



AUDIT AND RISK ASSURANCE COMMITTEE TERMS OF REFERENCE (as agreed by the Board on 20 June 2018

Audit and Risk Assurance Committee Role

The Audit and Risk Assurance Committee is a standing Committee of the Natural England Board (the Board) established in accordance with Schedule 1 19.1 of the NERC Act. The role of the Audit and Risk Assurance Committee is to advise the Board and Accounting Officer on matters of financial accountability, risk, control, assurance and governance.

Audit and Risk Assurance Committee Composition

The Audit and Risk Assurance Committee will comprise a minimum of at least three members all of which must also be members of the Board. At least one member of the Audit and Risk Assurance Committee must have appropriate expertise in financial accounting or auditing.

The composition of the Audit and Risk Assurance Committee will be rotated to ensure the Audit and Risk Assurance Committee benefits from a balance of continuity and the different perspectives of new members. At least one new member will join the Committee every three years. Membership of the Audit and Risk Assurance Committee is to be reviewed by the Board at least every three years.

The Chief Executive, as the Accounting Officer for Natural England, is not a member of the Audit and Risk Assurance Committee, but has a standing invitation to attend, other than at times when there would be a clear conflict of interest.

In addition to the Chief Executive, the following persons shall attend the meetings of the Audit and Risk Assurance Committee:

- the Chief Legal and Governance Officer;
- the Natural England Director of Finance and Business Partner;
- the Director Corporate Governance;
- the Head of Internal Audit;
- an Executive Officer, to support the Committee; and
- a representative of External Audit.
- In addition the Defra Group Head of Internal Audit and Assurance has a standing invitation to attend.

The Committee may ask officials who normally attend its meetings, including the Accounting Officer, to withdraw from a particular discussion to facilitate open and frank discussion.

Audit and Risk Assurance Committee Chair

The Board Chair and Audit and Risk Assurance Committee Chair are not the same person to help to ensure the independence of the Audit and Risk Assurance Committee and to allow the Board Chair to take a role in the oversight of the Audit and Risk Assurance Committee.

The Chair of the Audit and Risk Assurance Committee will be appointed by the Board for a period of three years.

The Chair of the Board and the Chair of the Audit and Risk Assurance Committee shall meet at least once a year, in private, to discuss issues of audit, risk and control, management systems and any other issues relating to the work of the Audit and Risk Assurance Committee.

Audit and Risk Assurance Committee Terms of Reference

The objective of the Audit and Risk Assurance Committee is, through challenge, scrutiny, monitoring and advice, to assist the Board to fulfil its corporate governance responsibilities to ensure that an appropriate control environment is maintained by Natural England, with principal focus on:

- Overseeing the strategic processes for risk, control and governance including the production of the Governance Statement and the Annual Report and Accounts.
- Reviewing compliance with Government Accounting Directions, the Financial Memorandum and other relevant legal and regulatory requirements particularly in relation to statutory compliance and financial management.
- Reviewing the totality of assurance available to Natural England to take a view on the completeness and integrity of the assurance it receives from within the organisation, from the Defra Network, and from other external sources.
- Oversight and evaluation of an effective internal audit function.
- Review and consideration of external audit plans, reports and findings.
- Oversight of assurances relating to corporate governance requirements and assessment of the internal control framework, including: reviewing compliance with ethics, whistle blowing and cyber security policies, and ensuring that an annual review of delegations of authority is undertaken.
- Reviewing the Corporate Risk Register and evaluating and endorsing the effectiveness of systems for assessing and managing risk, including information risk.
- Assessing the effectiveness of anti-fraud policy and procedures and fraud reporting.
- Ensuring that the recommendations made by the internal and external auditors are properly considered by officials and appropriate action is taken in good time.
- Reviewing Health and Safety policy and procedures through consideration of an annual report from the Chief Operating Officer responsible for Health and Safety to receive assurance that Natural England is managing its Health and Safety risks.
- Including an assessment and opinion on the assurances received, and its confidence in them, within its Annual Report to the Board and in advising the Accounting Officer on signing the Governance Statement.
- Conducting reviews and scrutiny of specific areas of concern requested by the Board.

In discharging its function of advising and assisting the Board to carry out their corporate governance role, the Committee will provide support to the Accounting Officer in the form of

objective advice on the systems of internal control within the organisation and constructive challenge to the assurances available to the Accounting Officer that financial and risk management controls and systems are adequate and functioning well.

The Audit and Risk Assurance Committee has the right to seek explanations and additional information and is able to seek independent, expert advice to assist it in undertaking its oversight responsibilities.

Access

The Audit and Risk Assurance Committee will have full and ready access to the Chief Executive, the Chief Legal and Governance Officer and Head of Internal Audit. The Audit and Risk Assurance Committee may ask, normally through the involvement of the Accounting Officer, any official other than those who normally attend its meetings to attend a particular meeting to assist in discussion of particular matters.

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

Meetings

The Audit and Risk Assurance Committee will meet at least four times each year. There is a standard programme of business. The Audit and Risk Assurance Committee will report to the Board after each meeting and will provide the Board with an Annual Report summarising the conclusions from its work during the year to support the Governance Statement. The Chair of the Committee may convene further meetings as the Committee may deem necessary and the Board or the Accounting Officer may ask the Committee to convene further meetings to discuss particular issues on which either want the Committee's advice.

Audit and Risk Assurance Committee Member Qualifications

At least one member of the Audit and Risk Assurance Committee must have appropriate expertise in financial accounting or auditing. All members of the Audit and Risk Assurance Committee must have and maintain a:

- Good financial understanding;
- Good knowledge of Natural England's risks and controls.

The Committee will determine topics for and hold two workshops each year either to meet learning and development needs or to provide time to drill down into specific issues.

Audit and Risk Assurance Committee Quorum

A quorum for any meeting will be two (2) Members. However, to ensure the correct balance of skills and experience should any member be unable to attend a meeting, provision may be made for a reserve ARAC member from the Natural England Board membership. Additionally ARAC Chair welcomes other Board members attending ARAC meetings on a rotational basis as part of their learning and development in understanding good governance.

Delegated Authority

The Audit and Risk Assurance Committee does not have any delegated authority to make decisions on behalf of the Board except:

- To review and oversee the submission of the Annual Report and Accounts on behalf of the Board and to recommend approval by the Accounting Officer.
- To evaluate and endorse the internal audit plan.
- To monitor and oversee the financial performance of Natural England and make relevant reports to the Board.
- To review, ratify and oversee Natural England's systems of risk management and internal controls.
- To evaluate and endorse internal policies for financial and statutory reporting and internal audit.
- To obtain external legal or other expert advice where necessary following consultation with the Chair.
- Where acting under specific Board request from time to time.

The Audit and Risk Assurance Committee is required to provide reports to the Board in relation to all of the matters relating to these delegations and on specific matters as requested by the Board and will do so after every meeting. It will also produce an annual report to the Board in which it will include its assessment and opinion on the assurance it receives.