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NATIONAL CRIME AGENCY (NCA) AUDIT AND RISK ASSURANCE COMMITTEE (ARAC)

TERMS OF REFERENCE

To be reviewed annually by the ARAC; any substantive changes must be agreed by the NCA Board

1. PURPOSE

The purpose of the ARAC is to support the Director General (as Accounting Officer) and the NCA Board in ensuring that the Agency has effective arrangements for governance, risk management and internal control.

It has no executive responsibilities and is not charged with making or endorsing any decisions. It should take care to maintain its independence and objectivity: it needs to act as the conscience of the NCA and should provide insight and strong constructive challenge to the Agency where needed.

In order to assist the ARAC in fulfilling its role, the Committee has authority to require any officer to report on the management of risk or the control environment within their areas of responsibility, in general terms or in respect of specific issues.

2. ROLES AND RESPONSIBILITIES

The ARAC is a subcommittee of the NCA Board, to which it may escalate items for discussion in line with the NCA Board's terms of reference.

It reviews the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report and accounts.

Its routine responsibilities are as follows:

- **Internal Audit**

- Advising the Accounting Officer and the NCA Board on:

- internal audit strategy and period internal audit plans, forming a view on how well they reflect the NCA's risk exposure and support the provision of an annual opinion;

- the adequacy of resources available to internal audit;

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the terms of reference for internal audit;

the results of internal audit work, including reports on the effectiveness of systems for governance, risk management and control, and management response to issues raised;

the internal audit annual opinion and report;

the NCA's annual report and accounts (prior to their finalisation and submission for audit);

N.B. The expected governance route for the annual report and accounts is:

ExCo to oversee the drafting (as needed), ARAC to review and advise the Accounting Officer to sign; Accounting Officer signs; NCA Board to adopt that decision.

the performance of internal audit, including conformance with applicable standards, performance measures and the results of internal and external quality assurance assessments.

• **External Audit**

- Considering the results of external audit work and management resolution of identified weaknesses
- Enquiring about and considering the External Auditor's planned audit approach and cooperation with Internal Audit
- Reviewing and considering potential implications for the NCA of the wider work carried out by the External Auditor e.g. Value for Money reports and good practice findings

• **Risk**

- Supporting the NCA Board to advise the Agency on, and scrutinise, its most significant corporate risks
- Drawing attention to areas where risk is:

being appropriately managed (no action is needed);

inadequately controlled (making suggestions about actions needed to improve control);

lacking clear accountability;

over-controlled (making suggestions about actions to divert resource to other uses); or

there is a lack of evidence to support a conclusion (making suggestions about further work needed).

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Supporting the NCA Board in advising on the desired risk appetite for the Agency

N.B. The expected governance route for risk appetite is:

PAR recommends an approach to ARAC ; ARAC to advise; ExCo, in receipt of that advice, to decide; NCA Board, in receipt of that decision, to scrutinise.

- **Assurance**

- Helping the Accounting Officer and the NCA Board to formulate their assurance needs, targeting those areas of greatest risk
- Proactively commissioning specialist advice or assurance work from appropriate sources on any governance, risk or control issue it feels is not being subjected to sufficient review
- Scrutinising:
 - whether the nature and scope of assurance received actually meets these needs;
 - is based on sufficient reliable evidence and draws reasonable conclusions;
 - and the credibility and independence of assurance providers
- Seeking confidence that weaknesses identified by assurance reviews are remedied by management

- **Finance**

- Considering significant accounting policies or changes to these
- Reviewing the clarity and completeness of disclosures in the year-end financial statements and whether the disclosures are set properly in context. Specifically scrutinising:
 - the assurances about the financial systems that provide the figures for the accounts;
 - the quality of the control arrangements over the preparation of the accounts;
 - key judgements made in preparing the accounts;
 - any disputes arising between those preparing the accounts and the auditors; and
 - reports, advice and findings from external audit.

- **Internal Controls**

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- Challenging and reviewing the adequacy and effectiveness of control processes in responding to risks within the NCA's governance, operations, compliance and information systems
- **Governance**
 - Advising on and scrutinising the NCA's **governance** arrangements and implementation of corporate governance policy
 - As part of the preparation for the *Annual Governance Statement*, on behalf of the NCA Board, leading the assessment of the risks facing the Agency and ensure that the NCA's risk management and internal control systems are effective
 - The Chair should ensure that a periodic review of the overall effectiveness of the ARAC itself is undertaken

3. COMPOSITION

N.B. Executive officials in the NCA are not appointed as members to the ARAC. The role of the executive is to attend, to provide information, and to participate in discussions, either for the duration of the whole meeting or for particular items.

At least one member of the ARAC must have recent and relevant financial experience sufficient to enable them to competently analyse the financial statements and understand good financial management disciplines.

- The ARAC will be chaired by a Non-Executive Director (NED) of the NCA Board with relevant experience
- Members:

At least two NCA Board NEDs (in addition to the Chair)

N.B. With the approval of the NCA Board, the ARAC may also co-opt a non-executive member (who is not an NCA Board NED) for a period of up to a year to provide specialist skills, knowledge and experience

- Whilst the ARAC may sit privately without any non-members present for all or part of a meeting if they so wish, the following will usually be in regular attendance at ARAC meetings:

Senior Information Risk Owner (SIRO)

DG Capabilities

Director Strategy & Change

Director Legal

Director Data, Digital & Technology

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Director Transformation

Chief Financial Officer & Director Corporate Business Services

Director Intelligence

Director Investigations

Deputy Director (DD) Integrated Protective Security

DD/Head of Finance

DD HR

Head of Internal Audit

NAO representative

Head of Performance, Assurance & Risk

Governance & Secretariat Team representative (Secretary)

A representative of the External Auditor

- Director General (DG) NCA (as Accounting Officer) will attend at least one ARAC meeting per annum

4. MEETINGS

- The ARAC shall meet at least four times per annum. The Chair may request the scheduling of extraordinary meetings
- For ARAC meetings to be quorate, at least three members must be present
- Stated regular attendees at ARAC meetings should attend meetings themselves wherever possible, but may exceptionally (e.g. because of annual leave, sickness, ministerial meetings etc.) delegate to a colleague to attend on their behalf
- Up to three NCA officer observers are permitted to attend each ARAC meeting

Version History

Revised on	Version	Description	Approved by
July 2023	1.0	ToR approved by NCA Board	NCA Board
September 2023	1.1	Added DD HR to attendees	N/A
July 2024		Annual review scheduled	

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