

Ordinance C2 - ARC Terms of Reference and Membership

C.2.1 Purpose

It is the role of ARC to advise and assist the Council in respect of the entire assurance and control environment of the institution. It oversees an annual programme of work, enabling it to give an opinion to Council annually, on the adequacy and effectiveness of the University's arrangements for:

- internal control, risk management and governance;
- financial reporting (i.e. the integrity of CSG's financial reporting arrangements, including the corporate governance statement and the statement of Council members' responsibilities as reported in the annual financial statements);
- economy, efficiency and effectiveness (Value for Money);
- the management and quality assurance of data submitted to HESA and the Office for Students (OfS).

ARC will conduct itself in line with best practice defined by the OfS and the Council of University Chairs (CUC). ARC's Terms of Reference are based on the model version in the [CUC HE Audit Committees Code of Practice](#).

C.2.2 Membership

All members of ARC and its Chair shall be appointed by Council, on the recommendation of the Corporate Governance and Nominations Committee, from among its own members, and must consist of members with no executive responsibility for the management of the institution. There shall be no fewer than three members. The term of office for each member from Council shall not exceed the term of office for Council. The term of office for each co-opted member will be 3 years, with a maximum of 3 terms.

The Pro-Chancellor and Chair of Council and Chair of the Finance Committee should not be members of ARC. No member of ARC may also be a member of the Finance Committee. Members should not have significant interests in the institution. At least one member should have recent relevant experience in finance, accounting or auditing. The Committee may, if it considers it necessary or desirable, co-opt up to two members with relevant expertise. Members will receive appropriate training to allow effective performance of their duties.

C.2.3 In Attendance

- i. Vice-Chancellor and President
- ii. Deputy President and Provost
- iii. Deputy President (Operations)
- iv. Chief Financial Officer
- v. Director of Internal Audit
- vi. External Auditor

- vii. General Counsel and Director of Legal and Governance
- viii. Secretariat

The Committee has the right, whenever it is satisfied that this is appropriate, to go into confidential session and exclude any or all other participants and observers other than the ARC Secretary.

Members will meet privately and separately at least once a year with the External Auditors and Internal Auditors.

C.2.4 Clerking arrangements

The Secretary to ARC will be the University Secretary (or another appropriate independent individual), supported by a member of the Corporate Governance team.

C.2.5 Quorum

The quorum shall be at least two independent members of Council.

C.2.6 Frequency of meetings

Meetings shall normally be held four times each financial year. The external auditors or Director of Internal Audit may request additional meetings if they consider it necessary.

C.2.7 Authority

ARC is authorised by Council to:

- i. investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to cooperate with requests made by the Committee.
- ii. obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the President and/or Chair of Council. However, it may not incur direct expenditure in this respect more than £50,000 without the prior approval of Council. Legal advice will, in the first instance, be obtained via the General Counsel and the in-house legal service unless it is deemed that it would be inappropriate to do so.
- iii. approve all audit planning documents on behalf of Council.
- iv. review the audit of the draft annual financial statements. These aspects will include the external audit opinion, the statement of members' responsibilities, the statement of internal control and any relevant issue raised in the external auditors' management letter. The Committee should, where appropriate, confirm with the internal and external auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to Council.

C.2.8 Duties

The duties of the Committee shall be to:

External Audit

- i. recommend to Council the appointment, re-appointment or removal of the external auditors.
- ii. approve the terms of engagement and annual audit fee and the provision of any non-audit services by the external auditors. To approve the Policy on the Relationship with External Auditors.
- iii. discuss with the external auditors, before the audit begins, the nature and scope of the audit.
- iv. discuss with the external auditors problems and reservations arising from the interim and final audits, including a review of the management letter, incorporating management responses, and any other matters the external auditors may wish to discuss (in the absence of management where necessary).
- v. monitor the implementation of agreed audit-based recommendations.

Financial Reporting

- i. consider elements of the annual financial statements in the presence of the external auditors, including the auditors' formal opinion, the statement of members' responsibilities and the statement of internal control, in accordance with the regulator's accounts directions.
- ii. review and recommend the University's Financial Statements to Council for approval including the Corporate Governance Statement and the Statement of the University Council Responsibilities.
- iii. review and recommend the Letter of Representation to Council for approval.
- iv. assure Council that the annual financial statements are in accordance with the OfS Accounts Direction and that the accounting policies and judgments are appropriate.

Internal Audit

- i. consider and advise Council on the appointment and terms of engagement of the internal audit service (including resourcing), the provision of any non-audit services by the internal auditors, and any questions of resignation or dismissal of the internal auditors.
- ii. agree the arrangements for managing the internal audit service and approve the Internal Audit Charter, risk assessment, strategy and annual programme of work. To ensure that the resources made available for Internal Audit are sufficient to meet the institution's needs.
- iii. review the internal auditors' audit risk assessment, strategy and programme; consider major findings of internal audit investigations and management response; and promote coordination between the internal and external auditors.

- iv. review the Internal Audit Annual Report which will include an opinion on the same items on which ARC must give an annual opinion to Council.
- v. receive regular progress reports from the Director of Internal Audit in respect of the audit programme. Review the Executive's response to internal audit recommendations and monitor the implementation of agreed audit based recommendations.

Risk Management, Value for Money (VfM) and Compliance

- i. keep under review the University's systems of internal control and its processes for risk management, governance, securing and promoting VfM and data quality, in order, to assure Council of their adequacy and effectiveness and to promote best practice.
- ii. review the Risk Register, prior to submission to Council, to assure Council that the assessment of risk and risk appetite is appropriate. To ensure that the controls and plans to mitigate risk are appropriate. To advise Council on the risk appetite appropriate to the institution.
- iii. keep under review the effectiveness of the risk management, culture, control and governance arrangements, including consideration of the culture and behaviour that is prevalent within the institution and arrangements that can affect reputation, such as the management of conflict of interest.
- iv. recommend to Council for approval the University's policies on Fraud and Bribery and Whistleblowing. Review the procedures for the prevention and detection of fraud, corruption and other irregularity and monitor the reporting of fraud and other improper acts including being satisfied that all significant losses brought to the Committee's attention have been properly investigated and that internal and external auditors and, where appropriate, the OfS Accounting Officer and any other relevant bodies have been informed.
- v. satisfy itself that suitable arrangements are in place to ensure the sustainability of the institution and to promote economy, efficiency and effectiveness. This may include consideration of arrangements that:
 - a. support the culture and behaviour that is prevalent within the institution;
 - b. ensure the effective management of conflicts of interest; and
 - c. enable the appointment of 'fit and proper persons' to Council and senior executive positions.
- vi. satisfy itself that effective arrangements are in place to ensure appropriate and accurate data returns are made to external stakeholders and regulatory bodies.
- vii. gain assurance of legal and regulatory compliance by the University via updates on the legal register at each meeting.
- viii. receive regular assurance, via annual and interim reports, from the Executive on Health and Safety compliance and comment prior to Council receiving these reports.

- ix. receive regular assurance, via annual and interim reports, on Information Security via the Information Governance and Security Committee.
- x. receive annual assurance on compliance with the OfS's regulatory framework

Governance

- i. receive relevant reports from statutory, regulatory or funding agencies concerning the University's compliance with relevant legislation and/or standards, including from the National Audit Office, the OfS and other organisations.
- ii. monitor annually the performance and effectiveness of the external and internal auditors, including any matters affecting their objectivity, and make recommendations to Council concerning their reappointment, where appropriate.
- iii. monitor other relevant sources of assurance, for example other external reviews.
- iv. in the event of the merger or dissolution of the institution, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.

C.2.8 Reporting procedures

The minutes of meetings of ARC will be circulated to all members of Council.

ARC will prepare an annual report covering the institution's financial year and any significant issues up to the date of preparing the report. The report will be addressed to the Council and to the President and will summarise the activity for the year. It will give the Committee's opinion of the adequacy and effectiveness of the institution's arrangements for the following:

- risk management, control and governance (the risk management element includes the accuracy of the statement of internal control included with the annual statement of accounts)
- sustainability
- economy, efficiency and effectiveness (VfM)
- quality assurance of data submitted to HESA and OfS

This opinion will be based on the information presented to the Committee and will be informed by:

- work carried out by Internal Audit during the year
- the External Audit
- assurances and reports from the Executive including reports on VfM, an annual report from the President on internal control, risk management and data quality
- any reports from the OfS, National Audit Office (NAO) or other regulators
- work commissioned by ARC itself.

The ARC annual report should normally be submitted to Council before the members' responsibility statement in the annual financial statements is signed. The report will usually be published after consideration by Council.

C.2.10 Review

The Audit Committee should annually undertake a review of its terms of reference and its own effectiveness and recommend any necessary changes to Council.