



AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

Audit and Risk Committee Role

The Audit and Risk 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 Committee is to advise the Board and Accounting Officer on matters of financial accountability, risk, control and governance.

Audit and Risk Committee Composition

The Audit and Risk 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 Committee must have appropriate expertise in financial accounting or auditing.

The composition of the Audit and Risk Committee will be rotated to ensure the Audit and Risk 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 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 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 Committee:

- the Executive Director, Capability;
- the Director of Finance;
- the Head of Internal Audit;
- an Executive Officer, to support the Committee; and
- a representative of External Audit.

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 Committee Chair

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

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The Chair of the Audit and Risk 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 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 Committee.

Audit and Risk Committee Terms of Reference

The objective of the Audit and Risk 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.
- Oversight and evaluation of an effective internal audit function.
- Oversight and evaluation of an effective external audit function.
- Oversight of assurances relating to corporate governance requirements and assessment of the internal control framework, including ensuring that an annual review of delegations of authority is undertaken.
- Reviewing the Strategic 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 Head of Health and Safety to receive assurance that Natural England is managing its Health and Safety risks.
- Reviewing the totality of assurance available to Natural England.

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 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 Committee will have full and ready access to the Chief Executive, Executive Director – Capability and Head of Internal Audit. The Audit and Risk Committee may ask, normally

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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 Committee.

Meetings

The Audit and Risk Committee will meet at least four times each year. The standard programme of business is attached at Annex 1. The Audit and Risk 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 they or she want the Committee's advice.

Audit and Risk Committee Member Qualifications

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

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

The Audit and Risk Committee will agree and participate in an annual learning and development programme for which two days are allocated to each member.

Audit and Risk Committee Quorum

A quorum for any meeting will be two (2) Members.

Delegated Authority

The Audit and Risk 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.
- 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.

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The Audit and Risk 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. As a minimum, it will produce an annual report to the Board.

AUDIT AND RISK COMMITTEE

Annex 1 to Terms of Reference

Standard Programme of Business

Date of Meeting	Standing Items and items for particular meetings (Time limited)
December 2011	<ol style="list-style-type: none"> 1. Internal Audit Progress Report 2. Management Action Plan monitoring report; 3. Internal Audit Reports issued since last meeting; 4. Internal Audit strategy and work plan for the next financial year; 5. Defra Head of Internal Audit Update 6. Defra Shared Services Directorate- Neil Sergeant to attend 7. Corporate Governance- Governance Review and Governance Statement 8. External Audit strategy proposed in respect of the current year's accounts; 9. Review against Risk Management Assessment Framework; 10. Interim Internal Control Questionnaire results; 11. Consider the Committee's own effectiveness and review Committee's Terms of Reference; 12. Cases of reported fraud; 13. Review of meeting and forward look.
March 2012	<ol style="list-style-type: none"> 1. Internal Audit Plan for forthcoming year; 2. Internal Audit Progress Report 3. Management Action Plan monitoring report; 4. Internal Audit Reports issued since last meeting; 5. Contract for provision of Internal Audit services; 6. Defra Head of Internal Audit Update; 7. Draft Governance Statement for the Financial Year ended 31 March. 8. Strategic Risk Register and Plan for next financial year; 9. Update on NAO Audit Programme; 10. Interim NAO Audit report and Audits for 2011/12 11. Revised Annual Report format 12. Health and Safety Annual Report; 13. Cases of reported fraud; 14. Review of meeting and forward look.
June	<ol style="list-style-type: none"> 1. Internal Audit Progress Report 2. Management Action Plan monitoring report; 3. Internal Audit Reports issued since last meeting; 4. Internal Audit annual report and HIA opinion for previous year; 5. Defra Head of Internal Audit Update 6. External Audit opinion for previous year and advise the Accounting Officer on signing the Annual Report and Accounts and Governance Statement; 7. The Accounting Officer's review of effectiveness of the system of internal control in relation to the Governance Statement; 8. Annual report and accounts for the Financial Year (up to 31 March) prior to their finalisation; 9. Risk Management; 10. Cases of reported fraud; 11. Review of meeting and forward look.
September	<ol style="list-style-type: none"> 1. Internal Audit Progress Report 2. Management Action Plan monitoring report; 3. Internal Audit Reports issued since last meeting; 4. Defra Head of Internal Audit Update 5. The Committee's annual report to the Board; 6. Risk Management Report and review of Strategic Risk Register 7. External Audit management letter for the previous year and any emerging findings from the current interim / in- year work of External Audit; 8. NAO Management Letter Action Plan; 9. Losses and Special Payments Report; 10. Cases of reported fraud; 11. Review of meeting, forward look and dates of meetings for the following year.