



Office for Environmental Protection

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Annual Report of the Audit and Risk Committee

August 2025

Executive Summary

This report describes the work of the Audit and Risk Assurance Committee during 2024/25 and the assurances it has received on the oversight of systems of risk management, control, and governance in place in the period.

The Committee considers that the Governance Statement in the Annual Report and Accounts is a fair and balanced summary of this system and is in line with the assurances it has received through its work, and the work of the internal and external auditors reported to it.

The Committee considers that these assurances are comprehensive and can be relied upon. The specific assurances, and any matters to be drawn to the attention of the Board are detailed below, and in the Governance Statement.

Background

The Terms of Reference of the Committee state that: *'the Audit and Risk Assurance Committee will provide the Board and Accounting Officer with an Annual Report, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.'*

The purpose of this report is to provide assurance to the OEP Board in support of the 2024/25 Governance Statement prepared by the Accounting Officer. This report covers the period 1 April 2024 to 31 March 2025.

It is the responsibility of the Audit and Risk Assurance Committee to advise the Board and Accounting Officer on:

- the strategic processes for risk, control and governance and the Governance Statement
- the accounting policies, the accounts, and the annual report of the organisation, 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
- the planned activity and results of both internal and external audit
- the adequacy of management response to issues identified by audit activity, including external audit's management letter
- assurances relating to the management of risk and corporate governance requirements for the organisation
- (where appropriate) proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations; and

- the Audit and Risk Assurance Committee will also periodically review its own effectiveness and report the results of that review to the Board.

Assurances received

Assurances received in respect of the management of risk

The Governance Statement describes the accountabilities for risk set out in the OEP's risk framework.

The Committee reviewed the risk framework in May 2024. The framework had been updated following updated guidance from HMT's orange book, and given the OEP's experience in operating its risk framework in the previous two years. The Committee encouraged an emphasis on learning lessons between different areas of the OEP's work, and noted the intentions to develop the organisation's approach to identifying and learning lessons.

During the period, the Committee supported the Board's risk management by regularly reviewing the strategic risk register, assessing mitigations, and advising on risk management practices. The Matters Considered section lists the deep dives into specific risks undertaken, which together covered a wide range of managed risks.

The Committee identified risks to highlight for the Board and provided guidance on the specific mitigation plans in relation to the risks it considered. Across its scrutiny, the Committee encouraged officers to consider the cumulative impact of related risks, and to consider the impact on strategic risks from external changes – such as from the General Election.

In terms of improvements, the Committee encouraged officers to make only targeted investment in improvements to risk reporting given the improvements made in the prior year, the good operation of the existing processes, and the existing assurances received.

The Committee considered an approach to setting formalised risk appetite statements prepared by officers, encouraging officers to focus on the utility of the approach, and clarity between risk appetite and tolerance. The Committee notes that the consideration of risk appetite by the Board, originally planned for 2024/25, has been delayed due to staffing changes and limited resources in the relevant teams. The Board regularly discusses its appetite for various risks.

The nature of strategic risks remained stable over the course of the year. With this in mind, the Committee recommended a risk identification workshop with the Board. This workshop occurred after the period end in June 2025, and its outcomes reviewed by the Committee in August 2025.

Assurances received in respect of financial management

In the prior year, the Board had asked the Committee to provide additional assurance in relation to in year financial management, and related financial risks. The Committee continued this role during the year. In doing so, the Committee received a report on the financial performance of the organisation at each meeting, and provided the Board with the outcome of its scrutiny and the assurances received.

The Committee welcomed the improvements made to the financial reporting within this period noting both the depth and timeliness of the reports had continued to improve, that these improvements contributed to management's ability to take action in response to trends as these emerged, and in turn to a significantly reduced underspend at the year-end position.

The Committee also considered the key budget assumptions to be adopted, for each of 2024/25 and 2025/26.

Internal Audit assurances

The Committee agreed an internal audit plan for 2024/25 in February 2024 within an indicative three-year audit programme.

Four audit activities were delivered in 2024/25. There were no variations to the plan in year. The Committee received each internal audit report and considered management's proposed response.

The GIAA uses four classifications to summarise its opinion of its assurance on the matters subject to audit: substantial, moderate, limited or unsatisfactory. Individual audits completed in year and the GIAA's opinion for each are set out below.

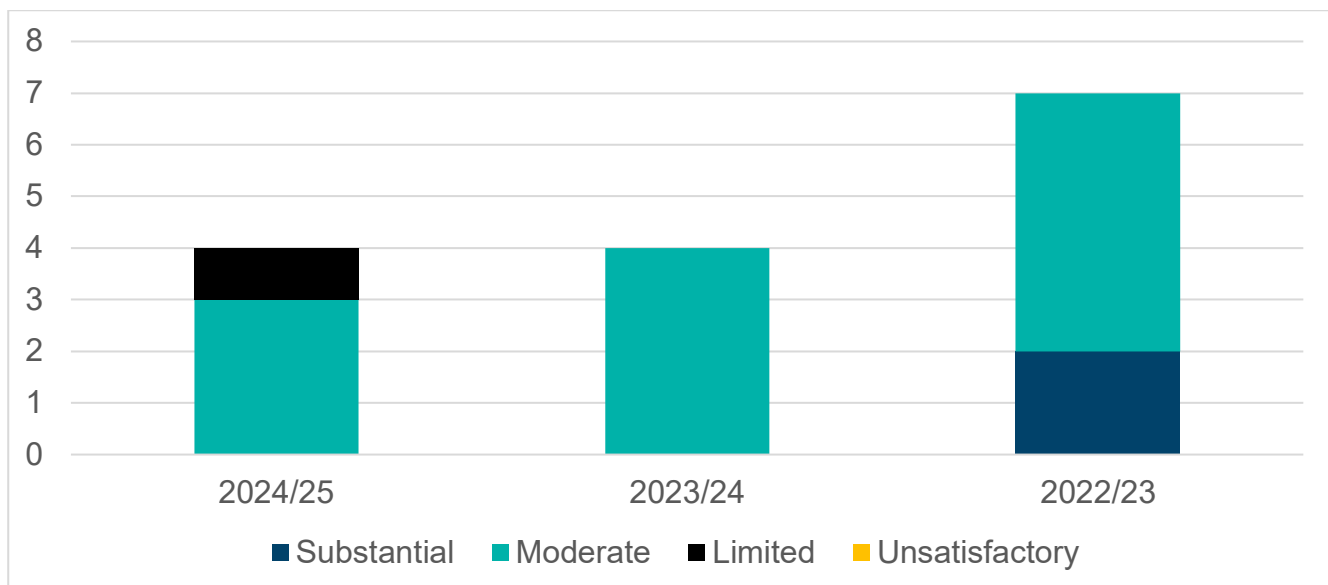
Audit title	Opinion
Environment Improvement Plan reporting	Moderate
Efficiencies programme	Moderate
Stakeholder engagement	Moderate
People strategy	Limited

This people strategy audit was the first instance of less than moderate assurance since the OEP's establishment. Weaknesses identified related largely to the specificity of targets, action plans and the governance of them with limited human resources team capacity the identified root cause. The Committee was informed of the steps that have been taken to address these concerns, including through specialist externally sourced support.

The Head of Internal Audit annual opinion and report to the ARAC for 2024/25 assessed their assurance of our framework of governance, risk management and control as moderate in its overall adequacy and effectiveness. This is the same as the prior year and means that some improvements are required to enhance the adequacy and effectiveness of the frameworks. The Committee considered this opinion in May 2025.

A summary of individual audits received across the last three years is as follows.

Assurance opinion in individual audit reports	2024/25	2023/24	2022/23
Substantial	0	0	2
Moderate	3	4	5
Limited	1	0	0
Unsatisfactory	0	0	0
Overall assurance	Moderate	Moderate	Moderate



The Committee received progress updates in implementing the response to the recommendations from internal audit. None of the recommendations were rated as a high priority by the auditors.

The Committee encouraged officers to increase their focus on the tracking of actions in response to internal audit, in particular to prevent slippage in due dates, as well as the setting of appropriate timelines as audits are received.

At the end of the year, the status of recommendations made in individual audits in each of the last three years was as follows. The Committee will increase its scrutiny of overdue actions in the year ahead.

Status of recommendations made in financial year	2024/25	2023/24	2022/23
Cleared	1	7	19
Overdue	1	2	0
Not yet due	7	0	0

The Committee agreed the internal audit plan for 2025/26 in February 2025. This is presently being delivered to plan.

Audit title	Planned start
Review of HR IT system transition including payroll	Q1
Expenses	Q1
Northern Ireland Operations	Q2
Procurement system	Q2
Programme and project management	Q4

The internal audit fee for the year 2024/25 was £62,465. The fee for 2025/26 will be £66,973.

External audit assurances in relation to financial year 2024/25

In May 2025, the Committee considered the audit planning report from the external auditors. It agreed the key risks to be considered by external auditors for the 2024/2025 audit to be:

- Presumed risk of management override of controls
- Payroll provider transition
- Overall control environment

These will be considered in the Audit findings received in relation to the 2024/25 audit.

External audit assurances in relation to financial year 2023/24

The Committee considered the audit completion report in relation to the 2023/24 audit. The agreed key risks relating to this audit were the overall control environment, the presumed risk of management override of controls, and the accounting treatment of leases.

The key risks and related findings of that audit were as follows:

- Presumed risk of management override of controls: the audit found no evidence of management override of controls. The audit indicated improvements that could be made to the use of manual journals, the timely posting of journal entries and the recording of segregation of duties details.
- Overall control environment: the audit identified a need for greater attention to cut off issues such as prepayments and accrued expenses, to ensure estimates are reasonable. The audit also identified differences in staff data relating to secondees costs, which led to revised disclosures in the remuneration and staff report.
- Leases (IFRS 16): no relevant findings

In addition, the audit made suggestions to improve disclosures in cashflow statement and the remuneration report.

The Committee considered management's response to these findings and the auditors recommendations. The Committee noted that the external audit report reflected year on year improvements in the financial control environment

The external audit fee for the year 2024/5 audit was agreed to be £53,410. The external audit fee for 2025/26 will be discussed and agreed in the annual audit planning meeting in Spring 2026.

Other assurances received

The Committee reviewed the outcome of the IT security health check carried out by an expert contractor, and sought and received assurances about how the matters identified were being managed. It encouraged officers to consider physical security risks similarly.

The Committee considered the terms of reference of a review commissioned by the Board by Julie Hill, Board member, into the approach taken in one project, and noted the findings of the report were then to be considered by the Board.

The Committee received a report on instances of fraud, whistleblowing, and health and safety incidents at each of its meetings. There were no material incidents reported. One non-material incident did take place, whereby an unauthorised person entered the office but was promptly identified and asked to leave, with no resulting issues.

The Committee received a report on the completion of mandatory training. It encouraged consideration of how such training should be undertaken by the Board.

Committee business and operations

Declarations of interest

The organisation maintains up to date information regarding declarations of interest. The Committee reviewed the declarations of the Board and Executive Directors and our independent Audit and Risk Assurance Committee member within the Annual Report and Accounts. Declarations of the Committee are made at each meeting.

Meetings and membership

The Committee held five meetings during the period. Four ordinary meetings and one extraordinary meeting to consider the draft Annual Report and Accounts.

Membership and attendance

Details of members and attendance at Committee meetings are in Table 1, below:

Member	Meetings attended	Date of first appointment	Renewal of appointment	End date
Dan Laffoley	5/5	January 2022	July 2025	December 2026
Paul Leinster, Chair	5/5	January 2022	July 2025	December 2026
Kieran Rix, Independent member of the Committee	4/5	December 2021	January 2025	December 2026

The membership of the Committee remained the same throughout the period. The term of each Committee member now expires at the same time, creating a risk that should be addressed.

Appropriate officials from internal and external auditors - the Government Internal Audit Agency (GIAA) and the National Audit Office (NAO) - routinely attended Committee meetings to support the Committee in the discharge of its responsibilities.

The Chief Executive (also the Accounting Officer), the Chief of Staff, the Head of Finance and Corporate Services, and the Head of Business Strategy and Planning also routinely attended Committee meetings, and were supported by additional members of OEP staff depending on the Committee's business.

The OEP Chair observed most of the Committee's meetings, at the invitation of the Committee Chair.

Matters considered

In each of its meetings, the Committee considered:

- The strategic risk register
- A review of the quarterly financial position
- Any internal audit reports received
- Any other information provided by the internal and external auditors, such as good practice information or similar
- Information on whistleblowing, health and safety and security incidents

The substantive items discussed by the Committee in addition are outlined below:

May 2024

Review of the risk framework

2024/25 Budget Review

Outcome of IT security health check

Risk deep dive – Business continuity and cyber security

Risk deep dive – Sufficiency of internal and external expertise

August 2024

ARAC report to the Board

Annual report and accounts

Risk deep dive – Influence in England and Northern Ireland

October 2024 (extraordinary meeting)

Annual report and accounts

External audit completion report

December 2024

No additional items

February 2025

Risk deep dive – Government co-operation

Committee effectiveness and conclusion

The Committee considers that it has operated effectively and provided adequate scrutiny during the period.

Paul Leinster
Committee Chair