



National Audit Office

Terms of Reference

Audit and Risk Assurance Committee

Approved by the Board on 21 April 2026¹

The Audit and Risk Assurance Committee (“the Committee”) is a committee of the National Audit Office (“NAO”) Board (“the Board”), from which it derives its authority and to which it shall regularly report.

Role

The Committee supports the Board’s responsibilities for governance, risk management and internal control by reviewing the adequacy, reliability and integrity of assurances and whether these meet the needs of the Board and the Accounting Officer.

Members

- 1** The Board shall appoint members of the Committee. The Committee shall comprise no more than five members all of whom shall be independent or non-executive members. The majority of members shall be non-executive members of the Board. The Chair of the Board shall not be a member of the Committee.
- 2** The Chair of the Committee (“the Chair”) shall be a non-executive member of the Board and shall not be the Chair of the Board. The Chair of the Committee shall be consulted on the appointment of new members including advising on skills and experience sought.
- 3** Other members of the Committee with relevant experience and expertise may be appointed from outside the Board.
- 4** Appointments shall be for up to three years with the possibility of reappointment for up to a further three years depending on any changes in

¹ The history of the Committee’s updates to its terms of reference is set out in Appendix Two

non-executive or independent membership.

- 5 At least one of the Committee members shall have recent and relevant financial experience.

Quorum

- 6 A minimum of two members shall be present for the Committee to be deemed quorate and shall include a member with recent and relevant financial experience at the meeting which considers the annual report and accounts. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions of the Committee. If the meeting is inquorate, decisions shall not be taken and any discussions shall be informal only. The Chair may call a special meeting to conclude the remaining business.

Meetings

- 7 Meetings shall be held at least four times a year at appropriate times in the reporting and audit cycle, and at other times as required.
- 8 Meetings may be convened at any time by the secretary at the request of the Chair of the Committee or the Chair of the Board.
- 9 Any other member of the Committee, the Comptroller and Auditor General (C&AG), the Director of Internal Audit and Assurance, or the external auditor may request the Chair of the Committee to convene a meeting at any time.
- 10 Unless otherwise agreed, notice of each meeting confirming the venue, time, and date together with an agenda of items to be discussed and papers relating thereto shall be forwarded to each Committee member, any other person required to attend, no later than 5 working days before the meeting.

Chair

- 11 The Chair of the Board shall appoint one of the other non-executive members of the Board as Chair of the Committee. In the absence of the Chair, the remaining members present shall appoint one of themselves to chair the meeting. The Chair shall be responsible for ensuring that the work of the Committee is effective, that the Committee is appropriately resourced and that it maintains appropriate communications with stakeholders.

Attendance at meetings

- 12 Only members of the Committee shall have the right to attend Committee meetings. Other individuals may be invited to attend all or part of any meeting as appropriate. The C&AG, the Chief Operating Officer and the Director of Finance shall routinely attend meetings. Representatives of internal and external audit and risk management shall be invited to attend meetings on a regular basis. Any member of the Committee, or the internal or external auditor may ask the Chair to request the withdrawal of any non-member from any

meeting or part of a meeting, allowing the Committee to meet privately for all or part of a meeting if it wishes.

Access to the Chair

- 13 The C&AG, Director of Internal Audit and Assurance, external audit representatives and Head of Risk shall have free and confidential access to the Chair.

Secretarial support

- 14 The Committee shall have access to sufficient resources to carry out its duties. This shall include the support of a secretary with responsibility for arranging meetings, drafting agendas in consultation with the Chair, commissioning and circulating papers, maintaining Committee records including taking minutes and undertaking any Committee business that may fall outside meetings.
- 15 The secretary shall ensure that all Committee members have current knowledge of the NAO's objectives and priorities and of their role as a Committee member. In particular, the secretary shall ensure that Committee members who are not Board members have sufficient, appropriate contact with the Board to enable them to fulfil their duties.

Minutes and conflicts of interest

- 16 Committee proceedings, decisions and actions required from all meetings shall be minuted and include a record of the names of those present and in attendance.
- 17 Any actual or potential or perceived conflicts of interest shall be identified at the start of each meeting and recorded in the minutes. Each member shall have a duty to notify any circumstances which may constitute a conflict or a perceived conflict of interest to the secretary and/or Chair prior to the commencement of the meeting to enable a determination to be made as to what procedure should be adopted to limit the member's participation in the meeting in respect of the agenda item(s) which gives rise to the conflict or potential conflict.
- 18 Draft minutes shall be circulated promptly to Committee members and, once approved, to meeting attendees and all Board members unless a conflict of interest or a matter of confidentiality exists.

Disclosure

- 19 The Committee's terms of reference and membership shall be available on the NAO website. The NAO annual report and accounts shall describe the role, responsibilities and composition of the Committee and shall 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 shall also be disclosed in the annual report and accounts.

Training

- 20** The NAO shall make resources available to provide Committee members with appropriate and timely training, in the form of a suitable induction process for new members and ongoing training as appropriate for existing members. Committee members shall avail themselves of these resources so that they understand the NAO and its strategy, business needs, priorities and risk profile. Members are expected to complete mandatory training on ethics as and when required or any other mandatory training deemed necessary.

Conduct

- 21** The same expectations for conduct as set out in the Code of Conduct for the Board apply to all members of Board Committees.

Scope of delegated authority

- 22** The Committee is a committee of the Board to which it shall report on a regular basis.
- 23** The Committee's authority extends to all relevant matters (as set out in these terms of reference) relating to the carrying out of national audit functions (C&AG functions and NAO functions).
- 24** 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 NAO in order to carry out its duties.
- 25** The Committee is authorised by the Board to obtain independent legal or other professional advice at the NAO's expense. The Board secretary shall facilitate this. The Committee may also commission reports and require the attendance at meetings of staff and/or other individuals with relevant experience and expertise, if it considers this necessary.

Responsibilities of the Committee

- 26** The Committee shall support the Board and the C&AG by reviewing the comprehensiveness, reliability and integrity of the assurances provided to the Committee regarding the NAO's internal controls, risk framework, including cyber risk, and governance. This includes financial, operational and compliance controls and the quality and reliability of financial reporting. Based on the assurances provided to it, the Committee shall form an overall view on the state of risk management, governance, and internal control in the NAO which it shall report to the Board.
- 27** To discharge the responsibilities delegated to it by the Board, the Committee shall seek assurance that:
- A proper framework of prudent and effective controls exists, so that risks can

be assessed, managed, and taken prudently.

- Clear accountabilities exist for managing risks.
- NAO managers are equipped with the relevant skills and guidance.

28 The Committee shall undertake the following tasks:

Financial reporting

29 The Committee shall monitor the integrity of the NAO's financial statements including its annual report and accounts and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and accounting policies and judgements they contain. The Committee shall also review the statement of financial impacts and any financial information provided to the Public Accounts Commission or Public Accounts Committee. The Committee shall have in mind the findings and recommendations of reports from the NAO's external and internal auditors when doing so.

30 The Committee shall review and constructively challenge where necessary:

- Assurances about the financial systems which provide the figures for the accounts and the quality of the controls over the preparation of the accounts.
- The consistency of, and any changes to, accounting policies and disclosures on a year-on-year basis.
- The methods used to account for significant or unusual transactions where different approaches are possible.
- Whether the NAO has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
- Whether there were any disputes arising between those responsible for preparing the accounts and the auditors.
- The accuracy and clarity of disclosure in the NAO's financial reports and the context in which statements are made.
- All material information presented with the financial statements, which shall include but is not limited to: the management commentary, the statement of accounting officer's responsibilities, the statement of financial impact and statements on corporate governance (in so far as these relate to the audit, internal controls and risk management).

Risk management

31 The Committee shall support and advise the Board in overseeing and seeking suitable assurance on risk management by:

- Reviewing the effectiveness of the NAO's risk management framework, policies and processes, including challenging management on:

- whether there is a comprehensive process for identifying and evaluating risk, and for deciding what levels of risk are tolerable; and
 - whether management's approach to identifying risks is broad enough to effectively identify new and emerging risks ensuring management is taking corrective action when necessary.
- Ensuring management is taking corrective action when necessary.
 - Promoting the importance of a positive risk culture in the NAO.
 - Reporting to the Board accordingly.

Internal controls and corporate governance

32 The Committee shall:

- Keep under regular review the adequacy and effectiveness of the NAO's internal controls.
- Consider whether the corporate governance arrangements comply with legal requirements and good practice.

Whistleblowing and fraud

33 The Committee shall:

- Review the NAO's arrangements by which staff can raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.
- Report to the Board any observations or lessons learnt from the application of the internal whistleblowing policy, including progress on recommendations for improvement.
- Review the NAO's procedures for detecting, responding to, and registering fraud.
- Note any reports of (major) fraud incidents and whistleblowing cases.

Internal audit

34 The Committee shall be advised by the internal audit function. The Committee shall:

- Report to the Board on the annual internal audit overall conclusion and annual report.
- Monitor and review the independence and effectiveness of the internal audit function in the context of the NAO's overall risk management system at least once a year.
- Advise the C&AG on the appointment and removal of the Director of Internal Audit and Assurance.
- Consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with Public Sector Internal Audit Standards.

- Ensure the function has appropriate standing within the Office and is free from management restrictions or other restrictions.
- Arrange for and specify an independent quinquennial review of internal audit and monitor the achievement of the internal audit improvement plan.
- Provide a forum for discussion to identify areas worthy of investigation by internal audit.
- Review and approve the internal audit strategy and annual work plans (including costs) to ensure that the scope is appropriate and prioritises tasks as necessary. The Committee may discuss with the director of internal audit and assurance areas of the NAO's work on which it desires specific assurance.
- Consider promptly all reports from the director of internal audit and assurance.
- Review and monitor the adequacy of management responses to internal audit findings and where they are accepted by management, ensure recommendations are implemented.
- Meet with the Director of Internal Audit and Assurance at least once a year, without executive members or staff present, to discuss the internal audit remit and any issues arising from the internal audits carried out.

External audit

- 35** The NAO's annual resource accounts shall be subject to annual audit by an external auditor who is eligible for appointment as a statutory auditor. The external auditor shall have the power to carry out economy, efficiency and effectiveness (value for money) examinations of the NAO. The Committee shall:
- Advise the Board on the appointment, tenure, reappointment, and removal of the external auditor. If the Board agrees it shall recommend the firm for appointment by the Public Accounts Commission. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
 - Oversee the relationship with the external auditor, including (but not limited to):
 - considering and approving its remuneration, whether fees are for audit or non-audit services, and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
 - advising the Board of the audit terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit. If the Board is content, it shall recommend the terms of engagement to the Public Accounts Commission for consideration together with the Board's recommendation of external auditor;
 - assessing annually the independence and objectivity of the external auditor taking into account relevant UK professional requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

- monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the NAO compared to the overall fee income of the firm, office and partner and other related requirements;
 - assessing annually the external auditor's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on its own internal quality procedures; and
 - seeking to ensure coordination with the activities of the internal audit function.
- Meet regularly with the external auditor, including at the planning stage before the audit and after the audit, at the reporting stage. The Committee shall meet the external auditor at least once a year, without executive members or staff present, to discuss their remit and any issues arising from the audit.
 - Review and approve the annual external audit plan and ensure it is consistent with the scope of the audit engagement.
 - Review the findings of the audit with the external auditor. This shall include but shall not be limited to:
 - a discussion of the major issues which arose during the audit;
 - any accounting and audit judgements; and
 - levels of error identified during the audit.
 - Review any management representation letter(s) requested by the external auditor.
 - Consider promptly the external auditor's management letter, value for money reports and any other external audit reports on the NAO. Also review and monitor the adequacy of management responses to the findings and, where they are accepted by management, ensure recommendations are implemented.
 - Provide a forum for consideration of potential topics for value for money reports undertaken by the external auditor.
 - Where there is a need to do so, develop a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

Reporting responsibilities

- 36** The Chair shall provide a report on Committee proceedings at Board meetings. The minutes of Committee meetings shall be circulated to all Board members in advance of Board meetings to enable the Board to discuss matters where appropriate.
- 37** The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit, particularly where action or improvement is required.

Assessment of Performance

- 38** The Committee's annual assessment of performance shall be coordinated with the annual Board evaluation exercise.
- 39** The performance of committee members shall be appraised annually by the Chair. The Chair's performance should be appraised annually by the Chair of Board.

Other matters

- 40** The Committee shall:
- Give due consideration to relevant legislation, the Code of Practice dealing with the relationship between the C&AG and the NAO, and Treasury guidance (in particular the Audit Committee Handbook) as appropriate.
 - Oversee the coordination of the internal and external auditors.
 - Review its own terms of reference annually and recommend to the Board any amendments to these terms of reference it considers necessary.
 - Receive timely reporting of any issues within the scope of its responsibilities that may occur in between formal meetings of the Committee.

Appendix One

Committee information requirements

NAO management shall ensure that all relevant internal controls, financial, auditing, accounting and other information relevant to the Committee's discharge of its responsibilities shall be provided to the Committee promptly. Any significant deficiencies that come to light in the design or operation of the NAO's system of internal controls shall be notified promptly to the Committee.

- 1** For each meeting, the Committee shall be provided with:
 - A progress report from the Director of Internal Audit and Assurance summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from internal audit work;
 - management response to audit recommendations;
 - changes to the operational plan; and
 - any resourcing issues affecting the delivery of internal audit objectives.
 - A progress report from the external auditor summarising work done and emerging findings.
 - A report summarising any significant changes to the organisation's risk register shall be provided to those members of the Committee who are not members of the Board.
- 2** As and when appropriate the Committee shall also be provided with:
 - Updates to the terms of reference of internal audit.
 - The internal audit strategy.
 - Internal audit assignment reports.
 - The Director of Internal Audit and Assurance annual report and opinion to the C&AG.
 - Quality assurance reports on the internal audit function.
 - The NAO's draft accounts.
 - The governance statement.
 - The draft statement of the NAO financial impacts.
 - A report on any changes to accounting policies.
 - The external auditor's management letter.
 - A report on any proposals to tender for audit functions.
 - A report on co-operation between internal and external audit.

Appendix Two

History of approval of the terms of reference of the Committee

- 1 The NAO Board approved the Committee's terms of reference on 22 September 2009 and subsequently approved updates to these terms of reference on:
 - 25 October 2012
 - 24 September 2014
 - 18 January 2018
 - 9 June 2020
 - 24 March 2022
 - 30 January 2024
 - 21 April 2026