# Introduction

Appointed by Court, the **Audit and Risk Committee** (ARC) will oversee the University’s arrangements for corporate governance, financial reporting, systems of internal control and risk management and the activities and processes related to these systems. This will include arrangements to ensure the University’s compliance with the requirements of the Financial Memorandum between the University and Scottish Funding Council.

# Committee remit

The mandate for the ARC is as follows:

**Financial reporting**

Ahead of consideration by the Finance Committee and recommendations by the Finance Committee to Court regarding approval of the annual financial statements:

* Monitor the integrity of the annual financial statements of the University, reviewing significant financial reporting issues and judgments which they contain. In particular, the Committee shall review and challenge where necessary:
	+ The consistency of, and any changes to, accounting policies on a year-by-year basis;
	+ The methods used to account for significant or unusual transactions where different approaches are possible;
	+ Whether the University has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
	+ The clarity of disclosure in the University’s financial statements and the context in which the statements are made; and
	+ All narrative reports presented with the financial statements, such as the operating and financial review and the corporate governance statement (as it relates to matters within the remit of the Committee)

**Internal control and risk management arrangements**

* Keep under review the adequacy and effectiveness of the University’s internal financial controls and internal control and risk management arrangements. In relation to the latter, the Committee shall consider:
	+ the scope and effectiveness of the systems established by management to identify, assess, manage, and monitor financial and non-financial risks - to include regular review by the Committee of the University risk register, and attendance by a member or members of the Committee at University-level risk workshops; and
	+ The internal auditors and, where applicable, management’s assessments and reports on the effectiveness of the systems for risk management
* The Court retains responsibility for the review of the effectiveness of these systems of control and must form its own opinion despite aspects of that review being delegated to the Committee;
* Review the oversight and governance arrangements for risk areas on an annual basis.

**Internal Audit**

* Monitor and review the effectiveness of the University’s internal audit function in the context of the University’s overall arrangements;
* Recommend to Court the appointment or removal of the internal auditors;
* Consider and approve the remit of the internal audit function and ensure that adequate and appropriate resources are made available for its work and that it has appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management and other restrictions;
* Review and assess the annual internal audit plan and the annual report and conclusions and opinions arising from activities and findings;
* Review reports addressed to the committee from the internal auditor;
* Review and monitor management’s responsiveness to the findings and recommendations of the internal auditor, including the extent to which recommendations have been implemented
* Develop, implement and monitor a policy for the supply of non-audit services by the internal auditor, taking into account any relevant ethical guidance on the matter;
* Review and assess value for money as part of the annual internal audit plan and annual report. Promote value for money through economy, efficiency, and effectiveness in the management of the University’s resources and the management and quality assurance of data.

**External Audit**

* Consider and make recommendations to Court for the appointment, re-appointment or removal of the University’s external auditor. The Committee shall oversee the selection process and criteria for a new auditor and if the auditor resigns, the Committee shall investigate the issues leading to this and decide on any action required;
* Oversee the relationship with the external auditor, including (but not limited to):
	+ scope of work and terms of engagement;
	+ remuneration and its appropriateness to enable an adequate audit to be conducted;
	+ assessing annually independence and objectivity considering relevant professional and regulatory requirements (including mandatory requirements in the University’s Financial Memorandum with the Scottish Funding Council);
	+ the qualifications, expertise and resources of the auditor and the effectiveness of the audit process;
	+ 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;
* Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
* Review the findings of the audit with the external auditor, including a discussion of any major issues which arose during the audit, any audit and accounting judgments, levels of errors identified during the audit and the effectiveness of the audit.
* Review any representation letters requested by the external auditor before agreement by Court;
* Review the management letter and management’s response to the auditor’s findings and recommendations;
* Develop, implement and monitor a policy for the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

**Other matters**

Consider the effectiveness of arrangements for:

* the investigation of fraud or other questions of loss, financial irregularity, or impropriety;
* University employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or the operation of internal controls. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
	+ the safeguarding of the assets of the University and of the use of its funds, particularly funds deriving from the public sector;
	+ proper corporate governance.
* Consider any matters falling within its remit arising from reports of external bodies such as the Audit Committee of the Scottish Parliament, Scottish Funding Council, Audit Scotland, National Audit Office or UK Research Councils.
* Regularly review the University’s policy on fraud and irregularity, including being notified of any action taken under those policies.
* Monitor other relevant sources of assurance for example other external reviews
* Receive reports of the outcomes of any investigations under the University’s Whistleblowing procedure.
* Receive an annual report on any cases of research misconduct considered under the University’s Policy and Procedures for Dealing with Allegations of Research Misconduct.

**Reporting**

The minutes (or a report) of meetings of the Committee shall be circulated to Court.

The Committee shall submit an annual report on its work to the Court setting out the manner in which the Committee has discharged its remit and terms of reference and including views on the adequacy and effectiveness of the University’s systems of internal control, risk management and governance. The Committee may wish to include in the report comment on the adequacy of the resources provided to it in order to carry out its work.

# Scheme of Delegation

The following details the delegated authority for the ARC and shows how it is placed in the overall University Scheme of Delegation with escalation to Court:

|  |  |  |  |
| --- | --- | --- | --- |
| **Area of Responsibility** | **Limit** | **Lead Executive Role** | **Escalation To** |
| Approve internal audit plan and reports | N/A | University Secretary and COO |  |
| Approval external audit annual report | N/A | Executive Director of Finance | Court |
| Approve appointment, re-appointment and removal of internal and external auditors | N/A | University Secretary and COO | Court |
| Approve the remit of the internal audit function | N/A | University Secretary and COO |  |
| Pre-approve representation letters requested by the external auditor | N/A | Executive Director of Finance |  |
| Approve non-audit services by the external auditor | N/A | Executive Director of Finance | Court |
| Approve strategic risk mitigation | N/A | Executive Director of Finance | Court |

# Committee Membership

This is a non-executive chaired committee with the following membership:

* Lay member as Chair
* 1 further lay member
* 1 staff representative from Court
* 3 further external lay members

In attendance:

* Principal
* Chief Operating Officer and University Secretary
* Executive Director of Finance
* Director of Risk
* Deputy Director of Finance
* Internal and external auditors

The Committee's membership will include the skills and experience necessary to address its remit effectively. To this end, the Committee may request that the University Court appoint one or more additional external lay members to the Committee. The chair of the Committee will participate in the selection process for a new external lay member.

# Substitutions and Quorum

Substitutions may be made with prior notice given to the clerk. There must be a minimum of 4 from the core group (excluding clerk) in attendance for decisions or approvals. In the event of a consensus not being reached, the Chair will have the casting decision or recommend escalation to Court.

# Committee Member Responsibilities

Each Committee member has a responsibility to:

* Openly and constructively challenge internal and external audit and risk processes ensuring minimal risk exposure to the university
* Identify, assess and mitigate risk impacting corporate governance, financial reporting, systems of internal control and risk exposure at university wide level
* Activity and behaviour should embody the University’s values ([click here for details](https://www.gla.ac.uk/myglasgow/staff/values/))

# Conflict of Interest

The ARC will follow the [UofG procedure for the management of any conflicts](https://www.gla.ac.uk/media/Media_176371_smxx.pdf). The procedure defines declaration of conflicts as a standard agenda item at the start of the meeting, the maintenance of a register of conflicts, and a process for managing all conflicts which are declared.

# Format and cadence

The meeting schedule will be quarterly last 2 hours.

**INPUTS**

* UofG strategy and plan
* Annual financial statements of the University
* Accounting policies
* Internal and external audit plans and reports
* University strategic risk register and annual report
* Representation letters requested by the external auditor
* Whistleblowing reports
* Research Misconduct Annual Report

**OUTPUTS**

* Revised papers and reports to Court
* Minutes