UKAEA AUDIT AND RISK ASSURANCE COMMITTEE (ARAC)

Terms of Reference

Purpose

1. The UKAEA Audit and Risk Assurance Committee ("the Committee") is a Committee of the UKAEA Board. The overall purpose of the Committee is to support and advise the Board and the Accounting Officer (AO) by independently reviewing the integrity, efficacy and effectiveness of the safety, health and environmental (SHE) management system, the risk management processes, the control environment and the integrity of the financial statements and the annual report of the UKAEA Group.

Members

2. The Committee Chair and members shall be appointed from the Non-Executive Members of the UKAEA Board (with a minimum of 3 Non-Executives on the Committee). In making the appointment of the chair or members, the Board must be cognisant that both have the relevant skills to be able to meet the requirements of the Committee. Specifically, one member should have financial expertise and one should have experience of SHE and operational management.

Delegated Authority and Independence

3. The Committee is authorised by the Board to investigate any matters within its Terms of Reference and to seek any information it requires from any Board Member or employee of the UKAEA in order to carry out its duties.

4. Members of the Committee will act with independence and objectivity in the conduct of their responsibilities. Members are also able to seek external advice without direct consultation with the Board where this is deemed necessary to carry out its duties.

Quorum

5. The quorum of the Committee shall be at least two members.

Meetings

6. Meetings shall be held at least 4 times each year. Meetings of the Committee shall be called at any time at the discretion of the Chair of the Committee.

Other Attendees

7. Also, the following individuals shall attend the Committee at the discretion of the Chair:

    -   Accounting Officer (AO);

- Group Director of Risk Assurance and QSHE;
- Chief Financial Officer and Director of Corporate Services;
- Chief Operating Officer;
- Director of Finance and Business Systems;
- Group Head of Internal Audit;
- Financial Controller;
- Representative from the National Audit Office;
- Representative from DESNZ Sponsorship Team;
- Representative from DESNZ Group Chief Internal Auditor;
- ARAC Secretary;
- Head of Pensions (as required); and,
- Cyber Security Representative (as required).

Training

The UKAEA Board Secretary shall review, on an ongoing basis, any training needs relevant to the terms of reference of the committee and engage with the Director of Finance and Business Systems and/or the Group Director of Risk Assurance and QSHE to ensure that members receive periodic updates on developments in SHE management, public sector accounting, audit guidance or related practice.

Access to the Audit Committee

8. Representatives from internal and external auditors will have free and confidential access to all parties as necessary to fulfil their roles, including the AO and Chair of ARAC if required.

Conflicts of Interest

9. A Committee member or attendee who becomes aware of a potential conflict of interest relating to matters being discussed by the Committee should give prior notification to the Chair or, if this is not possible, declare this at the meeting and, where necessary, withdraw during discussion of the relevant agenda item.

Responsibilities of the Committee

10. The Committee will review, advise the Board and Accounting Officer and approve where specified (Annex 1) the following areas for the UKAEA Group:
    Health and Safety
    a) Safety, Health and Environmental policy and any changes to the policy and governance thereof as will then be approved by the Board;
    b) Safety, Health and Environmental Management System and associated risks and mitigations in relation to safety, health and the environment as referred to in paragraphs 4.2 and 4.3 of the Board Terms of Reference;

c) Periodic SHE performance reports (including information on any breaches of standards requiring external notification) from the Executive and provision of advice to same where weaknesses are observed or good practice to be reinforced:

d) Proposed changes to the management system for safety, health and the environment;

Risk Management

e) strategic processes for risk and reviewing the Board's risk appetite statement;

f) periodic risk assurance reports from the Executive and provision of advice to same where weaknesses are observed;

Internal Controls

g) provision of assurance[1] on the effectiveness of the control environment and appropriate mitigation, if needed;

h) reviewing and approving the assurance programme to assess whether, on an ongoing basis, the programme addresses the risks the organisation is subject to. This includes both the internal and external programmes of work;

i) reviewing all recommendations made by assurance functions (internal and external) and management's responses;

j) assessing the quality of Internal Audit and other assurance functions to measure their efficacy and remediate where appropriate;

Cyber, Information, Personnel and Physical Security

k) reviewing the effectiveness of arrangements to meet the mandatory security outcomes described in the Cabinet Office's Security Policy Framework and Standards and to ensure the robustness of UKAEA's cyber security[2];

Whistleblowing and Fraud

l) reviewing the effectiveness of the Whistleblowing Policy and acting as an escalation route by which employees or others can raise concerns in confidence;

m) reviewing the effectiveness of arrangements to comply with relevant Counter Fraud standards;

Financial Reporting

n) providing assurance and reporting on compliance with good practice with the preparation of the financial statements to include, application of key accounting policies, key judgements, disclosures, the processes for their review and release to audit as per Board Terms of Reference;

External Audit

o) reviewing the NAO Audit Plans, Interim and Completion Audit Reports and the Management Letters for the annual accounts, including the levels of errors identified in them and management responses to them;

p) reviewing and making recommendations to the Accounting Officer and the Board on approving the annual report and accounts and signature by the AO (including specifically the Governance Statement)[3] and the letter of representation to the external auditors;

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[1] "Assurance" is defined in the Orange Book: Management of Risk, Principles and Concepts as "an evaluated opinion, based on evidence gained from review, on the organisation's governance, risk management and internal control framework"

[2] Paragraph 22.4 Framework Document

[3] Paragraph 3.1 Framework Document

Other Matters

q)   reviewing and advising the Accounting Officer and/or Board on, inter alia, novel, contentious or repercussive contracts; compliance to laws and regulations regarding procurement and outstanding matters of litigation;

r)   conducting reviews as requested by UKAEA Executive or Board within its Terms of Reference;

s)   sharing good practice from outside organisations where it is considered prudent to do so;

t)   bringing any matter to the attention of the Independent Chair of UKAEA or Board as required;

u)   undertaking a periodic review of the work of ARAC and reporting the results to the Board;

v)   periodically review the effectiveness of the internal audit.

Pension Scheme

11. The Committee shall be responsible under DESNZ'[4] Management Framework for reviewing the annual accounts of the UKAEA Combined Pension Scheme (the "Scheme"), to provide assurance on them and to make recommendations to the Scheme's Accounting Officer within DESNZ concerning the Scheme's Accounting Officer signing the accounts and the letter of representation to the Scheme's external auditor[5].

Reporting

12. This list is not exclusive, and submission of reports will be agreed periodically and formally recommended between the Chair and the Group Director of Risk Assurance and QSHE on behalf of the AO.

13. For each meeting the Committee will be provided with:

   •   Significant Safety, Health and Environment Matters;

   •   A report of risks falling within the UKAEA's Risk Assurance Framework;

   •   Significant Financial matters;

   •   An update from the Group Head of Internal Audit on matters including progress on the agreed audit plan; and,

   •   A report from the UKIFS Audit and Risk Committee.

14. At least annually the Committee will be provided with:

   •   H&S Policy
   •   An analysis of SHE performance and improvement plans resulting therefrom;
   •   The Group Audit Strategy and Plan report;

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[4] Formally BEIS

[5] Paragraph 4.7 Framework Document

- UKAEA Group Annual Report and Accounts;
- NAO Planning, Interim and Completion Audit Reports on the UKAEA financial statements and Management Letter;
- Pension Scheme Accounts;
- NAO Planning, Interim and Completion Audit Reports on the UKAEA Pension Scheme Accounts;
- Counter Fraud Risk Assessment and Action Plan;
- Whistle-blowing report and assessment;
- Annual Group Internal Audit Report and Assurance Statement; and,
- Annual Group Security report including specifically a Cyber Security report, assessment and action plan.

15. The Chair shall report formally on the Committee's activities to the UKAEA Board and shall bring forward those items outlined in, and in accordance with, the attached reporting and approval matrix. The Chair shall also liaise as required with the DESNZ ARAC on those items so indicated in the matrix.

16. The Secretary of ARAC shall circulate the minutes of the meetings to the Committee, all members of the UKAEA Board, Group Head of Internal Audit, and attendees of the Committee as appropriate.

Disclosure

17. The Committee's Terms of Reference and membership will be available on the UKAEA section of the Gov.UK website. The UKAEA Group Annual Report will describe the role, responsibilities and composition of the Committee and will include a report on the work of the Committee in discharging its responsibilities during the year. The number of meetings of the Committee, the attendance record of members and fees paid during the year will also be disclosed in the Annual Report.

Annual Review of remit and performance

18. As part of the annual appraisal and goal setting processes the Chair of the Audit and Risk Committee shall provide feedback to the UKAEA Chair regarding the performance of Committee members, and the UKAEA Chair will consult other members of the Committee to gain feedback on the Chair's performance.

19. The Committee will assess its effectiveness, and will also review these Terms of Reference, annually. It will submit the results of the review and recommendations for any proposed changes to the UKAEA Board for approval.

Approved: UKAEA Group ARAC 17th December 2024
Approved: By UKAEA Board

ARAC Reporting and Approval Matrix

Report	ARAC Review and advise UKAEA Board, AO or BEIS Pension Scheme AO	ARAC Approval (by Board delegation)	DESNZ Pension Scheme AO Approval
Significant Safety, Health and Environment Matrix	√		
A report of risks falling within the UKAEA's Risk Assurance Framework	√		
Significant Financial matters	√		
An update from the Group Head of Internal Audit on matters including progress on the agreed audit plan	√		
Health & Safety Policy	√		
An analysis of SHE performance and improvement plans resulting therefrom	√		
The Group Audit Strategy and Plan report		√	
UKAEA Group Annual Report and Accounts	√		
NAO Planning, Interim and Completion Audit Reports on the UKAEA financial statements and Management Letter	√	√ (Plan only)	
Pension Scheme Accounts	√		√
NAO Planning, Interim and Completion Audit Reports on the UKAEA Pension Scheme Accounts	√	√ (Plan only)	
Counter Fraud Risk Assessment and Action Plan		√	
Whistle-blowing report and assessment	√		
Annual Group Internal Audit Report and Assurance Statement	√		
Annual Group Security report including specifically a Cyber Security report, assessment and action plan	√		

Report	ARAC Review and advise UKAEA Board, AO or BEIS Pension Scheme AO	ARAC Approval (by Board delegation)	DESNZ Pension Scheme AO Approval
UKIFS Audit and Risk Committee Report	√		