, HR has drafted a proposal for moving to external advertisement of all posts. During the Council’s transformation phase following the merger of North Down Borough Council and Ards Borough Council in 2015, there was an agreed process to allow recruitment via internal trawl in the first instance, to facilitate redeployment of staff within the new structure. For reference, this phase is complete for the majority of Service Units, though we noted that some Service Units have not yet completed the transformation phase and continue to recruit roles internally.</p>	<p>The Council should consider developing a formal workforce strategy which sets out its current status and objectives for recruitment, retention, training and development of staff. This strategy should align with the new Corporate Plan being developed. This could include measures and targets as appropriate for vacancy rates, turnover rates, time to fill positions, sickness absence and workforce composition and high-level structure, and long-term strategy for addressing demands in relation to staffing and talent needs.</p>	2	<p>The Council already has largely set out this information within a variety of documents i.e. Learning and Development Plan, Organisational Development Strategy, Filling of Vacant posts guidelines and HR and OD Service Plan. There is also a draft succession planning document which requires some further scoping out and consultation with trade unions and staff. However, all this information could be brought together into one formal Workforce Strategy. It is proposed that the development of such a Strategy is included in the service plan for 2020/21.</p> <p>1. Develop a formal workforce strategy which sets out its formal current status and objectives for recruitment, retention, training and development of staff. This will align with the new Corporate Plan. Measures and targets as appropriate will be included as appropriate as outlined in the recommendation.</p>	01/04/2021	<p>The Head of Service advised “Draft strategy has been prepared for senior management review”.</p> <p>Updated target date of implementation : 31/09/2025 31/12/2025 31/03/2024 30/09/2023 01/04/2022</p>

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
8	Grant Funding	<p>A Grants Policy is in place across the Council which outlines the processes for awarding grant funding through an open call process. This policy does not apply to grants administered through SLAs and we were advised that there is currently no documented policy to provide guidance over the processes to be followed in the administration of grants through SLAs.</p> <p>Due to an absence of documented policy, we identified the following in relation to grants administered via SLAs:</p> <ul style="list-style-type: none">1. Reconciliation of SLA Expenditure<ul style="list-style-type: none">• SLA expenditure incurred by beneficiaries is not reconciled to supporting receipts and/or bank statement extracts and therefore there is no way of ensuring funds were spent in line with the SLA conditions.• We noted that the Service Level Agreement (SLA) states that charges payable by the Council will be reviewed after the initial three-month SLA period. However, we were unable to obtain evidence of a review of SLA charges.• In addition, we were unable to evidence a breakdown of spend within the final monitoring form submitted by any of the three sampled SLA administered grants.	<p>The Council should ensure that a policy is developed to outline the processes to be followed when administering financial contributions via SLAs including the following:</p> <ul style="list-style-type: none">1. The process to ensure that all SLA financial contribution claims are summarised and reconciled to original receipts, invoices, and bank statements to ensure funds are spent in line with grant conditions.2. Guidance on administering advance payments through SLAs, including guidance on the amount to be distributed and any supporting documentation to be obtained.	2	<ul style="list-style-type: none">1. A financial assistance policy will be developed for approval by Council.2. The award was not a grant but a financial contribution. Going forward details of how advance payments will be made will be included in the financial assistance policy and in the SLA.	31/03/2023	<p>The Head of Service advised “Not yet discussed by the Working Group. Needs to be jointly prepared with the Head of Finance”.</p> <p>Updated target date of implementation; 30/09/2025 01/01/2026 01/03/2025 30/09/2024 30/09/2023</p>

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
8	Grant Funding	<div>2. Advance Payment Guidance</div> <ul style="list-style-type: none">There is currently no guidance in relation to the payment and administration of advance payments for grants managed through SLAs, including guidance on percentage payment thresholds and documentation requirements for advance payments. For example, the Council Grants Policy outlines that written requests and supporting documentation (e.g., an up-to-date bank statement) should be submitted by beneficiaries when requesting advances, and documents guidance on the maximum advance percentages to be administered.In addition, we noted that there is no agreed percentage of advance noted in the SLA, with the two SLAs for the Covid 19 Food Partnership Fund receiving different advance percentages.We were advised by Management that written requests are not obtained for SLA administered funds as the Council agreed with the organisations that they would be paid a percentage upon signing the SLA and the remaining balance when they submitted their report. We were further advised that advance payments were negotiated with SLA organisations. However, we were unable to obtain a documented process to be followed to verify that the correct process had been adhered to.	See previous slide.	2	See previous slide.	31/03/2023	See previous slide.

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
9	Procurement (Contract Management)	<p>We noted from review of contract documents for sample five tenders that:</p> <ul style="list-style-type: none">• The roles and responsibilities for the management of a sample of four out of five contracts within Council were not clearly defined in the Contract document.• In three out five sample tenders there are no agreed Performance Indicators documented in the contract document with Contractor. Further there was lack of agreed format for the contractor to provide regular updates to the Council. <p>We were advised that in three out five contracts the site supervisor is present on-site when the work is carried out by the contractor. However no regular formal updates are requested from the Contractor. We were advised that Procurement Service Unit advise Contract Managers of the Contract Management responsibilities at the time of tendering process.</p>	<p>1. The Council should ensure the following is included in the Tender Document to ensure compliance with Council’s Procurement Handbook -:</p> <p>a. Roles and responsibilities for the post procurement contract management are clearly defined and documented in the Contract document;</p> <p>b. Measurable performance indicators are clearly defined and documented for each contract. In instances where the contract deliverable is treated as the performance measure, this should be clear within the service contract; and</p> <p>2. PSU to remind contract management staff within the council of the requirement to obtain formal updates from the contractor as per the defined contract management arrangements and performance indicators.</p>	2	<p>1a) For each procurement, this will be discussed and agreed with the responsible Council Officer at the procurement initiation meeting and detailed in the tender documents as and when required. (1/12/2023)</p> <p>1b) For each procurement, this will be discussed and agreed with the responsible Council Officer at the procurement initiation meeting and detailed in the tender documents as and when required. (1/12/2023)</p> <p>2) PSU will issue reminder updates to CLT, HoST & SUMs via internal communications on a quarterly basis (1/2/2024)</p>	01/02/2024	<p>The Head of Service advised, “Lack of Resources preventing this being actioned. The Council once again failed to appoint a Procurement Officer in the latest recruitment campaign (March 2024).”</p> <p>Updated target date of implementation; 31/03/2026 31/03/2025 01/01/2025 01/02/2024</p>

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
10	HR (Absence Management)	<p>Absence Trigger Notification</p> <p>We identified that there is no automatic notification to assist HR in monitoring when the following trigger points are hit;</p> <ul style="list-style-type: none">•Recorded at least 5% absence rate in total of short-term absences (whether self-certified or medically certified) – monitored via HR spreadsheet OR•Displayed an unacceptable pattern of absence (e.g. regular Fridays and Mondays, after a bank holiday or annual leave etc.- monitored via Line Manager OR•Reached 4 weeks’ continuous absence – monitored via HR spreadsheet (long term absence). <p>Return to Work Notification</p> <p>In addition, after each period of absence, an employee is required to complete a return-to-work interview with their Line Manager. Once completed, the Line Manager uploads this form to CORE.</p> <p>However, there is no notification to alert HR to the absence / completed Return to Work form. Therefore, in order for HR to be aware, Line Managers are also required to email the completed Return to Work form to the HR Administration team. This causes a duplication of effort.</p>	<p>Management should examine the possibility of implementing system controls within CORE which allow for HR to create reports which will:</p> <ul style="list-style-type: none">•Identify when the 5% absence trigger is hit.• Notify HR and Managers when the return to work has been completed and uploaded on to CORE. <p>Management should remind Line Managers of their responsibility to track unacceptable patterns of absence.</p>	2	<p>Line Managers are responsible for calculating absence figures and assessing trigger points. HR had initially requested that the CORE system have the capability to calculate % absence rates and to notify Line Managers and HR if any target set has been breached.</p> <p>Further examination of the notification functionality of CORE and/or a separate add on system.</p>	31/05/2024	<p>The Head of Service advised “Unable to get systems officer recruited, however, Digital Services Manager is exploring options in conjunction with HR”.</p> <p>Updated target date of implementation; 31/07/2025 31/03/2025 31/05/2025</p>

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
11	HR (Absence Management)	<p>We reviewed a sample of 25 staff absences during the period of November 2022 – November 2023. We noted the following issues with compliance with the Absence Management Policy:</p> <ul style="list-style-type: none">•For 5/25 sampled absences, the required return-to-work was not completed.•For 3/25 sampled absences, the relevant supporting documents, including GP notes and self-certifications, were not completed or submitted to HR.	<p>Management should remind Line Managers to ensure that:</p> <p>1.All staff should complete a return-to-work interview when they have returned from a period of absence.</p> <p>2.Line Managers should follow up on any supporting documents not provided in line with Council Absence Management Policy and provide these to HR.</p>	2	Line Managers to be reminded of their responsibilities in ensuring that they follow the processes as outlined in the Managing Absence Policy and Procedure.	30/06/2024	<p>The Head of Service advised “reminders have been sent in the past, however a further reminder will be issued “.</p> <p>Updated target date of implementation; 31/09/2025 31/03/2025 30/06/2024</p>
12	IT General Controls	<p>Privileged access on Core HR is made up of three different categories: Payroll access, HR access and Security access.</p> <p>1.During our review, it was identified that two accounts, one end-user and one generic account, have privileged level access to both Payroll and Security menus resulting in a Segregation of Duties conflict. While management confirmed there are manual monitoring controls in place within the business to detect unauthorised actions, having both IT and Business privileged access does not adhere to best practice guidelines.</p> <p>2.It was also noted during our review that there is no formal procedure in place to review privileged level users’ access on Core HR to ensure that they are appropriate and aligned with the user’s job responsibilities on a frequent basis. While management informed Deloitte this process takes place on an ad-hoc basis, there is no formal procedure and formal documentation is not maintained of this review.</p>	<p>In Line with ISO27001:2002 5.18 Access Rights, Management should:</p> <p>1.Define and implement a Segregation of Duties Matrix, highlighting what roles can and cannot be assigned to Core HR users.</p> <p>2.Implement a review control to ensure privileged users on Core HR are assigned appropriate access rights for their job duties. This review should include:</p> <ul style="list-style-type: none">•A formally documented review control procedure outlining the steps and personnel involved in conducting the review:•A review of both users with privileged level access to Core HR and what access rights these users are assigned. An SOD matrix can be used in the review to ensure no Segregation of Duties Conflicts exist within the application.•Controls to ensure no user is signing off on their own access as part of the review.•Formally documented evidence of the review to act as an audit trail.	2	<p>1. Agreed</p> <p>2. Formal review control procedure will be put in place.</p>	30/09/2024	<p>The Head of Service advised “owning to other priorities this work has not yet been completed“.</p> <p>Updated target date of implementation; 30/09/2025 01/03/2025 30/09/2024</p>

Quarterly Follow-Ups Update

May 2025

Table showing details of all overdue open and partially implemented Priority 1 and all overdue open Priority 2 recommendations :

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
13	Vehicle Management	<p>During our review of the vehicle parts inventory control and stock count process we noted the following:</p> <ul style="list-style-type: none">• There is no documented process for conducting stock counts of vehicle spare parts. The Transport Service Unit Manager indicated that informal periodic stock counts were performed during the year; however, these are not documented.• The access to the storeroom is not limited to specific staff members. Currently drivers and engineers can walk in the storeroom if they need any specific vehicle parts, and they then record the details on physical logbook maintained on the door of storeroom.• Despite the presence of barcodes on the spare parts box organizers, the stores unit is not currently utilizing barcode technology for inventory management purposes and relying instead on manual methods for inventory tracking and then manually updating inventory management system.• We requested a total stock count as at 27/02/24 from the inventory management system (Jamma), on the day of the site visit however he Transport Service Unit Manager and storekeeper were unable to extract this information. Management explained that the Jamma system was not user-friendly in terms of generating reports.	<p>1) Management should document processes for conducting regular stock counts of vehicle parts, including defining roles and responsibilities, implementing counting procedures, and documenting inventory reconciliation processes. As part of this, management should ensure that users of inventory control systems are trained and able to produce stock reports to support stock management.</p> <p>2) Consideration should be given to implementing a barcode scanning system for spare parts inventory management. This system would involve scanning barcodes on spare parts' box organizers during receiving, issuing, and inventory counts, enabling real-time tracking and accurate record-keeping.</p>	2	<p>1. Regular stock counts of vehicle parts. The old computer-based vehicle maintenance did not allow for stock control. A new system has now bene implemented, and all users trained. A written process will be developed to reflect the recommendation above.</p>	30/09/2024	<p>The Head of Service advised, “Awaiting wifi to be installed to use the new stock taking system.”</p> <p>Updated target date of implementation; 31/03/2025 30/06/2024 31/05/2025</p>

Appendix III

Statement of Responsibility

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. This report is not based on an attest engagement. We have relied on information provided by Ards and North Down Borough Council’s management, and we do not accept responsibility for such information and have not performed any substantiation or external confirmation procedures to establish its accuracy or completeness.

Recommendations for improvements should be assessed by the you (Ards and North Down Borough Council) for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management’s responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

This document is confidential and prepared solely for your information and that of other beneficiaries of our advice listed in our engagement letter. Therefore, you should not refer to or use our name or this document (in whole or in part) for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party without our prior authorisation. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

Deloitte NI
Belfast
May 2025



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Unclassified

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ITEM 7a**Ards and North Down Borough Council**

Report Classification	Unclassified
Exemption Reason	Not Applicable
Council/Committee	Audit Committee
Date of Meeting	27 May 2025
Responsible Director	Director of Corporate Services
Responsible Head of Service	Head of Service
Date of Report	19 May 2025
File Reference	SOA1
Legislation	Local Government (Accounts and Audit) Regulations 2015 Local Government Finance Act (Northern Ireland) 2011 Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015
Section 75 Compliant	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other <input type="checkbox"/> If other, please add comment below:
Subject	Statements of Assurance (1 October 2024 to 31 March 2025)
Attachments	

In accordance with the Council's Risk Management Strategy, Heads of Service are required to provide Statements of Assurance. Assurance Statements comprise four main sections to be completed by each Head of Service following consultation with each of their Service Units. Period of this report, 1 October 2024 - 31 March 2025.

Findings**General – Identification of Risk, Monitoring and Control measures**

No key issues have been declared as not having appropriate internal controls in place. All Services have confirmed that any risks identified have appropriate internal

Not Applicable

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controls and any further actions taken, or to be taken, to adequately mitigate or resolve the risk have been identified.

The Corporate Risk Register is reviewed by the Heads of Service Team and Corporate Leadership Team, assigning owners for each of the Risks.

Section 1 – Strategic and Operational Risk Management

Services report appropriate controls are currently in place and have identified satisfactory actions to review, monitor, control, mitigate and resolve issues, where appropriate.

The Parks and Cemeteries Service have reported that the transformation process is ongoing with phases one and two complete and phase three being started in June 2025.

Administration has reported that the Governance audit has identified actions which will be dealt with in the near future. The Data Protection audit has identified that a Record of Processing Activities is required to be produced, this is already underway and will be completed as part of the EDRMS project.

The Economic Development service has reported that the Risk Assessment on the Signal Building has been completed with some outcomes relating to the small office built for Community and Wellbeing use being forwarded to the Assets and Property Service for review.

Human Resources and Organisational Development have reported that it is more difficult to attract new staff into the organisation in some service areas. To counter this new policies around apprenticeships and talent management have been approved by Council.

Section 2 – Internal Control

Generally, there are no key issues arising to cause significant concern or requiring immediate action.

Parks and Cemeteries have reported that they have a trial underway of the PSS Ultimate system which will allow them to more easily report and rectify faults in parks and open spaces.

Finance Service has reported that they are due to complete the implantation of the new Business to Business interim electronic purchase ordering system and hope to also complete the Finance Handbook.

Administration Service has reported that the Land policy is now under review and unintended consequences of some aspects were identified, prompting a rethink. There was success in cataloguing the public rights of way, and now as a result the PROW policy is under review.

Regulatory Services have reported that there remains a Facebook page outside of Council control but action has been taken to address this.

Not Applicable

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Section 3 – Governance

Regulatory Services have reported that they have decided to limit the acceptance of unwanted dogs of certain dogs in order to reduce the need to hold as many dogs overall. They are also seeking further training for staff in handling dogs due to the XL Bully regulations. Further to their previous statement of assurance the budgetary pressures remain from a reduction in car parking income.

The Planning service have reported on the longest running enforcement case, they have decided on a multi year plan to resolve this involving future enforcement action and they obtained agreement from the planning committee to proceed with a court injunction.

The Administration service has reported again regarding a contentious PROW case for which they are obtaining advice from counsel, and also that the Council has approved the extinction of a PROW which may generate a public enquiry. They further report that an equality impact assessment is being carried out currently which may result in challenge.

Community and Culture have reported three direct award contracts which relate to a memorandum of understanding in relation to refugee funding, and a single tender action for the procurement of Halloween beacons from the sole supplier of these.

The Tourism service has reported that they made three direct award contracts during this period in relation to a food and drink take over day being run by the sole supplier in this sector, an appointment of a celebrity chef for events and contributions to Tourism NI procured service, the Tourism Space for the delivery of a business training course.

Waste and Cleansing have reported that the whistleblowing complaint which was being investigated in the last period was externally investigated by the Local Government Staff Commission and the allegations were not upheld.

Parks and Cemeteries have reported that due to a communication issue, an order for flower seed was split which avoided the quotation process. This has led to procedures being changed to make only one officer responsible in future to avoid re-occurrence.

Economic Development have reported three deviations from procurement policy in the appointment of Beauhurst, the Labour Market Partnership use of Clearchannel for a marketing campaign and the appointment of a contractor to work on the innovation hub project. In each case a deviation from procurement form was completed detailing the reason behind each.

Assets and Property Services have reported two deviations from procurement which were previously reported on, being the supply of genuine Dennis Eagle parts and the sale of electricity from the wind turbine in Balloo. They have further reported two new deviations from policy, the first was the emergency appointment of contractors following Storm Eowyn to assess and make repairs to the roof of Bangor Aurora. The second relates to the purchase of trailers from a lone supplier. This single tender

Not Applicable

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action was approved by Council in June 2023 for the supply of two trailers. However, when the order was placed some 15 months later, in September 2024 (delay due to review of detailed specification), a purchase order was raised for 5 rather than 2 trailers. This was a human error, due mainly due to the passage of time since the STA report had been approved. The additional 3 no. trailers that were ordered in September 2024 were not surplus to requirement but were in fact required to meet operational service delivery demands at that time. By the time the error was realised, it was not possible to amend or cancel the order. To prevent a mistake such as this from reoccurring, the a new online purchase order system currently being trialled will allow for the implementation of appropriate systemic checks to ensure that POs are only being raised and authorised for goods that have been procured in compliance with Council Procurement Policy. Officers have drawn up a protocol which must be followed by all involved in the raising and authorising POs and authorising of associated invoices.

The Regeneration service has reported one deviation from procurement policy in the appointment of Aecom to complete a revision of their previous works regarding environmental improvement schemes at Helens Bay and Ballywalter in 2019. Procurement were advised and were content with the appointment given the context.

Members will recall that the previous report contained details of a single tender action to repair the moveable pool floor in Aurora leisure centre, the contract for the repair was awarded to the company which originally installed the pool without contest due to their intimate knowledge of the workings of it. Following this the repairs have now been completed and were very successful and cost effective compared to the alternative of replacing the floors entirely, likely leading to a significant saving to Council in comparison.

Section 4 – Miscellaneous

Parks and Cemeteries Service have again reported that the impacts of changing weather patterns and the lessening 'seasonal' variation is affecting service delivery. This has resulted in criticism of the service regarding grass cutting and sports pitch availability across the Service. They have reported that they plan to increase investment in drainage projects and split work between in-house staff and contractors in order to improve service delivery.

RECOMMENDATION

It is recommended that Council note this report.

Unclassified

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ITEM 8a**Ards and North Down Borough Council**

Report Classification	Unclassified
Exemption Reason	Not Applicable
Council/Committee	Audit Committee
Date of Meeting	27 May 2025
Responsible Director	Director of Corporate Services
Responsible Head of Service	Administration
Date of Report	19 May 2025
File Reference	AUD02
Legislation	Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015
Section 75 Compliant	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other <input type="checkbox"/> If other, please add comment below:
Subject	Revised Risk Management Policy & Strategy 2025-2029
Attachments	Risk Management Policy & Strategy 2025 - 2029

Risk management arrangements are both a legal requirement and an integral part of the Council's corporate governance arrangements. The Risk Management Strategy (attached) sets out the Council's approach to the management of risk at a strategic and operational level, within projects, partnerships and by its suppliers. This version, for the period 2025-2029, replaces the previous document, incorporating Internal Audit recommendations and improved arrangements that have evolved over the life of the previous strategy, ensuring it aligns with the current Corporate Plan.

The next full review will commence in 2028 for implementation in 2029 and will be brought to Committee for approval. Minor amendments, including audit recommendations, and any additional appendices providing guidance will not be reported during this period.

RECOMMENDATION

Not Applicable

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It is recommended that Council approve the Risk Management Strategy.

Document Title	Risk Management Policy and Strategy
Version	V.3.
Policy Summary	Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is essential to Ards and North Down Borough Council's (the Council) ability to deliver public services and as a custodian of public funds. The Council is legally required to have risk management arrangements in place. The Council's approach to managing risk is explained in this Risk Management Strategy which sets out the Council's objectives for the management of risk at a strategic and operational level, within projects, within partnerships and by its suppliers.
Source / Author(s)	Corporate Services / Risk Management
Date of Equality Screening	
Date of Council Approval	
Implementation Date	2021
Last Review Date	2024
Next Review Date	2028
Officer Responsible for Review	Director of Corporate Services
Any Other Information	This policy can be provided in alternative formats if required in relation to language or disability. *

Revision History:

Date	Changes Made	Version
September 2015		V.1
November 2020	Complete review of policy and strategy	V.2Draft
March 2021	Amendments	V.3Draft
April 2021	Amendments	V.4 - draft
October 2021	Minor amendments	V2 - Final
February 2022	Date of approval	V2. Final issue 2
April 2022	Addition – Risk Appetite	V2. Final issue 3
Nov 2024 – Apr 2025	Revised Risk Strategy to incorporate arrangements adopted since 2023	V3.Draft
30 April 2025	CLT / HoST consultation complete	V3. Final issue 1

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1.0 Definitions

General

Optimal Risk position is the level of risk with which the organisation aims to operate.

Risk can be defined as “an uncertain event that, should it occur, will have an effect on the Council’s objectives and/or reputation.” It is the combination of the probability of an event (likelihood) and its effect (impact).

Risk management generated opportunities can arise as a consequence of effectively managing risks, for example additional grant funding or improved working practices. Risk management is the “systematic application of principles, approach and processes to the identification, assessment and monitoring of risks.” By managing our risk process effectively, we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

Risk Strategy is a framework and process to support Officers and Members to discharge their risk management responsibilities.

Corporate Risk Register comprises significant strategic and operational risks that may affect the delivery of the strategic priorities within the Corporate Plan.

Action Plan accompanies the Corporate Plan to detail actions to remove or mitigate risks and record progress of planned measures.

Gross Risk, sometimes referred to as the **inherent risk**, is the risk before any treatments are taken to remove or mitigate the risk.

Net Risk is the **residual risk** after treatment of the gross risk, for example, by implementing controls to remove or mitigate possible risk outcomes.

Core Concepts

Risk Appetite this is the amount or type of risk that the Council as an organisation is willing to seek, accept or tolerate. The Risk Appetite is articulated in the Risk Appetite Framework.

Risk Tolerance is the level (the degree, amount or volume) of risk the Council is prepared to bear after the risk treatment in order to achieve its objectives. Risk tolerances may be influenced by legal or regulatory requirements.

Risk Threshold a measure of the level of risk exposure above which action must be taken to address risks proactively, and below which risks may be accepted. This is normally expressed as a quantitative measure with a plus or minus boundary.

Specific Roles

Risk Owner, A risk owner is defined as a person with accountability and authority to effectively manage the risk. This person is responsible for an identified risk through all the stages of the risk methodology, including reporting and escalation. Directors are ultimately the Risk Owners, responsible for the risks within their Service, however this role is delegated

so that managers and supervisors are responsible for the risk management process for those risks under their control.

Risk Owners in Collaborative Group settings. Where, as a result of participation, e.g. projects, programmes, partnerships, or by some other arrangement, risks sit with two or more Services, one Director shall be identified as the Risk Owner. This will normally be the Director for the service who will deliver the programme, manage the completed project, or have the larger share of risk within the group.

Risk Lead, a person nominated (normally a Director) to oversee particular risks, either cross cutting services (e.g. project risks) and for risks identified on the Corporate Risk Register. Within this role the Risk Lead should escalate risks considered to be at the Risk Threshold or Risk Tolerance to the Risk Owner, if these have not already been addressed by the Risk Owner. The Risk Lead should ensure that Action Plans are in place, progress in risk treatment is recorded on these plans.

Operational Leads are officers, normally Heads of Service who have been identified to provide support, at the request of the Risk Lead, to help ensure risks on the Corporate Risk register and Action Plan accurately reflect the level of risk and progress expected, remaining within the limits of the Risk Appetite.

Operational Risk Leads are officers identified (normally Heads of Service or Service Unit Managers) assigned to take forward specific actions set out in the Action Plan.

2.0 Policy

Context

Ards and North Down Borough Council (the Council) provides a diverse range of services and is driven by the strategic direction outlined in its Corporate Plan (2024-2028) in addition to delivering its statutory functions. The Corporate Plan has been developed to deliver its vision of a sustainable borough where its three priorities are aligned with the three pillars of sustainable development so that **Economic**, **Environmental** and **Social** wellbeing are interdependent. Central to the Corporate Plan is the focus to deliver on the long-term Community Plan (The Big Plan 2017 – 2032).

The priorities of the Corporate Plan will require partnership working to achieve them. Seven strategic outcomes have been identified alongside 17 strategic actions to ensure progression toward the goal of becoming *A Sustainable Borough*.

The Risk Strategy is an essential tool to support the success of the Corporate Plan. Adopting a risk assessment approach to decision-making facilitates a measured and appropriate risk taking. In this way, we can adapt, seek out and create opportunities to deliver the desired outcomes.

Statement

The Council is committed to an integrated risk management approach to ensure informed decisions, from strategy setting to performance. The Corporate Leadership Team (CLT) recognises that an effective risk strategy is an important tool in the achievement of good corporate governance and the effective implementation of the Corporate Plan.

It is accepted that managed risk-taking is essential and that, with the development of a *Risk Aware* culture, the benefits of well-informed decision-making will maximise organisational performance and service delivery.

The Risk Management Policy and Strategy extends to all areas of Council activity, including its relationships with external partners. It is recognised that it is not possible to manage all risks. The Risk Management Policy and Strategy focuses on the management of those risks that may significantly negatively impact the achievement of Council's objectives.

Objectives

Through implementation of the risk strategy the Council seeks to ensure:

- a balanced, practical and effective approach through the adoption of best practice for management of risk
- the 'tone is set from the top'. CLT will set the level of risk we are prepared to accept on our different service delivery activities and priorities
- risk management and Service objectives are aligned with the strategic objectives of the Corporate Plan
- a robust and consistent risk management approach to facilitate identification and effective management of strategic, operational and project risks
- support for well-measured risk-taking throughout the Council's Service areas, including strategic, programme, partnership, project and operational

- risk management is embedded as a continuous process, throughout the organisation, to
 - integrate the identification and management of risk into Service planning, policy, processes and service delivery
 - support informed decision-making and service delivery which is vital to successful continuous improvement
 - anticipate and respond proactively to emerging risks, including social, environmental and legislative changes
 - development and support of a risk aware culture, recognising that the responsibility for managing risks belongs to everyone
 - retained risk is managed to an acceptable and tolerable level
 - opportunities are identified and maximised
 - communicate risk information effectively through a clear reporting framework
 - necessary resources are allocated to risk management
 - the Council continues to meet all statutory and best practice requirements in relation to risk management
 - fraud risks are proactively considered and embedded into risk management arrangements
 - risk management continues to be a key and effective element of our Performance Management and Corporate Governance arrangements.
 - the Framework for managing risk continues to remain appropriate.
- The Risk Management Strategy will be reviewed periodically to take account of changing legislation, government initiatives, best practice and experience gained within the Council. Minor changes, for example, noting changes in legislation and changes to the Appendices will not constitute a full review and will not be reported to Council. A full review will take place in the 4th year.

2.1 Roles & Responsibilities

Managing the governance of risk

Ultimately the Chief Executive and the Directors are responsible for the Council's management of risk, but everyone has a part to play. All members of staff have a responsibility to assess and manage risk effectively in their roles and report hazards/risks to their managers and to work within the appropriate risk management guidelines. However, all employees and Elected Members have responsibilities and should have a level of understanding of Council's risk management approach.

All Employees

- Manage day to day risks effectively
- Report risk management concerns to their line managers
- Participate in training, workshops and awareness sessions
- Assist in risk assessment
- Comply with Council policies and procedures.

All Elected Members

- Support and promote effective risk management

- Constructively review risks involved in delivering the Council's core purpose, priorities and outcomes.

Corporate Leadership Team (CLT)

CLT is responsible for determining the risk appetite. This will vary across the diverse range of activities. CLT will identify, assess and review strategic risks associated with meeting the objectives of the Corporate Plan. CLT will:

- Assume overall responsibility and accountability for the implementation of the risk management process and management of key strategic risks identified in the Corporate Risk Register
- Assign a Director as Risk Owner for each risk identified in the Corporate Risk Register
- Undertake a biannual review of Corporate Risk Register, Action Plan and associated systems of internal control
- Identify and evaluate the significant risks to be reviewed by the Audit Committee and Council
- Support managed risk-taking to facilitate innovation and identification of opportunities to improve the services provided
- Ensure Council officers have the appropriate skills, training and knowledge to manage the risk
- Review the Risk Appetite Framework (Risk Appetite) to ensure it accurately reflects the acceptance or pursuit of risk for each statement and consider whether amendments to the Statement, including deletion or additions, are required within the scope and categories
- Seek Council approval of changes to the Risk Appetite
- Review of the Risk Appetite Framework annually, or more frequently if amendments to the Risk Appetite Framework are required
- Consider and review risks that exceed the Risk Appetite and / or Risk Tolerance, or risks reaching the limits of the Risk Threshold for potential escalation to the Corporate Risk Register
- Report risks that have breached the Risk Appetite to Council.

Directors

Directors are the Risk Owners for all matters within their respective directorate or were identified as the Risk Owner for a collaborative group.

The Risk Owner is responsible for escalating any risks to CLT that have breached the identified Risk Appetite and Risk Tolerance or reaching the limits of the Risk Threshold. Undertaking the role of Risk Owner for a Collaborative Group does not absolve participating directorates from responsibilities as Risk Owners for their directorate risks.

In addition to the responsibilities outlined for CLT, each Director, as Risk Owner will:

- Retain responsibility for risks and risk management for their Service Units, including a minimum of two reviews of Service Plans and Service Risk Registers annually
- Identify risks associated with meeting the corporate objectives
- Ensure that the relevant Risk Appetite is identified for all significant risks identified in Service Risk Registers and the Corporate Risk Register and that, Risk Tolerances and where appropriate, Risk Thresholds are set

- Review and challenge risks. Identify trends and implement suitable corrective actions through lessons learned
- Agree the appropriate actions required to be taken to manage residual risk and those risks identified to at the Risk Threshold
- Refer risks that exceed the Risk Appetite and / or Risk Tolerance, or risks reaching the limits of the Risk Threshold to CLT for review and potential escalation to the Corporate Risk Register and / or Council or Project Board or other relevant entity
- Undertake the role of Risk Lead for specific risks identified in the Corporate Risk Register. Risk Lead responsibilities include:
 - Undertake a minimum of two reviews per calendar year to align with CLT biannual reviews
 - Seek support, where required, from Operational Leads
 - Review the assigned risks within the Corporate Risk Register and associated Action Plans
 - Escalate risks considered to be at the Risk Threshold or Risk Tolerance to the Risk Owner, if these have not already been addressed by the Risk Owner.

Heads of Service (HoS)

Heads of Service are responsible for leadership, ownership and management of risk within their Service to meet objectives and deliver outcomes in line with the Risk Strategy. HoS will:

- Where delegated, perform the role of Risk Owner for a collaborative group risks. See Definition and Responsibilities of Directors
- Perform the role of Operational Lead for assigned Corporate Risks to support Risk Owner
- Perform the role of Operational Risk Lead for the assigned actions within the Action Plan
- Compile a Service Risk Register following an assessment of Service risks to identify risks to the attainment of corporate objectives and normal business
- Periodically (at least quarterly) review and challenge Service Risk Registers with their Service Unit Managers
- Ensure adequate assessments are performed to identify new, escalating or existing risks at, or above the risk appetite and / or threshold
- Escalate risks approaching, or exceeding the Risk Tolerance or Risk Threshold to the Service Director, CLT, or other lead (eg Project Board) as appropriate
- Collectively, as members of Heads of Service Team (HoST), review and challenge the Corporate Register and Action Plan before review by CLT.

Service Unit Managers (SUMs) and Line Managers

SUMs and Line Managers are responsible for leadership, ownership and management of risk within their Service or area of responsibility, to meet objectives and deliver outcomes in line with the Risk Strategy. They will:

- Identify, assess and record significant risks on the Service Risk Register (SRR), updating the SRR as appropriate and in line with reviews set by the HoS
- Manage risks in line with relevant policies
- Escalate risks at or approaching the limits of the Risk Tolerance and / or Risk Threshold to their manager

- Where delegated, undertake the role of Operational Risk Lead for actions contained in the Action Plans associated with the Risk Register (see Definitions and Heads of Service responsibilities, above).

Risk Manager

- Will administer and implement the risk management process in line with CLT direction, agreed procedures and timetables
- Develop the risk management strategy, framework and associated guidance.
- Assist CLT in ensuring that risk management is embedded throughout the organisation
- Maintain the Corporate Risk Register
- Provide biannual reports on Statements of Assurance and the Corporate Risk Register for Audit Committee
- Provide advice and support in the identification, assessment and management of risk.

Council

- Monitor the management of significant risks
- Satisfy itself that the less significant risks are being actively managed
- Approve major decisions affecting the Council's risk profile
- Review the approach and approve changes or improvements to the Risk Strategy, Risk Appetite Framework and key procedures.

Audit Committee

- Review reports on internal control, risk management and governance from both the internal and external audit
- Monitor and review the implementation of actions to address risks identified by internal and external audit
- Monitor and review the implementation and development of the risk management process and profile
- Monitor the Statement of Assurance process to ensure action is completed in line with agreed timeframes
- Review and agree the Chief Executive's Annual Governance Statement.

Internal Audit

- Review the management of risk, internal controls and governance arrangements within the Council
- Provide assurance to the Audit Committee and senior management as to the effectiveness of risk management, control and governance processes within the Council
- Provide advice and support to facilitate the identification and evaluation of risks.

3.0 Strategy

Key Aims

The key aims of the risk management approach outlined in this document are to:

- Embed a Risk Management culture
- Ensure effective risk governance
- Ensure effective co-ordination of regulatory and compliance matters
- Improve focus and perspective on risk to ensure risks are identified and assessed consistently throughout the organisation through the clarification of key concepts
- Ensure a more risk-focused culture with clearly defined set roles and responsibilities for managing risks, including risk ownership and accountabilities.

3.1 Embedding Risk Management

Linking Risk Management to other areas of business

Risk Management is not an isolated activity; to be effective it needs to be included in everything the Council does. Services with related risk specialisms such as Health and Safety, Finance, Emergency Planning, Business Continuity, Insurance, Procurement, Human Resources, Information and Cyber Security, will have specific arrangements for compliance and training which link to the overall governance arrangements.

Externally, services are increasingly being delivered through many different forms of partnership, involving public, private and third sectors, and there must be arrangements in place to manage the risks with such partners. There needs to be appropriate consideration of risk that includes formal risk management arrangements to include the cost of these arrangements and how risk management arrangements are financed. There should be a common understanding of the risk appetite of each partner organisation at the outset. Project documentation will include a risk assessment of all the material risks to the project. Roles will be assigned and approval gained before commencement. These elements are required to ensure robust governance of project and programme delivery. Project risks that become sufficiently significant may be considered for a specific project risk register or inclusion on service and corporate risk registers as appropriate.

Ensuring Involvement

Training and raising awareness are important means of ensuring that Risk Management is embedded in the culture of the organisation. Every individual will encounter risk at some level, whether strategic or operational, and we all have responsibility for ensuring that these risks are well managed. It is therefore in our interests as Council to provide a range of training and development opportunities in this area.

Over the lifetime of this Strategy, it is likely that capacity and resource availability for this purpose will vary. Those services with specific risk specialisms will identify and programme essential training and awareness within their respective annual Service Plans.

Risk Perspectives.

Risk management is applied at all levels of service delivery. Ultimately, responsibility and accountability will sit at CLT / Director level; however, under the risk perspectives identified here, the Risk Owners are responsible for the risk management process for those risks under their control. Risk perspectives can be grouped under the following five headings:

- **Corporate** – where decisions are made that shape the overall mission, strategic priorities and ambitions. Corporate Leadership Team and Heads of Service are responsible for the management of these risks. Responsibility and accountability may cut across more than one Service area. Whilst each Service will “own” the part of the risk within their Service, a Risk Owner should be nominated from within the Service areas sharing the risk (see definition - Collaborative Group).
- **Strategic** - where the Council is exposed to risks that could affect its ability to successfully achieve its strategic priorities. The Service Director and Head of Service are primarily responsible for these risks. Service Unit Managers may be responsible for strategic risks directly relating to their areas of responsibility. Responsibility and accountability may cut across more than one Service area. The risk management responsibilities should be outlined at the concept / business case stage.
- **Service / Service Unit Risks** – risks, including Operational Risks, at a Service and / or Service Unit level that could have an effect on the successful achievement of the Service Plan objectives and normal service delivery. Potential risks could have a significant financial, statutory compliance, reputational and/or service delivery impact on the service. Responsibility sits with the Head of Service and Service Unit Manager.
- **Project, Programmes and Grants** – primary risk exposures are those that could affect Council’s ability to successfully deliver project, programme or grant, predefined outputs including service delivery, and benefits realisation. Failure to accurately identify, assess, treat and monitor risks could attract significant statutory and liability risks, financial and reputational risks. Responsibility may cut across more than one Service area. Depending on the size and complexity of the risk heading, the primary responsibility may sit at Director level but will normally sit with the Head of Service and / or Service Unit Manager. Risk Owners should be identified at the business case stage (see Collaborative Group definition, and Responsibilities of Director and Heads of Service). Project specific Risk Registers will be used for capital projects, complex or critical projects or for the design and implementation of major strategies.
- **Contract and Partnership** – exposure to risks that could affect contract or partnership outcomes and objectives, service delivery, and value for money and Council’s ability to successfully and continually deliver or commission services. Risks may be strategic and / or operational. Failure to accurately identify, assess, treat and monitor risks could attract significant statutory and liability, financial and reputational risks. Responsibility may cut across more than one Service area and involve a number of external partners. There should be a common understanding of the risk appetite of each partner organisation at the outset. Project documentation will include a risk assessment of all the material risks to the project. Roles will be assigned and approval gained before commencement. Depending on the size and complexity of the risk heading, in terms of Risk Owner, the primary responsibility may sit at Director level but will be delegated to the Head of Service and / or Service Unit Manager responsible for the procurement and / or management of the contract or partnership

(see Collaborative Group definition, and Responsibilities of Director and Heads of Service).

3.2 The Process

Risk Registers. Priority risks will be captured on a Risk Register. There are two key types of risk register:

Corporate Risk Register (CRR) This is a register to record the strategic and significant risks emanating from the Corporate Plan. The identification and assessment of these risks will be performed by CLT and HoST. As a guide, the Corporate Risk Register should seek to contain no more than 10 –15 risks. An Action Plan accompanies the CRR to facilitate more detailed recording of specific operational and strategic actions to manage each corporate risk.

Service Risk Registers (SRR) These will be compiled by the responsible Service and are likely to be a compilation of strategic and operational risks. As a guide, the Service Risk Register should not contain any more than five risks in any Service Unit area, or five risks affecting more than one service unit area.

Additional Risk Registers (eg H&S Risk Register or Project Risk Registers) must adhere to the principles of the Risk Strategy and ensure that risk at or exceeding the defined Risk Appetite are reported.

Risk Appetite

The Risk Appetite of an organisation is the amount and type of risk that it is prepared to seek, accept or tolerate. Local Government is, by nature, a risk averse and cautious organisation. The Council recognises this whilst at the same time seeking to be innovative to achieve the aims and objectives contained within the Corporate Plan. The Risk Appetite ~~a~~ **strategic** framework sits alongside robust corporate governance to allow for effective decision-making. In this context, an opportunity is provided to examine risks, choices and mitigations that will facilitate taking advantage of opportunities presented or providing scope to manage risks that would otherwise not be tolerated.

Corporate Leadership Team will identify the overall appetite for risk. Within the Corporate Risk Register the Optimal Risk Levels will be identified for each Corporate Risk. Where a Corporate Risk deals with a broad range of issues, the Optimal Risk Position may be expressed as a range.

In setting the Risk Appetite CLT recognises at that:

- it is not always possible to manage all risks at any point in time to the most desirable level, i.e., at or below the Optimal Risk Level, but they can in most cases be managed at a tolerable level. Risks that are above the Risk Appetite must be referred to CLT for guidance on the tolerance level that would be acceptable
- the desired outcome is not guaranteed when decisions are made in conditions of uncertainty. Decisions should be made using the best available information and expertise. Where decisions are required urgently the information relied upon and considerations applied must be retained.

The risk culture must embrace openness, support transparency, welcome constructive challenge and promote collaboration, consultation, cooperation and continual improvement. It is therefore essential to take steps to identify the risks and the level of risk the Council is willing to tolerate if this rises above the risk appetite.

Identify Type of Risk

There are a number of different types of risks that the Council may face including financial loss, failure of service delivery, physical risks to people, and damage to the Council’s reputation. To act as a prompt and to ensure completeness, a checklist of risk categories has been developed around the acronym **PERFORMANCE**:

- Political
- Economic
- Regulatory
- Financial
- Opportunities / Outcomes
- Reputational
- Management
- Assets
- New Partnerships / Projects / Contracts
- Customers / Citizens
- Environment

Assess the Risks

To ensure resources are focused on the most significant risks, the Council’s approach to risk management is to assess the risks identified in terms of both the potential likelihood and impact so that actions can be prioritised.

The risk management process requires each risk to be assessed twice – gross and net risk levels.

The first assessment (the ‘gross’ risk level) is taken on the basis that there is no action being taken to manage the identified risk and/or any existing actions are not operating effectively; in other words, the worst-case scenario if the risk were to occur.

To ensure that a consistent scoring mechanism is in place across the Council, risks are assessed using the agreed criteria for likelihood and impact detailed in Appendix 1.

When assessing the risk, the highest measure identified in each table is the score taken to plot the risk level on the risk matrix (Appendix 2). Where the likelihood and impact cross determines the risk level. The matrix uses a “traffic light” approach to show high (red), medium (amber) and low (green) risks. The Council considers the gross risk to ensure that: informed decisions can be made about the consequences of stopping risk actions that are currently in place; and to ensure resources are not wasted over-controlling risks that are not likely to happen and would have little impact.

Record Priority Risks on the Register

Once identified, the priority risks should be recorded in the relevant 'Risk Register'. A risk owner must be allocated and recorded against each risk on the risk register. Such accountability helps to ensure 'ownership' of the risk is documented and recognised.

A risk owner is defined as a person with the accountability and authority to effectively manage the risk. At this stage there may well be a long list of possible risks. The next step will help to prioritise these in order of importance.

Risk Control

Responding to the risks - When a risk is identified, a decision needs to be taken on how to deal with it. The recognised approaches for controlling risks are described in the five Ts:

Take the Opportunity - Not all risks are negative, for example, making financial investments in line with the Prudential Code. In addition, by taking a long-term view and considering the potential negative effect of controlling the risk using the other 4 Ts the risk may present more of an opportunity than a threat.

Treatment - Using control countermeasures to mitigate impact or likelihood. Ensuring effectiveness of existing mitigations and implementing new controls were considered necessary and cost effective.

Transfer - This involves another party bearing or sharing the risk; e.g. through insurance or strategic partnerships.

Tolerate - Where it is not possible to treat or transfer, consideration needs to be given to how the risk and consequences of such are to be managed should they occur. This may require putting contingency plans in place, which is why Business Continuity has such an important role to play in risk management, as it creates capacity to tolerate a certain degree of risk.

Terminate - Deciding, where appropriate, not to continue/ proceed with the activity in view of the unacceptable level of risks involved.

It is presumed that where a risk can be reduced through some form of mitigation it is good to do so. In future as we develop a better understanding of the right risk appetite, we will become better at making decisions based on cost-effectiveness. The chosen approach must be seen to be cost-effective so that risk control is not implemented where the cost and effort is disproportionate to the expected benefits.

3.3 Monitoring and Review

Risk Registers and Plans

Directors should review their Service Risk Registers periodically, and at least biannually, to ensure that:

- risks identified are within the appropriate and defined Risk Appetite
- Risk Tolerance and Risk Thresholds are not exceeded and are escalated to CLT for consideration where appropriate

- progress is being made towards controlling the risks and identifying any changes or emerging risks, for example, those arising from new legislation or brought about by unforeseen events.

Heads of Service should review their Service Plans and Service Risk Registers periodically, and at least quarterly, to ensure that risks and mitigations are adequately identified and that:

- risks identified are within the appropriate and defined Risk Appetite
- Risk Tolerance and Risk Thresholds have been set appropriately to reflect and not exceed the Risk Appetite
- Risk Tolerances and Risk Thresholds are not exceeded, and to ensure any movement towards the limits of Risk Tolerances or Risk Thresholds are adequately managed and, if required, notified to the service Director for consideration of actions and escalation to CLT and for recording on the Corporate Risk Register, as appropriate
- The Corporate Risk Register and Action Plan is reviewed biannually by HoST and CLT to ensure the Register remains up to date and relevant with new emerging risks added and older risks, no longer relevant, removed, and the Audit Committee updated accordingly.

Statements of Assurance. On a biannual basis each Head of Service will complete internal governance to provide assurance that the internal standard procedures, risk management and / or control arrangements are in place. Within this statement any failure of controls or significant risks causing concern and requiring mitigation will be identified. The current Service Risk Register should be included with the Statement of Assurance. Service Unit Managers should be consulted and agree the Statement of Assurance and Service Risk Register before being passed to the Service Director for final review and submission to the Risk Manager.

A full reassessment of risk will take place annually in conjunction with production of Service plans. This review may take place within one of the quarterly Head of Service Reviews.

Reporting - A biannual report prepared by Risk Management will be produced, summarising key areas of activity and issues arising related to the Council's risk management arrangements. This report, together with the internal governance Statements of Assurance, will help inform the drafting of the Annual Governance Statement, which is required to be signed by the Chief Executive and included within the Council's Annual Statement of Accounts.

Reporting of risk management will be integrated with the Council's reporting and management of performance. It is important that risks affecting service delivery and the achievement of Council's strategic objectives are taken into consideration when performance itself is monitored and managed.

Appendix 1

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Time Table for 2025 - 2029

Description	Date / Frequency	Who by
Risk Appetite Policy, Statement and Definitions document	Review: June 2025	Required: CLT / HoS / Risk Manager input for final document during consultation period
Workshops with CLT and Heads of Service	Last training: <ul style="list-style-type: none"> • Risk Strategy - 14 Feb and 21/22 March 2023 (SUMs/HOST/CLT) • Corporate Risk Register workshop- 25 July 2023 (HOST/CLT) • Risk Appetite workshop - 10 August 2023 (CLT) Refresher every third year thereafter.	Risk Manager Refresher due 2026
Interim assistance / training for Services (e.g. new employees, Risk Strategy policy and processes, review of service, project or strategy risks)	On request and by arrangement	Risk Manager
Corporate Risk Register populated with reference to the Corporate Plan	Update following new Corporate Plan. Date / Timeframe to be agreed when publication date is known	CLT / HoST
Service level – Service Risk Register and Service Plan review	Not less than quarterly	HoS / SUMs
Corporate Risk Register reviewed by Audit Committee	Biannual	Report: Risk Manager
Review of Corporate Risk risks and Action Plans by Risk Lead and Review by CLT / HoST	Live documents. Biannual review.	Directors / HoS
Statements of Assurance submitted to Risk Manager. Biannual submissions required	For April – September statement, 31 October. For October – March statement, 30 April.	HoS Director (sign off)
Review of Service Risk Registers Record of date of review with SUMs by HoS. Biannual	Quarterly review by service. Biannual submission in line with Statement of Assurance. (above)	HoS / SUMs

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Description	Date / Frequency	Who by
submission with Statement of Assurance.	Biannual HoS review with Director (may incorporate with two of the quarterly HoS / SUM reviews	HoS / Director
Annual Governance Statement	June	HoS - Finance
Annual Risk Management Report	June, December	Risk Manager
Review of Risk Strategy	2028 for implementation 2029	Risk Manager
Consequential updates to Risk Strategy and Associated documents	As required to reflect organisational, strategic or other change.	Risk Manager

Appendix 2

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Likelihood Assessment Matrix

Factor	Score	Indicators
Very likely	5	Circumstances frequently encountered which may give effect to the risk (daily/weekly/monthly) The risk is current and almost certain to happen within the next twelve months
Likely	4	Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (once/twice a year)
Possible	3	Has happened in past Reasonable possibility it will happen within next 3 years
Unlikely	2	May have happened in the past Unlikely to happen in 3+ years
Very Unlikely	1	Has happened rarely/never before

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Impact Assessment Matrix

Risk	Score	Effect on Service	Reputation	Financial & Resources	Compliance with law / contracts	People	Effect on project objectives
Major	5	Complete breakdown in service delivery with severe, prolonged impact on customer service affecting the whole Council. Failure of a strategic partnership	A vote of no confidence in one service area by the Elected Members. Substantial adverse regional media leading to Officer(s) &/or Elected Member(s) forced to resign &/or Audit Commission enquiry	A substantial failure in accountability or integrity. A large financial loss over 25% of budget Total loss of a critical building	Litigation leading to sizeable increase in responsibilities. Multiple civil uninsured or criminal actions with payments / fines above £150k	Death of an individual	Complete failure of a project
Serious	4	Intervention in a key service. Disruption to service delivery for one or more directorates for 3 – 5 days. Failure of an operational partnership	Criticism of a key process Large scandal High level of complaints at the Corporate level across several service areas regional adverse publicity / bad press	Sizeable financial loss up to 25% of budget Extensive damage to a critical building or considerable damage to several properties from one source	Multiple uninsured civil litigation or criminal actions with payments / fines of £50k - £150k	RIDDOR reportable major injuries to several people	Extreme delay
Significant	3	Widespread disgruntlement Disrupted service delivery from one	Criticism of an important process/service	Inability to deliver popular policies due to budgetary constrictions.	Multiple uninsured civil litigation or criminal actions with payments / fines of £25k - £50k	RIDDOR reportable major injury to an individual	Important impact on project or most of expected benefits. Considerable

Appendix 2

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		<p>directorate for more than 24 hours</p> <p>Can handle but with difficulty</p>		<p>Substantial damage to one part of a critical building</p>			<p>slippage. Possible impact on overall finances / programme.</p>
Moderate	2	<p>Small setback - management headache</p> <p>Disruptive impact on service at service unit level</p> <p>Localised disgruntlement</p>	<p>Embarrassment contained within the Directorate</p> <p>Criticism of a secondary process/service</p> <p>Local bad press</p>	<p>Noticeable financial loss</p> <p>Slight damage to one property</p>	<p>Low value / high volume litigation</p> <p>Departmental fine of £5k - £25k</p>	<p>Superficial first aid injuries / discomfort to more than one person</p>	<p>Adverse effect to project.</p> <p>Slippage requires review finances / short term programme.</p>
Minor	1	<p>Small impact on customer service which may result in complaints to the service unit</p> <p>Nuisance</p> <p>Disgruntlement by a few</p>	<p>Embarrassment contained within the service unit</p>	<p>Small financial loss</p> <p>Negligible property damage</p>	<p>Low value / volume litigation</p> <p>Departmental fine below £5k</p>	<p>Superficial first aid injury or discomfort to an individual</p>	<p>Minimal impact to project.</p> <p>Minor slippage</p>

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Risk Rating Matrix

Likelihood	Very likely	5	5 Low	10 Medium	15 Medium	20 High	25 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High	20 High
	Possible	3	3 Low	6 Low	9 Medium	12 Medium	15 Medium
	Unlikely	2	2 Low	4 Low	6 Low	8 Medium	10 Medium
	Very Unlikely	1	1 Low	2 Low	3 Low	4 Low	5 Low
RISK RATING MATRIX			1	2	3	4	5
			Minor	Moderate	Significant	Serious	Major
			Impact				

Appendix 3

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Risk Appetite Framework

(currently a separate document, will be inserted when approved for 2025-2026)

Appendix 4

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Guide – Risk Appetite, Threshold and Tolerance explained

Risk Appetite

The Risk Appetite Framework sets the overall tone for risk management, setting out:

- the broad, high-level willingness to pursue or accept risk to achieve objectives
- reflects the overall approach to risk in strategic planning and decision-making
- how much risk the Council is willing to pursue or accept to achieve its goals by setting out broadly 'acceptable' levels of exposure for each of the Council's material risk categories:
 - Financial risk
 - Compliance/legal risk
 - Operational sustainability risk
 - Strategic risk

Risk Tolerance:

The Risk Appetite Framework has 5 levels of tolerance, ranging from low (averse) to high (risk taking). At a corporate and departmental level, it is necessary to understand what Risk Tolerance looks like, to set the boundaries of how much deviation from plans or objectives is acceptable within their area of work. Risk Tolerance is therefore,

- more specific than risk appetite and refers to the acceptable variation the Council can withstand
- often quantified in financial terms, or operational metrics
- guides how much risk is acceptable before impacting the company's strategic objectives.

Risk Threshold

Risk thresholds provide a granular view, pinpointing when exactly actions need to be taken to stay within those predefined boundaries. The Risk Threshold is set lower than the Risk Tolerance to ensure it

- identifies the specific point at which an action is required to address the risk
- is tied to specific risks, with defined triggers or conditions
- provides actionable points for managing risks within the boundaries set by risk tolerance.

Unclassified

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ITEM 8b**Ards and North Down Borough Council**

Report Classification	Unclassified
Exemption Reason	Not Applicable
Council/Committee	Audit Committee
Date of Meeting	27 May 2025
Responsible Director	Director of Corporate Services
Responsible Head of Service	Administration
Date of Report	19 May 2025
File Reference	AUD02
Legislation	Local Government (Accounts and Audit) Regulations 2015
Section 75 Compliant	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other <input type="checkbox"/> If other, please add comment below:
Subject	Risk Appetite Framework
Attachments	Risk Appetite Framework 2025

Risk Appetite is defined as the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives. It is not a single, fixed concept and as a result it can be complex.

The Risk Appetite Framework was initially developed by the Corporate Leadership Team through a workshop facilitated by Deloitte and was implemented in 2024 following adoption. The Framework has been reviewed by the Director of Corporate Services. There are no proposed changes; the document aligns with the Corporate Plan and reflects a meaningful and measured approach to risk taking. It is proposed that the Framework is reviewed in April 2026, or at an earlier time if a review is indicated, to ensure the Framework remains robust and relevant.

RECOMMENDATION

It is recommended that Council approve the Risk Appetite Framework 2025.



Document Title	Risk Appetite Framework 2025-26
Version	version 2. Issue 1. 2025
Policy Summary	
Source / Author(s)	Corporate Services / Risk Management
Date of Equality Screening	
Date of Council Approval	December 2023
Implementation Date	January 2024
First Issue	(version 1) January 2024
Next Review Date	April 2026
Officer Responsible for Review	Director of Corporate Services
Any Other Information	This policy can be provided in alternative formats if required in relation to language or disability. *

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1. Introduction

1.1 Purpose

The purpose of Ards and North Down Borough Council's ("the Council") Risk Appetite Framework and Statement is to specify the types of risk and associated thresholds which the Council is willing to accept in pursuing its objectives and ensure their monitoring and oversight. It sets out broadly 'acceptable' levels of exposure for each of the Council's material risk categories.

1.2 Risk Appetite Scope and Approach

The Risk Appetite Statement forms part of the Council's broader risk management approach and sits alongside the Risk Registers and Risk Management Strategy. The Risk Management Strategy comprises a range of objectives to:

- Ensure that sound risk management practices and procedures are embedded within the Council, providing a consistent approach to risk management
- Facilitate continuous improvement of the internal control environment and support better decision-making through a good understanding of individual risks and the overall risk exposure that exists at a particular time
- Develop a common understanding of risk across the Council, thereby enabling the Council to manage risk effectively on a Council-wide basis
- Ensure that risks, to which the Council is, or may become exposed to, are identified in a timely manner and manage those risks that may significantly affect the pursuit of the stated strategic goals and objectives
- Ensure that a robust risk assessment is undertaken for all risks identified by the Council
- Ensure that effective risk mitigation strategies are adopted and applied by the Council
- Ensure that the Council's risk profile is monitored and reported on an on-going basis
- Promote and embed a strong risk culture for the entire Council
- Document risk-related roles; the roles and responsibilities of the Council and its sub-committees, Corporate Leadership Team (CLT) and other relevant bodies.

Risk Appetite is considered a part of, and informs, the Council's business planning processes and the setting of strategic objectives. The Council has adopted the appropriate governance structure to support the continuous management, monitoring and oversight of risk. The Risk Management Strategy sets out the risk management roles and responsibilities within the governance structure.

2. Risk Categories

The Council's risk appetite is cascaded to the following risk categories which have been identified as relevant and material to the Council, namely:

- Financial risk
- Compliance/legal risk
- Operational sustainability risk
- Strategic risk

2.1 Financial Risk

Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliance with financial reporting.

2.2 Compliance/Legal Risk

Compliance/legal risk is the risk of loss to reputation, legal sanctions or material financial loss that the Council may suffer because of its failure to comply with legislation, regulations, code of conduct and standards of good practice (e.g., the Data Protection Act 2018).

2.3 Operational Sustainability Risk

The Council has articulated a number of sub-risk category areas under Operational Sustainability risk. Operational Sustainability risk encompasses a broad range of sub-risks which can affect the Council. Operational risk is defined as the risk of direct or indirect losses, arising from inadequate or failed internal processes, people and systems. The Council recognises the potential for significant and material adverse consequences of operational risks materialising as incidents. See risk appetite statements for detailed description of operational sustainability risk sub-categories identified.

2.4 Strategic Risk

Strategic risks can arise due to a wide range of internal and external factors. These include: the absence of an adequately articulated strategic plan; failing to deliver priority strategic initiatives; failure to maximise opportunities that will deliver against the strategic objectives; or a fundamental change in the assumptions upon which the strategy was based. Strategic risk can also arise due to external factors.

External risks

The risk to the Council of potentially failing to meet its objectives following significant changes or negative events within the external environment in which it operates. Examples of external risk include risks such as changes to external political environment or 'global shocks' such as terrorist attacks, climate change and extreme weather events, etc.

3. Risk Tolerance Monitoring and Review

The risk appetite statements (as set out in Section 4) specify the level of risk the Council is willing to accept in the pursuit of its objectives. Risk tolerances serve to guide executive management in adhering to the risk appetite parameters set, which are indicative of the Council's changing risk profile and associated risk management objectives. To the extent that a proposed initiative / action would exceed the Council's approved risk appetite, a proposal must be submitted to the Council for its approval (via CLT and Audit Committee) and a clear rationale provided. If risk appetite threshold levels are exceeded in the normal course of business and subsequently identified, they must be escalated through the Director of Corporate Services who will report to the Council's CLT and onwards to the Audit Committee and the Council.

For each risk category, the Council’s risk appetite is represented by differing tolerances spanning from Low to High depending on the risks that fall within that category. Risk tolerances may also change over time or in light of new business objectives and this must be done in agreement with the Council’s CLT, the Audit Committee and the Council. For example, in general terms, the Council may have a medium tolerance for assuming strategic risks. However, certain strategic priorities may require change and innovation and, in agreement with the Council’s CLT, the Audit Committee and the Council, risk appetite for strategic risk may consequently be elevated for an agreed period in order to achieve the desired outcomes.

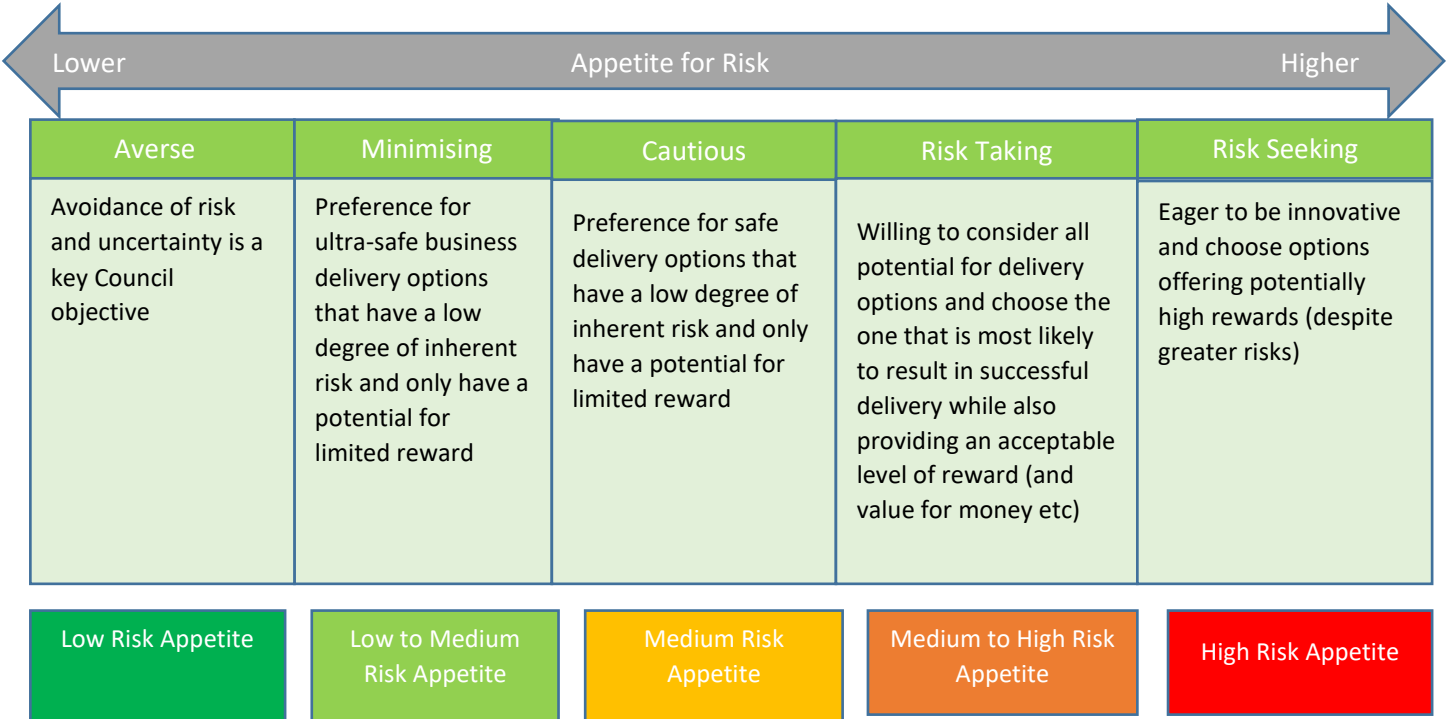
As per the Council’s Risk Management Strategy, the Council’s risk appetite will be reviewed and updated by CLT and should be approved by the Council on an annual basis and/or when triggered by an event to ensure that it is aligned to the current business environment. These reviews should ensure that consideration is given to all factors that could impact the achievement of strategic objectives or key business drivers.

The subsequent section sets out the Council’s current risk appetite statements. Guidance on setting risk appetite levels is outlined in section 3.1.

As the risk appetite framework is further embedded and matures, the Council may continue to develop further quantitative metrics with appropriate limits and thresholds to support the monitoring and tracking of risk appetite.

3.1 Setting Risk Appetite Levels

Guidance for setting risk appetite level:



4. Risk Appetite Statements

Risk Category	Risk Subcategory	Risk Appetite Statement
Financial	Financial Sustainability	The Council has a minimising appetite for Financial Risk and operates a sustainable finance strategy. The Council will not accept financial risks that could result in significant reprioritisation of budgets.
		Minimising
	Investment in Growth	The Council has a risk-taking appetite for risks associated with investment in growth projects that will grow the economy within the Borough and transform Services.
		Risk-taking
	Fraud	The Council is risk averse to any exposure to fraudulent activities.
		Averse
Compliance / Legal	Governance	The Council is risk averse to risks that arise from decisions not taken in line with Council and delegated authority limits.
		Averse
	Legal	The Council has a risk-taking appetite for risks arising from a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring which results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements.
		The Council has a risk-taking appetite to risks associated with the Council taking legal action (planning, environmental health, non-delivery of projects etc).
	Compliance	Risk-taking
		The Council aims to be compliant with all laws and regulations governing its operations and activities. The Council is averse to any risk related to Compliance Risks (including GDPR and Health and Safety), which could result in exposure to systemic or material regulatory breaches.
		Averse

Risk Category	Risk Subcategory	Risk Appetite Statements
Operational Sustainability	IT and Cyber	The Council has a minimising risk appetite to disruption in relation to IT and Cyber Risk and is averse to such breaches which could potentially cause loss, harm or damage to the Council's IT structure and information assets.
		As a public body the Council needs to ensure that it maximises its impact and value for money. Therefore, the Council has a risk-seeking risk appetite to investment in the development of IT infrastructure.
		Minimising – disruption to IT Averse – cyber breaches Risk-seeking – investment in development of IT infrastructure
	Business Continuity	The Council is averse to material business disruption of its operations and/or failure to deliver core statutory services to key stakeholders which could result in failure for the Council to deliver its strategic objectives and/or lead to reputational damage.
		Averse
	Staff Retention and Development	The Council aims to value, support, develop and utilise the full potential of its staff to make the Council a stimulating place to work and be an employer of choice. The Council also wishes to ensure that it has sufficient staff with the right capability to deliver its Services.
		It has a risk-taking appetite for investment in the recruitment, retention and development of our staff.
	Partnerships	Risk-taking
		Partnership working is core to the Council's delivery of its strategic objectives and is mandated for delivery of the Community Plan. The Council has adopted a risk-taking approach to working in partnership with other statutory, private and community bodies to deliver its corporate priorities.
	Community Engagement	<ul style="list-style-type: none"> Community partnerships (low to medium) Commercial and statutory partnerships (medium to high)
		Risk-taking
	Community Engagement	The Council exists to provide civic leadership and build relationships within communities within the borough. The Council is risk-seeking in its community engagement activities that seek to develop positive relationships, community pride, respect and safety for those living, working and visiting the borough.
		Risk-seeking

Risk Category	Risk Subcategory	Risk Appetite Statements
Strategy	Projects / Programmes	<p>The Council understands there is a risk that programmes and projects do not successfully deliver requirements and intended benefits to time, cost and quality. The Council is committed to ensuring that projects and any associated change is robustly managed to minimise the risk of negative impact on existing service delivery, process, technology or Council structures. The Council therefore has a minimising risk appetite for project / programme management risk.</p> <p>In addition, the Council aims to invest in projects/programmes as part of transformation and service improvement for the greater good of the Borough and adopts a risk-taking approach to support this aim.</p>
		<p>Minimising – project / programme management</p> <p>Risk-taking – investment in projects / programmes</p>
	Climate / Environment	<p>The Council recognises its role as a civic leader in statutory compliance in relation to climate and the environment. It also acknowledges that its operations have an environmental impact. The Council therefore has a risk averse approach to the non-achievement of its climate risk targets.</p>
		<p>Averse</p>