



TERMS OF REFERENCE FOR THE AUDIT AND RISK ASSURANCE COMMITTEE

1. Background

- 1.1 In March 2005, the Joint Committee formally delegated responsibility to its support company for setting up an Audit and Risk Management Committee. The company established the Audit and Risk Management Committee as a sub-committee of the company Board. In November 2013, the Joint Committee agreed to take on the role similar to that of a Non-Departmental Public Body (NDPB) Board covering matters including business management such as performance and risk management. The Audit and Risk Management Committee became a sub-committee of the Joint Committee and changed its title to Audit and Risk Assurance Committee.

2. Role and purpose

- 2.1 The Audit and Risk Assurance Committee has been established to support the Accounting Officer and the Joint Committee in their responsibilities for issues of risk, control and governance and associated assurance. The Audit and Risk Assurance Committee is an advisory and commissioning committee promoting discipline and internal control and overseeing arrangements to attain value for money, regularity and propriety and reduce the risks of financial or other mismanagement.
- 2.2 The Audit and Risk Assurance Committee will advise the Joint Committee and Accounting Officer on:
- i. the strategic processes for risk, control and governance and the Governance Statement.
 - ii. the accounting policies, the annual report, and accounts, including the process for review of the accounts prior to submission for audit, levels of error identified and management's letter of representation to the external auditors.
 - iii. the planned activity and results of both internal and external audit and the adequacy of management's response to and follow-up of issues identified by audit activity, including external audit's audit completion report.
 - iv. assurances relating to the management of risk and corporate governance requirements for the organisation.
 - v. assurances relating to the risks and opportunities in respect of JNCC's financial resilience.
 - vi. proposals for tendering for internal audit services or for purchase of non-audit services from contractors who provide audit services.

- vii. annual compliance with Cabinet Office Government Functional Standard GovS 013, counter-fraud strategy and policies, whistle-blowing processes, and arrangements for special investigations.
- viii. ensuring that a process operates effectively to enable matters involving significant risk to the JNCC's, UK Government's or devolved administrations' reputation, legal standing, or financial position to be identified and referred to the Joint Committee.
- ix. commission audits of specific projects and value for money audits as required; and
- x. periodically review the effectiveness of the Audit and Risk Assurance Committee and report the results of the review to the Joint Committee.

3. Membership

- 3.1 Membership comprises between four and seven members including independent member(s) of the Joint Committee (excluding the Chair); member(s) from the UK nature conservation bodies (excluding Chairs); and external member(s) as required on a contractual basis. All independent external member appointments are approved by the Joint Committee. Country conservation body members are proposed by their bodies and approved by the Joint Committee in the same way as independent external members.
- 3.2 The current members are:

Mr Nigel Reader (Interim Chair) (independent external member) (term ends 31 August 2025).
Professor Mel Austen (term ends 31 March 2026).
Professor Pete Higgins (term ends 31 March 2025).
Ms Karen Balmer (independent external member) (term ends 1 September 2025).
- 3.3 The Audit and Risk Assurance Committee will be chaired by a suitably qualified and experienced member of ARAC, appointed by the Joint Committee. Normally, this would be an independent member of the Joint Committee but can – with the agreement of the Joint Committee and in circumstances where there is not a suitable independent member available to chair – be an independent member of ARAC. In such circumstances, the independent member would normally be chair for no more than 12 months. During that period, the independent member would be expected to routinely attend board meetings of the Joint Committee.
- 3.4 In the event that the Chair is not present, the members may appoint any member to be a 'substitute Chair' for that particular meeting.
- 3.5 The Audit and Risk Assurance Committee will be provided with a secretariat function by the JNCC Governance Manager.
- 3.6 The Audit and Risk Assurance Committee should corporately own an appropriate skill mix to allow it to carry out its overall function. Members of the Committee should be equipped with sufficient business acumen to discharge their duties in an effective and efficient way and should have a good understanding of the

objectives and priorities of the organisation, including the organisation's risk profile.

4. Rights

4.1 The Audit and Risk Assurance Committee may:

- i. co-opt additional members from the Defra Group or more widely for a period not exceeding a year, to provide specialist skills and knowledge; and
- ii. procure specialist ad-hoc advice at the expense of the organisation, subject to approval by the Joint Committee.

5. Terms of Appointment

5.1 All members of the Audit and Risk Assurance Committee will have a clear understanding of:

- time commitments.
- the duration of their appointment.
- training required and how this will be provided.
- how individual performance will be appraised, including what would be regarded as unsatisfactory performance; and
- the criteria which would indicate the termination of Audit and Risk Assurance Committee membership.

5.2 The terms of appointment of an Audit and Risk Assurance Committee member will be clearly set out at the time of appointment.

6. Meetings

6.1 The Audit and Risk Assurance Committee will meet four times a year, in March, June, September and November/December. Two meetings will be held virtually, with two meetings per year in-person. Meetings will normally be scheduled at least a year in advance and in-person meetings will align with Joint Committee locations. Intersessional virtual meetings will take place as required. The Chair of the Audit and Risk Assurance Committee may convene additional meetings as they deem necessary. Timing and location of in-person meetings should seek to minimise (within reason) the following:

- The direct financial costs to the public purse.
- The time commitment (and so indirect financial cost) involved for all participants.
- The impact on the organisation's environmental footprint, and in particular its carbon footprint.

6.2 At least half the current membership must be present for the meeting to be deemed quorate.

6.3 Audit and Risk Assurance Committee meetings will normally be attended by the Accounting Officer, the JNCC Director of Finance and Resources, the ~~Head of~~ co-lead of JNCC's Finance & Planning Team, the Head of Internal Audit, and a representative of external audit (NAO).

- 6.4 The Audit and Risk Assurance Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter.
- 6.5 The Audit and Risk Assurance Committee 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.
- 6.6 The Joint Committee, and the Accounting Officer, may ask the Audit and Risk Assurance Committee to convene further meetings to discuss particular issues on which they would like the Committee's advice.
- 6.7 A lead representative from internal audit and a representative from JNCC will, if required, attend Defra's Audit Committee to report on JNCC audit and risk assurance business.
- 6.8 The Chair of JNCC's Audit and Risk Assurance Committee or an appointed deputy will attend Defra's Audit and Risk Committee chairs' meetings on a regular basis.
- 6.9 Any member(s) or attendees having a potential conflict of interest in any of the agenda items at a given meeting will be required to declare it at the commencement of the meeting. In the event of a member not appreciating at the outset of a meeting that an interest exists, the member should declare such an interest as soon as (s)he becomes aware of it. The Chair will rule on whether any interest was such as to prevent the member participating in discussion or determination of the matter. Members are expected to keep themselves informed of prevailing requirements, standards, and good practice in relation to the conduct of audit and risk assurance business.
- 6.10 The Committee will normally reach decisions by consensus. Where agreement cannot be reached by consensus, a vote will be taken on recommendations to the Committee once all issues relating to them have been discussed.
- 6.11 Each Committee member is entitled to one vote. A majority vote is required for a decision to be agreed. If a majority vote is not reached and the issue must be decided at the meeting, the Chair has a second or 'casting' vote. If any member(s) disagree(s) with the final decision he/she may have their views noted in the minutes. If a vote is not taken, then the issue(s) may be deferred so that additional information or options can be provided. Once a vote has been taken and the outcome determined, the Chair will state the decision made and this will be recorded for the minutes.
- 6.12 Apologies should always be submitted prior to the meeting. If a member of the Committee is absent for more than three meetings without good cause, then that member may be asked to stand down. The Chair shall determine what constitutes 'good cause' in any given case. Written comments on agenda items may be submitted to the Chair in advance of the meeting by any non-participating members.
- 6.13 All meetings of the JNCC Audit and Risk Assurance Committee are closed sessions, although members may invite any JNCC staff members to a meeting as necessary to provide information and advice. Staff selected for the ARAC observer programme will attend meetings for the duration of their time on the programme. Staff observers will be present for all open and closed sessions of the Committee unless the item under discussion should involve members only or if they are requested to leave by the Chair. Members of the company Board or

Joint Committee may also attend as observers at the discretion of the Audit and Risk Assurance Committee Chair.

- 6.14 Minutes will be taken by a member of JNCC staff. Taken in conjunction with the papers presented to the meeting, the minutes should provide a correct record of the meeting, in sufficient detail to comprise an audit trail of issues discussed and decisions taken by the Audit and Risk Assurance Committee. Unconfirmed minutes will be produced and circulated no later than four weeks after the meeting to which they relate.

7. Access

- 7.1 The lead representative of internal audit and the representative of JNCC's external audit will have free and confidential access to the Chair of the Audit and Risk Assurance Committee. Similarly, the Chair of JNCC's Audit and Risk Assurance Committee will have free and confidential access to internal and external audit representatives to discuss any issues of concern. The Chair of Defra's Audit and Risk Committee will also have direct access to the Chair of the Audit and Risk Assurance Committee and vice versa to discuss significant control, governance or risk issues that are emerging and/or have been identified in the minutes of the Audit and Risk Assurance Committee.

8. Reporting

- 8.1 The Audit and Risk Assurance Committee will formally report in writing to the Joint Committee after each meeting.
- 8.2 The Audit and Risk Assurance Committee will provide the Accounting Officer and the Joint Committee with an Annual Report each June, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has undertaken during the year.
- 8.3 Minutes and agendas of each meeting will be circulated to Audit and Risk Assurance Committee members and regular attendees. Minutes will be maintained at JNCC's offices in Peterborough for inspection and may be shared with Joint Committee members on request. Minutes may also be shared with staff in Defra as requested and with the prior approval of the Audit and Risk Assurance Committee Chair.

9. Information requirements

- 9.1 For each meeting, the Audit and Risk Assurance Committee will be provided two weeks prior to the meeting with:
- i. a report summarising any significant changes to the organisation's significant risks and a copy of the significant risk register and a drill down report from the Delivery & Assurance Board.
 - ii. a progress report from the Head of Internal Audit summarising:
 - work performed (and a comparison with work planned).
 - key issues emerging from the work of internal audit.
 - management response to and follow-up of audit recommendations.
 - changes to the agreed internal audit plan; and
 - any resourcing issues affecting the delivery of the objectives of internal audit.

- annually a report on achievements against internal audit performance indicators.
 - iii. quarterly assurance report.
 - iv. any significant non-compliance relating to health and safety, quality strategy, fraud and losses and environmental performance.
 - v. assurance reports around financial resilience.
 - vi. report from the People Committee.
- 9.2 As and when appropriate the Audit and Risk Assurance Committee will also be provided with:
- updates from Defra ARC Chairs meetings.
 - procurement of internal audit provision.
 - the internal audit operational plan and strategy.
 - Internal audit reports.
 - the Head of Internal Audit's Annual Opinion and Report.
 - reports on internal and external audit performance.
 - NAO interim audit.
 - external Audit's Audit Completion Report and associated recommendations.
 - annual review of accounting policies.
 - timetable for production of the Annual Report & Accounts and external audit strategy.
 - the draft accounts of the organisation.
 - the draft Governance Statement.
 - JNCC's fiscal strategy.
 - a review of the counter-fraud and anti-corruption policy.
 - a report on the organisation's management of risk and risk appetite statement.
 - results of risk drill downs undertaken by ARAC and the Delivery & Assurance Board.
 - preparation for the Joint Committee's annual discussion on risk.
 - preparation for the ARAC annual report to the Joint Committee
 - ARAC annual report to the Joint Committee.
 - a report on ARAC effectiveness.
 - an annual declaration on compliance with all relevant legislation.
 - processes for the documentation of science evidence quality.
 - an annual report on information risk and cyber security, to include any reports of breaches.
 - an annual report on single tenders over £7,500.
 - post project reviews of major projects.
 - accommodation reviews.
 - value for money auditing.
 - climate change considerations of relevance to the Joint Committee.