

# Natural England – Audit and Risk Assurance Committee Terms of Reference (ToR)



## 1 Duties of the Audit and Risk Assurance Committee

- 1.1 As required by the Natural England Framework Document<sup>1</sup>, the Natural England Board has established an Audit and Risk Assurance Committee (“the committee”) as a Committee of the Board to support them in their responsibilities for issues of risk, control and governance.
- 1.2 The Committee reviews in depth the annual financial statements, monitors the integrity of the financial reporting system and internal controls, reviews the statutory accounts and considers accounting issues arising and recommends them to the Board for approval.
- 1.3 The committee also supports the Board in overseeing the organization’s risk management framework, ensuring it identifies, assesses, and mitigates strategic risk, operational risks and emerging risks including, but not limited to funding programmes, whistleblowing and cyber threats.
- 1.4 The Committee reviews the comprehensiveness of assurances in meeting the Board and Accounting Officer’s assurance needs and reviewing the reliability and integrity of these assurances.

## 2 Membership

- 2.1 The Committee shall be appointed by the Board, in consultation with the Chair of the Audit Committee.
- 2.2 All members of the Audit Committee shall be independent Non-Executive Directors. The Chairman of the Board shall not be a member of the Committee.
- 2.3 The Board shall appoint the Chair of the Committee. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to Chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.

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<sup>1</sup><https://www.gov.uk/government/publications/natural-england-framework-document/natural-england-framework-document-2022>

- 2.4 Only the members of the Committee have the right to attend Committee meetings. Other individuals such as external advisers may, however, be invited to attend whenever their input is required. The external auditor, internal auditor, Natural England Finance Director, NAO, Chief Financial Officer, Chief Executive Officer will be invited to attend meetings of the Committee on a regular basis. Video conferencing or teleconferencing may be used as appropriate.
- 2.5 At least one of the members of the Committee should have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 2.6 Appointments to the Committee are made by the Board for a period of up to three years, which may be extended to a maximum of six years, provided the Director still meets the criteria for membership of the Committee. This may be extended [for an additional year] in extraordinary circumstances with the agreement of the Board.
- 2.7 The schedule of current Committee members and supporting members of staff is presented in Annex A. The Committee may co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience and, may as appropriate, include independent members to ensure impartiality in overseeing audit activities and risk management practices. In addition, the Committee may ask other relevant staff of the organisation to attend to assist it with its discussions on any particular matter.
- 2.8 The Committee should maintain a diversity of skills, including expertise in risk management, internal and external auditing, financial controls, compliance, and emerging risks (e.g., cybersecurity).

## 3 Meetings

- 3.1 The Committee shall meet at least four times per year. The Chair may convene additional meetings to address urgent matters or in response to emerging risks, as deemed necessary.
- 3.2 The Board or the Accounting Officer may ask ARAC to convene further meetings to seek advice on specific issues.
- 3.3 The Chair of the Committee will also, as invited, attend the Defra Audit and Risk Committee meetings to ensure continuity of policy implementation, as well as any other committees s/he is invited to attend.
- 3.4 The meeting will be quorate with at least 2 members of the Committee present. Decisions taken by a non-quorate meeting require ratification by correspondence or at the next meeting.
- 3.5 The Committee shall reach decisions by a simple majority of those voting on the issue in question. If the numbers of votes for and against a certain proposal are equal, the Committee Chair shall have a casting vote.
- 3.6 Meetings will preferably be conducted in person, although meetings held virtually or through teleconference can be held as appropriate.

- 3.7 During meetings the Chair of ARAC may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.
- 3.8 Outside meetings, both the Head of Internal Audit and External Audit / NAO will have free access to the Chair of ARAC.

## 4 Scope of Matters dealt with by the Audit and Risk Assurance Committee

- 4.1 The scope of the Committee is to act in an advisory capacity to the board in reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.
- 4.2 The Committee are not responsible for delivery of activities within these areas.
- 4.3 The Committee is responsible for the following matters, or as delegated by the Board:
  - 4.3.1 Financial reporting
    - a) Review and challenge the actions and judgements in relation to the quarterly, interim and full financial statements before submission to the Board, paying particular attention to:
      - i) Accounting policies, systems, controls and practices;
      - ii) Areas involving significant judgement, estimation or uncertainty and the provisions in the financial statements;
      - iii) Methods used to account for significant or unusual transactions;
      - iv) Compliance with accounting standards;
      - v) Significant adjustments resulting from the audit;
      - vi) Compliance with legal and regulatory and financial reporting requirements; and
      - vii) Consider whether the controls established to prevent fraud and illegal acts are adequate and to ensure all major cases of fraud/illegal acts are reported to the Committee Chair.
  - 4.3.2 Statutory Audit
    - a) Oversee and at least annually review the relationship with statutory auditors;
    - b) Discuss problems and reservations arising from the interim and the final audits and any matters the statutory auditor may wish to discuss;
    - c) Discuss the nature and scope of the audit and ensures cooperation with Internal Audit;
    - d) Review any findings and recommendation of the Statutory Auditors and monitor progress in implementing recommendations.
  - 4.3.3 Risk Management
    - a) Act as a sounding board for the Governance Committee and Internal Audit on any professional risk matters, reviewing any significant risk management judgement calls made by him/her and receive from him/her periodic reports on the risk management activities of the firm including the below:

- i) Review of key policies and processes for identifying and assessing business risks (including quality and ethics and independence), the management of these risks and an assessment of their robustness, appropriateness and effectiveness;
- ii) Review the annual professional risk management business plan with Internal Audit;
- iii) Review the outcome of the various quality, risk and independence compliance programmes operating across NE and any proposed remedial actions;
- iv) Any significant risk management judgement calls made;
- v) Review the status of, and significant findings from, any regulatory programme inspections or regulatory violations that have occurred in the period, especially with regard to payment fraud;
- vi) An annual report from the firm's money laundering officer on any fraud or financial crime;
- vii) The position on any significant claims and circumstances and how the associated 'lessons learned' have been fed back into NE;
- viii) A summary of matters reported to the firm's whistle-blowing hotlines and conduct of investigations into any significant matters reported to the hotline;
- ix) NE's risk appetite across its range of operations;
- x) Internal audit reports related to professional risk management, assurance, and implementation of recommendations;
- xi) Financial position and risk;
- xii) Oversight of the culture of quality and integrity within the Board and monitoring the 'tone at the top' set across NE by the Chair and the Executive Committee;
- xiii) Review the content of, and the adherence to, NE's code of conduct.

#### 4.3.4 Internal audit

- a) Oversee the effectiveness of the internal audit function working with Defra Group Finance;
- b) Consult with Defra Group Finance on and approve the internal audit work plan;
- c) Review and consider any reports issued by internal audit to ensure that recommendations and an action plan are implemented;
- d) Ensure the internal auditor has direct access to the Committee Chair
- e) Consider the major recommendations of the internal audit investigations, management responses and any recommendations for improvement made by the statutory auditors. Changes to the Committee's duties are subject to approval by the Board.

## 5 Authority

- 5.1 The Committee supports the Board in their responsibilities for risk management, control and governance. It does this by reviewing the comprehensiveness, reliability and integrity of assurances.
- 5.2 The Committee acts in a scrutiny and advisory capacity, and it has no executive authority.
- 5.3 The Committee may procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board.
- 5.4 On specific occasions, the Board may delegate specific tasks to the Committee; e.g., to assist the Executive in managing specific risks or to provide additional assurances.
- 5.5 On specific matters delegated by the Board, the Committee has the authority to make decisions and provide advice, with formal reporting back to the Board on outcomes and actions taken.

## 6 Information Requirements & Reporting

- 6.1 The meeting agenda and papers should be circulated at least one week prior to the Committee meeting. Each meeting pack shall be provided to members and attendees including documents listed in Annex B.
- 6.2 The Committee shall provide a formal written report to the Board following each meeting.
- 6.3 Alongside this, the Committee will provide the Board with an annual risk management report that includes an assessment of key risks, mitigations, and recommendations for enhancing the risk management framework. An Annual Report will be provided by the Committee, to the Board and Accounting Officer, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.

## 7 Performance and Review

- 7.1 The Committee will continuously seek feedback on its effectiveness from the Board and key stakeholders, adjusting its processes to improve its governance, risk, and audit oversight.
- 7.2 Performance of the Audit and Risk Assurance Committee shall be reviewed annually to ensure effectiveness of working practices. This annual self-assessment may be carried out with support from the Governance Team and may make use of standardised methodologies available from the National Audit Office and/or the Government Internal Audit Agency.
- 7.3 The Terms of Reference will be reviewed annually to ensure alignment with best practices, organisational needs, and emerging issues in audit, risk, and governance best practice.

## Annex A- Membership

<b>Role</b>
<b>Chair (ARAC)</b>
<b>Board Member</b>
<b>Board Member</b>

The Audit and Risk Assurance Committee is also attended by members of the Executive, specifically:

<b>Role</b>
<b>Chief Executive</b>
<b>Chief Officer Legal and Governance</b>
<b>Chief Officer Business Management</b>
<b>Chief Officer Operations</b>

Additionally, the Audit and Risk Assurance Committee is regularly attended by:

<b>Role</b>
<b>Director of Finance</b>
<b>Director of Corporate Governance</b>
<b>Principal Manager- Internal Control</b>

The Committee is also supported by the Natural England Head of Internal Audit and by the National Audit Office.

## Annex B- Information to be provided in advance of ARAC meetings

Report	Detail	Frequency
<b>Risk Report</b>	<p>A report summarising any significant changes to the organisation's strategic risks and a copy of the strategic/corporate Risk Register.</p> <p>Should include regular updates on emerging risks, including changes to the regulatory environment, policy changes, or broader societal shifts and regular reports on the organisation's cybersecurity posture.</p>	Quarterly
<b>Internal Audit Progress Report</b>	<p>A progress report from the Head of Internal Audit summarising:</p> <ul style="list-style-type: none"> <li>work performed (and a comparison with work planned)</li> <li>key issues emerging from the work of internal audit</li> <li>management response to audit recommendations</li> <li>changes to the agreed internal audit plan; and</li> <li>any resourcing issues affecting the delivery of the objectives of internal audit</li> </ul>	Quarterly
<b>External Audit Progress Report</b>	<p>A progress report (written or verbal) from the External Audit representative summarising work done and emerging findings.</p> <p>(this may include, where relevant to the organisation, aspects of the wider work carried out by the NAO, for example, Value for Money reports and good practice findings)</p>	Quarterly
<b>Management Assurance reports</b>	<p>Regular reporting by the Assurance and Corporate Governance Team comprising data and narrative to give a picture of the effectiveness of routine assurance activities and highlight current issues.</p>	Quarterly
<b>Incident Reports</b>	<p>Reports on the management of major incidents, "near misses" and lessons learned.</p>	Quarterly
<b>Internal Audit Documents</b>	<p>Proposals for the terms of reference of internal audit / the internal audit charter</p> <p>The internal audit strategy</p> <p>The Head of Internal Audit's Annual Opinion and Report</p>	As required

	Quality Assurance reports on the internal audit function	
<b>Accounting Documents</b>	The draft accounts of the organisation Report on any changes to accounting policies	As required
<b>Governance Statement</b>	The draft Governance Statement	As required
<b>External Audit Documents</b>	Audit Planning Report Audit Completion Report Management Letter	As required
<b>Risk Management Strategy</b>	The organisation's Risk Management strategy	As required



## Annex C- Version Control Table

<b>Version Control Table</b>			
<b>File name:</b>	ToR- Audit Risk and Assurance Committee	Version Number:	V1.0
<b>Approved by (name, title):</b>	NE ARAC	Approval Date:	29/04/2020
<b>Summary of key changes</b>	Unknown, not previously recorded		
<b>File name:</b>	Natural England Audit and Risk Assurance Committee- Terms of Reference	Version Number:	V2.0
<b>Approved by (name, title):</b>	NE ARAC	Approval Date:	26/03/2025
<b>Summary of key changes</b>	Title corrected to Audit and Risk Assurance Committee Link to NE framework document updated Membership updated		
<b>File name:</b>		Version Number:	
<b>Approved by (name, title):</b>		Approval Date:	
<b>Summary of key changes</b>			