



## **Audit and Risk Assurance Committee (ARAC)**

### **Terms of Reference**

#### **Role**

1. In accordance with the Historic England Governance Framework, Commission has established an Audit and Risk Assurance Committee (ARAC) to support it and the Accounting Officer in their responsibilities for maintaining sound risk-management, control and governance arrangements.

#### **Responsibilities**

2. The main responsibilities of the ARAC are to advise Commission and the Accounting Officer on:
  - a. the financial accounting and external reporting processes, and external audit
  - b. the effectiveness of risk management and control systems, and internal audit
  - c. the effectiveness of anti-fraud and whistleblowing arrangements.
3. Nothing in these terms of reference alters the oversight responsibilities of the Commission, or the responsibilities of the Accounting Officer and executive management for the maintenance of sound systems of governance, risk management, internal control, and for financial and other external reporting.

#### **Main Tasks**

##### **Annual Accounts and External Reporting**

4. The ARAC will oversee the processes for the production of the Annual Accounts, monitor the integrity of the financial statements, and consider whether they provide a true & fair view, meet legal requirements, and are balanced and transparent.
5. The ARAC will consider the accounting policies adopted and whether there is compliance with relevant accounting standards and accepted good practice.
6. The ARAC will review and challenge where necessary
  - a. The consistency of application of, and any changes to, accounting policies
  - b. The methods used to account for significant or unusual transactions, where different approaches are possible
  - c. Whether appropriate estimates and judgements have been made taking into account the views of the external auditor

- d. The clarity of disclosure in the financial reports
- e. All material information presented with the financial statements, such as narrative reports on the plans, performance and prospects of Historic England, including the Performance Report, and the Accountability Report (including the Accounting Officer's Governance Statement).

### **External Audit**

- 7. The ARAC is responsible for overseeing the relations with the external auditor. The ARAC will
  - f. Advise on the scope of the audit
  - g. Consider reports prepared by the external auditors, and the levels of error identified
  - h. Seek to ensure coordination and cooperation between the external auditor and Internal Audit
  - i. Meet with the external auditor regularly, and at least once a year without management being present, to discuss their remit and matters arising from the audit
  - j. Review any representation letter(s) requested by the external auditor before they are signed by management
  - k. Review the management letter and management's responses to the auditor's findings and recommendations

### **Risk Management and Internal Control**

- 8. The ARAC is responsible for reviewing the systems and processes established and maintained by management to identify, assess, and manage risk. The ARAC will
  - a. Oversee the strategic processes for risk, control and governance
  - b. Keep under review the effectiveness of risk management and control systems
  - c. Consider the sufficiency of assurances, from management, Internal Audit and others, relating to the management of risk for the organisation; and the reliance that can be placed on those assurances
  - d. Review and approve statements to be included in the Annual Report and Accounting Officer's Governance Statement concerning internal controls and risk management.
  - e. Undertake 'deep dives' into such areas that are agreed between the Committee and staff.

### **Internal Audit**

- 9. The ARAC will review and advise Commission and the Accounting Officer on the arrangements for the provision of internal audit as a source of assurance to them. The ARAC will

- a. Advise Commission and the Accounting Officer as to whether Internal Audit has an appropriate relationship with management to enable it to function effectively in accordance with the Public Sector Internal Audit Standards
- b. Advise Commission and the Accounting Officer as to whether Internal Audit has enough resources and access to information necessary to fulfil its remit
- c. Monitor the effectiveness of Internal Audit in the context of the overall risk management system
- d. Endorse the periodic internal audit plan and review the results of Internal Audit activity
- e. Consider the adequacy of management response to issues identified by audit activity, arrangements for implementation of Audit recommendations
- f. Meet at least once a year, without management present, with the Head of Internal Audit, who will also have free and confidential access to the Chair.

### **Anti-Fraud and Whistleblowing**

10. Review the arrangements designed to deter, prevent, detect and investigate fraud.
11. Review the procedures by which employees and volunteers can bring to the attention of management any concerns they have about possible wrongdoing, and by which such matters will be investigated, and appropriate actions taken.

### **Reporting**

12. The minutes of each meeting of the ARAC will form the written report of the ARAC to Commission, Accounting Officer and Executive. ARAC shall make whatever recommendations to Commission and the Accounting Officer it deems appropriate on any areas within its remit where action or improvement is needed.
13. The ARAC will provide Commission with an Annual Report, timed to support finalisation of the annual report and accounts and Accounting Officer's governance statement, summarising its conclusions from the work it has done during the year.
14. The ARAC will periodically review its own effectiveness and Terms of Reference and report the results of that review to Commission.

### **Membership of the Committee**

15. The ARAC shall have no fewer than four and not more than eight members, appointed by Commission. The members will be Commissioners or independent external members. At least two members will be Commissioners.

16. The Chair of the ARAC will usually be a Commissioner other than the Chair of Commission. If necessary, the Chair can be selected from independent external members based on their knowledge, skills and experience.
17. The ARAC, by agreement with the Accounting Officer and Commission, may obtain specialist skills or advice on any matter within its terms of reference.
18. The members will be provided with appropriate and timely induction and ongoing training for their role.

### **Meetings**

19. The ARAC will meet at least four times a year. The Chair may convene additional meetings, as deemed necessary. Commission or the Accounting Officer may also ask the ARAC to convene further meetings to discuss issues on which they want the ARAC's advice.
20. The quorum of the ARAC is three members and must include at least two members who are Commissioners.
21. Attendance is by the invitation of the ARAC. Meetings will normally be attended by the Accounting Officer, the Head of Finance, HR and IMT, the Corporate Secretary, the Head of Internal Audit, and a representative of the National Audit Office.
22. The ARAC may ask any other officials of the organisation to attend to assist it with its discussions on any matter.
23. The 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 matters.

### **English Heritage Trust**

24. Historic England management will provide ARAC with a summary of the performance of the English Heritage Trust within the half-yearly reports to the ARAC on performance and risk. At year-end, this report will be a key document for ARAC to review, as it informs the Historic England Annual Report and Accounts.
25. The Chair will meet regularly with the Chair of the English Heritage Audit and Risk Committee (ARC) to discuss matters of mutual interest.
26. ARAC will periodically review the monitoring arrangements between Historic England and English Heritage Trust and provide such oversight as the Commission requires.

### **Information Requirements**

27. The ARAC will periodically be provided (ahead of meetings) with:
  - a. A management report summarising performance, any significant changes to the organisation's Strategic Risks and a copy of the Corporate Risk Register

- b. On request, other management assurance reports in respect of risk management and internal control.
- c. Reports on the management of major incidents, “near misses” and lessons learned.
- d. A progress report (written or verbal) from the External Audit representative summarising work done and emerging findings
- e. A progress report (written or verbal) from the Head of Internal Audit summarising work performed (and a comparison with work planned); key issues emerging from Internal Audit work; management progress and response to audit recommendations; changes to the agreed Internal Audit Plan; and any resourcing issues affecting the delivery of Internal Audit objectives

**ENDS**

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