



## USP College Corporation

### Terms of Reference of the Risk and Audit Committee

#### 1. Purpose of the Committee

The purpose of the Risk and Audit Committee is to advise the Corporation on the adequacy and effectiveness of the Corporation's assurance framework. The assurance framework comprises such third party advisers appointed to assist with assuring the Corporation of the adequacy and effectiveness of the internal control and management systems.

In addition, the Risk and Audit Committee advises and supports the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities including the required format of the Corporation's statement of corporate governance and internal control.

#### 2. Constitution

The Committee should comprise at least four Corporation members. Co-opted members may also be appointed with relevant experience.

The Committee has a responsibility to maintain its independence in appointing members and to include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively, members of the Committee should have recent, relevant experience in risk management, finance and assurance. The Committee considers the development of members and puts in place appropriate training to ensure their skills and knowledge are up to date.

The Clerk to the Corporation shall be the Clerk to the Committee.

In accordance with the provisions of the Articles of Government and the views of the relevant funding bodies, the following are not eligible to serve as members of the Committee:

- The Principal and Chief Executive
- The Chair of the Corporation
- Staff and student members
- Members of the Finance and Resources Committee

The quorum necessary for the transaction of the business of the Committee shall be a minimum of three members of the Committee.

The Committee will normally meet on at least three occasions each year, on dates set in the calendar approved annually by the Corporation. A special meeting of the Committee can be called either by the Clerk, at the request of the Chair, or by any two Members under similar general rules that apply to Special Meetings of the Corporation.

### **3. Appointment of Chair of the Risk and Audit Committee**

The Chair of the Risk and Audit Committee shall be appointed by the Corporation from among the independent members of the Committee.

Any External Co-opted member shall not be eligible to serve as Chair.

The Chair will hold office for two years or for a longer period if this is considered to be appropriate. Normally the period of office will commence at the first meeting of the academic session.

If the Chair is absent from any meeting of the Committee, the members of the Committee present shall choose one of their number to act as Chair for that meeting having regard to the provision above.

The Chair may at any time resign from office by giving notice in writing to the Clerk to the Corporation.

The retiring Chair shall normally be eligible for re-appointment.

### **4. Observers and Guests**

Each Corporation member may be entitled to attend any meeting of the Committee as an observer. The Committee may invite any other person to attend its meetings as a guest

Where it is known in advance of a meeting that a member with specific expertise will not be in attendance at the meeting, the Chair of the Committee, through the Clerk, may seek to identify one or more appropriate members of the Corporation who might be available, at short notice, to attend the meeting and to provide the relevant expertise. Individuals appointed to attend a meeting on this basis shall be counted in the quorum for the meeting. Those individuals may not include staff and student members, the Principal and the Chair of the Corporation.

At least once a year the Committee shall meet with each of its auditors without a member of College management being present. The Committee is entitled, wherever it is satisfied that it is appropriate to do so, to go into confidential session and (subject to the quorum necessary) to exclude any, or all, participants observers or guests, except the Clerk to the Corporation.

### **5. Terms of Reference**

5.1 To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets

5.2 To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the internal audit service (IAS) and the external auditors and to establish that all such assurance providers adhere to relevant professional standards.

- 5.3 To inform the Corporation of any additional services provided by the external auditor and other assurance providers and explain how independence and objectivity were safeguarded.
- 5.4 To advise the Corporation on the scope and objectives of the work of the IAS and external auditors.
- 5.5 To ensure effective co-ordination between the IAS and external auditors.
- 5.6 To consider and advise the Corporation on the internal audit strategy including audit needs assessment and the strategic and short term audit plans for the IAS.
- 5.7 To advise the Corporation on internal audit assignments and annual reports and on control issues included in the management letters of the external auditor (including their work on the regularity audit) and management's response to these.
- 5.8 To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignments and annual reports, the external auditor's management letter and spot check reports.
- 5.9 To review the College's published annual financial statements, the Audit Findings report of the external auditor and the Letter of Representation, focusing particularly on:
  - a) any changes in accounting policies and practices
  - b) major judgmental areas
  - c) significant adjustments resulting from the financial statements audit and any unadjusted items identified during that audit
  - d) compliance with accepted accounting standards and legal requirements
- 5.10 To recommend the annual financial statements and the Letter of Representation to the Corporation for approval
- 5.11 To consider and advise the Corporation on relevant reports by the National Audit Office (NAO), the EFSA and other funding bodies and, where appropriate, management's response to these.
- 5.12 To establish, in conjunction with College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the IAS and the external auditor through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.

- 5.13 To produce an annual report for the Corporation and the Chief Accounting Officer (the Principal) in line with the latest Audit Code of Practice.
- a) The annual report is submitted to the Corporation before the statement of corporate governance and internal control in the annual accounts is signed and summarises the Committee's activities relating to the financial year under review to cover: a summary of the work undertaken
  - b) the number of the meetings held in the year, and attendance records for each audit committee member
  - c) any significant issues arising up to the date of preparation of the report
  - d) any significant matters of internal control included in the reports of audit and assurance providers
  - e) details of the date of appointment of the external auditors and the remaining term of the contract
  - f) the Committee's view of its own effectiveness and how it has fulfilled its terms of reference
  - g) the Committee's opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, assurance over subcontracting, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the College and the safeguarding of its assets
- 5.14 To review and advise the Corporation annually on the adequacy of the College's financial regulations.
- 5.15 To report regularly to the Corporation on the Committee's business, normally three times a year.
- 5.16 To oversee the College's policies on fraud and irregularity and whistleblowing and make recommendations to the Corporation as and when required for changes to those policies; to ensure the proper, proportionate and independent investigation of all instances or allegations of fraud or irregularity; to ensure that investigation outcomes are reported to the Risk and Audit Committee; that the external and internal auditors have been informed of those investigations; that appropriate follow-up action is taken and that all significant cases of fraud or suspected fraud or irregularity are reported to the chief executive of the appropriate funding body.
- 5.17 To be informed of all additional services undertaken by the IAS and external auditor.
- 5.18 To monitor the implementation of previous recommendations raised by external assurance providers.

## **6. Powers of the Risk and Audit Committee**

In order to exercise the role provided for under the Terms of Reference, the Risk and Audit Committee shall have the power to

- Investigate any activity within its terms of reference
- Seek any information it requires from the Internal Audit Service, the Financial Statements Auditor, the Funding Auditor, Corporation members, committees and College employees, or from third parties
- Obtain external professional advice
- Make recommendations to the Corporation on the resources needed to conduct an effective and efficient audit process

Reviewed by the Risk and Audit Committee: June 2021  
Approved by the Corporation Board: July 2021