

COUNCIL

Audit and Risk Committee (ARC) terms of reference

Meeting: 12 February 2014

Status: for decision

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Purpose

1. This paper seeks Council approval of revised terms of reference for the ARC. The revised terms of reference are attached at Annex 1.

Strategic Objective

2. The review of the terms of reference forms part of a broader piece of work to review and update the GOC's governance framework, which is a project in the 2013/14 and 2014/15 business plans. The CEO is the Project Sponsor.
3. The strategic aim of the project is: Integrated systems and processes: ensuring systems and processes are efficient and cost effective. The work stream is: ensuring open, transparent and robust governance.
4. In addition, the current terms of reference for the ARC require the committee to review its terms of reference at least once a year, and if the committee considers it necessary to propose any changes, that these changes are presented to Council for approval.

Background

5. The ARC met on 20 January 2014 to review its terms of reference (see Annex 1). Proposed amendments are shown using track changes and the proposed amendments are explained in the 'analysis' section below.
6. In order to assist the ARC in their review, the Governance team reviewed the minutes of ARC meetings held during 2013 to ensure that any suggestions or comments made by the committee during the preceding year were reflected in proposed amendments to the terms of reference. In addition, the Governance team also reviewed recent best practice, including the revised 'Audit and Risk Assurance Committee handbook' (issued by HM Treasury in April 2013), the 'Corporate governance in central government departments: Code of good practice 2011', guidance notes on audit and risk committees (issued by the Institute of Chartered Secretaries and Administrators (ICSA) in June 2013) and

the terms of reference for similar committees across the other healthcare regulators.

Analysis

Purpose & duties

7. The proposed 'purpose' of the committee is set out in section 1 of the terms of reference. The purpose outlines the various roles the committee will undertake both in relation to advising Council and also any areas where the committee has delegated authority to make decisions itself. The 'purpose' should be read in conjunction with the 'duties' of the committee (on pages 14 to 18) as this outlines *how* the committee will achieve its purpose.
8. The committee has five core areas of activity: financial reporting, internal audit, external audit, governance, risk management and internal control.
9. Following discussion by the ARC on 20 January 2014, the following amendments (mainly in relation to the duties on pages 14 to 18) and reflected in the section 1 'purpose' of the terms of reference where required) are proposed:

Financial reporting

10. Point 1.1 – it remains normal practice for an ARC to not handle the financial matters of an organisation, for example considering draft budgets, approving budgets and monitoring management accounts. Council has previously expressed its desire to monitor the GOC's performance against the budget itself at its quarterly Council meetings and this role will continue. It is however, the role of the ARC to provide Council with assurance that suitable mechanisms are in place to enable budgets to be set. Therefore 1.1 has been amended to reflect this.
11. Point 1.4 – the policies listed refer to different areas of the GOC's work. They are now listed separately. (This can also be seen as an amendment to the terms of reference 'purpose' under point 1.2.3). Council should note that the reference to 'standing orders' referred to financial standing orders, all of which are included in the scheme of financial delegation (which is delegated to the ARC already). This reference has therefore been removed.
12. Point 1.5 – in previous years the Financial Regulations included a set of annexes which included the policies on reserves, investment, contracts and procurement, fees and expenses and credit cards. These annexes are now separate policies and have various routes of approval. Therefore the policies are now listed separately to make this distinction clear. In addition, the 'scheme of delegation' now specifically states Part 1 only (rather than 'all parts') to enable clarity and has been moved to the list under 4.3 as this is a governance

related policy. Further, an amendment has been made to the terms of reference 'purpose' under point 1.1.5 to align it more closely to the wording of point 1.5.

Internal Audit

13. There are no changes proposed to the duties of the Committee in relation to Internal Audit.

External audit

14. Point 3.1 and 3.4 – amendments are proposed to clarify that the extent of the review by the ARC of the effectiveness of the external audit function is only in relation to the GOC external auditors (who will be appointed by Council in February 2014). It does not extend to any other auditors appointed by the GOC, for example, the auditors who review the decisions of the Investigation committee and Fitness to Practice committee (currently Morgan Cole).
15. Point 3.2 and 3.3 – to aid clarity these points have been separated.
16. Point 3.14 – the GOC does not have a policy on the supply of non-audit services by the external auditor. The ARC receives a paper annually (the last being in April 2013) which sets out whether any such services have been procured and any plans to procure such services in the future. This also assists in ensuring compliance with the GOC policy on contracts and procurement. The external auditor and the Executive recognise the risks in relation to procuring additional services and its potential impact on the external auditors' independence. The external auditors have in place procedures to ensure that its partners and professional staff comply with any relevant ethical standards and make the GOC aware at the earliest opportunity should there be any issues in relation to independence and objectivity. We would also ensure that such requirements are specified in any engagement letter with the external auditors. The ARC is content that this is sufficient and that there is no need for a detailed policy at this stage. Therefore, this policy has been removed from the list.
17. Point 3.16 (new) – for some years the ARC has reviewed the external audit report (currently prepared by Morgan Cole on behalf of the GOC) on the 'audit of decisions of the Investigation committee (IC) and Fitness to Practise (FTP) committee', however this has not formally been recognised in the terms of reference and instead managed under point 6 of the terms of reference which state that the committee should "*advise Council on any other areas of its work which the committees believes is part of the role of an Audit and Risk committee*". The ARC advises Council on the outcome of the audit and highlights any learning points or areas of concern. This role has now been formally specified in the terms of reference.

Governance

18. Point 4.1 – in January 2013, the Committee requested that they receive a report on complaints received/closed by the Registrar at each committee meeting, rather than annually. This point has been amended to reflect this request.
19. Point 4.3 – the list of policies for review and recommendation to Council has been amended as follows:
 - removed – ‘allocation of roles and responsibilities (or other terms of reference if applicable)’. Through the work to develop the GOC’s Governance Framework all terms of reference are being reviewed, agreed by the relevant committee and recommended to Council. Once approved they are then scheduled for review annually by the respective committee. Once all committees have separate terms of reference the allocation of roles and responsibilities will have been replaced. In addition two Council Champions (Gareth Hadley and Scott Mackie) have been allocated to oversee this work. Therefore this is removed from the ARC’s duties.
 - added – corporate complaints, whistleblowing and management of interests due to being requested by the Committee. Currently there is no management of interests policy, or gifts and hospitality policy as these are included in the code of conduct. However these policies will be developed when the code of conduct is reviewed later in 2014. In addition the words ‘non-executive’ have been added in relation to recruitment complaints to aid clarity. In addition, the ‘Scheme of Delegation – Part 1’ has been moved from the list at 1.5 and moved here;
 - removed – confidentiality, records management and retention and information security. It is proposed that approval of these internally-related policies is delegated to SMT. This recommendation will be made to Council as part of its review of its scheme of delegation later in 2014. Until the change is agreed these policies will go to Council directly for review and approval if required.
20. Point 4.4 (new) – in April 2013, the Committee requested that they annually review the GOC Register of Interests.
21. Points 4.5 and 4.6 (new) – in October 2013, the Committee discussed their remit in relation to information governance and agreed that their remit in this area should be formalised in the terms of reference. Council are asked to note that the Council Chair has appointed Helen Tilley as Council Champion for oversight of information governance.
22. The provision of assurance to Council is a key role for the ARC. Therefore point 1.1.4 of the ‘purpose’ in the terms of reference has been strengthened to provide assurances in relation the management of risk and charity governance requirements as well as corporate governance.

Risk management and internal control

23. Point 5.1 – has been amended to make reference to advising on strategy '*and policy*'. The current strategy and policy form the same document so this adds clarity.
24. Point 5.7 – has been amended to remove references to resourcing. This point now focuses on the remit of the Committee in this area which is to ensure there are appropriate processes for identifying, monitoring and reporting on risks.
25. Point 5.10 – has been amended to make reference to reviewing and recommending to Council risk management '*strategy*' and policy as these are currently in the same document. Council are advised that on point 1.2.3 (e) of the 'purpose', the terms of reference incorrectly refer to the risk management policy having been delegated to the committee for approval. This has now been amended. It is however, accurately referred to in point 5.10 of the duties and was correctly approved in this way by Council in February 2013.
26. Point 5.12 – throughout the year the ARC has further defined what it wishes to be included in 'exception reporting'. The following has been added: hospitality received by/given by all staff; breaches of information governance protocols; and lost/stolen equipment such as laptops and memory sticks.

The committees remit in relation to complaints

27. Council will be aware that the Governance Team is currently reviewing the GOC's procedures in relation to corporate complaints and complaints about members. At this stage the ARC propose no amendments to the committees remit in their area whilst this work progresses. The ARC's comments in this area have been noted, particularly in relation to concerns raised in January 2013 as to whether it is appropriate for the ARC to review a complaint about a member. If any amendments to the terms of reference are required in relation to complaints, these will be made once this work has been finalised. We currently anticipate bringing revised complaints policies to the ARC in May 2014 and Council in July 2014.

Membership

28. The current membership of the Committee is three Council Members: Peter Douglas (Chair), Morag Alexander and Rob Hogan. This membership was agreed by Council at its public meeting in May 2013. There is no proposal to amend the membership of the ARC at this time.
29. In November 2013, Council agreed to initiate a selection campaign to recruit an independent member of the ARC. The Governance team will progress this work shortly.

Rotation policy

30. A robust rotation policy enables all committees to refresh and introduce new perspectives. It also creates opportunities for individuals to develop or enhance their skills and to gain an in-depth and first-hand understanding of the functioning of committees which in turn will help contribute to Council's overall cohesion and provide an understanding of how various functions of the GOC operate.
31. Peter Douglas was appointed to the committee in October 2009 and reappointed in May 2013; Morag Alexander was appointed in January 2012 and Rob Hogan in May 2013.
32. The 'Corporate governance in central government departments: Code of good practice 2011'¹ and revised 'HM Treasury Handbook on Audit and Risk Assurance Committees'² (issued in April 2013) gives guidance on the term of office for members of ARC's. The guidance advises that initial appointment should be for a fixed period of three years, followed by one further reappointment for up to three years, hence a total appointment period of six years. The current rotation policy for the GOC (see point 2.3 in the terms of reference) is for '*a period of up to three years, extendable by additional periods of up to a maximum of eight years.*
33. The ARC are content to revise their rotation policy as per the guidance which will mean that Peter Douglas will have served the suggested maximum of six years as of October 2015. In considering amending the rotation policy, the committee were mindful that whilst rotation is desirable, best practice also recognises that it would be nonsensical to replace members if they continue to provide the necessary perspectives and qualities required, despite their length of service. In addition, the ARC noted that the recruitment of the independent member in 2014 and two further lay Council members in late 2014/early 2015 would bring additional membership opportunities for the Committee.

Quorum

34. The current quorum for Committee meetings is two. The ARC does not propose amending the quorum.

Secretary

35. A member of the Governance team will continue to act as the Secretary to the Committee. Additional administrative support will continue to be requested from the PA to the Director of Resources if required.

1

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.pdf

2

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206978/audit_and_risk_assurance_committee_handbook.pdf

Frequency and Notice of Meetings

36. The frequency and notice of meetings is set out in section 3 of the terms of reference. The committee will continue to meet four times per year in order to achieve the demands of the work plan. The meeting dates for 2014 are: 20 January, 19 May, 8 September and 20 October. All meetings are currently scheduled to start at 11:30am to avoid the need for overnight accommodation.
37. Meetings with the Chair of the Committee, Director of Resources and a member of the Governance team have been established for 2014 and will be held approximately five weeks before the meeting so that the agenda can be discussed and finalised and colleagues from relevant areas of the GOC have time to prepare papers.
38. Members will continue to receive papers at least five working days prior to the meeting, which is in line with our performance target.
39. Administrative support in terms of assisting the Chair in planning the committee's workload, drawing up agendas, drafting minutes, sending out papers and following up actions will be provided by the Governance team with assistance, if required, from the PA to the Director of Resources.

Minutes of Meetings

40. The procedures for minutes of meetings are set out in section 4 of the terms of reference. Minutes of ARC meetings will be taken by a member of the Governance team.

Accountability and Reporting Responsibilities

41. Accountability and reporting responsibilities are set out in Section 5 of the terms of reference. The Committee remains accountable to Council and will continue to routinely report back to Council on the outcome of its meetings. The minutes (in draft format) will be presented to the next strictly confidential meeting of Council along with a summarised report prepared by the ARC Chair highlighting any issues that need to be brought to Council attention.
42. The UK Corporate Governance Code requires that certain disclosures are made in companies' annual report about their Audit and Risk Committees. This includes the names of each member and any matters regarding their independence, the number of meetings held and individual attendance, the work undertaken by the Committee in discharging its responsibilities, where there is (or has been) an absence or internal audit function an explanation for the reasons, where Council has not taken the Committee's recommendation on the appointment, reappointment or removal of the external auditors a statement from the Committee explaining the recommendation and why Council took a

different position and if the auditor provides non-audit services how their independence and objectivity is safeguarded. The 2012/13 annual report (which was published on 10 October 2013) contained such information and the Governance team will ensure that these requirements continue to be met and enhanced where possible to ensure comprehensive reporting on the GOC's governance, risk and control.

Other

43. FRC Guidance on Audit Committees and the HM Treasury handbook recommends that the Committee should review its terms of reference and own effectiveness annually and recommend any changes to Council. In addition Council should review the Committee's effectiveness annually when considering its own and that of individual Members. The committee is due to undertake such a review in May 2014, the outcome of which will be presented to Council in July 2014.

Authority

44. Whilst the ARC is an advisory Committee, Council also delegated some authority to it when the terms of reference were agreed in March 2013. As advised in paragraph 25 of this paper, point 1.2.3 (e) of the 'purpose' the terms of reference incorrectly refer to the risk management policy having been delegated to the committee for approval. This has now been amended. It is correctly referenced in the terms of reference at point 5.10.
45. At the Council Evaluation day on 6 November 2013, Council agreed to consider delegating more to its committees and more to the Executive. Later in 2014 Council will review its scheme of delegation and at that point will consider this issue in more detail. However the 'Corporate governance in central government departments: Code of good practice 2011 (paragraph 5.11)³' states that "*an Audit and Risk [Assurance] Committee should not have any executive responsibilities or be charged with making or endorsing any decision*".
46. At its meeting on 20 January 2014, the ARC discussed its current level of delegation which they felt continued to remain appropriate and proportionate. With the exception of some aspects of the committees work which are no longer relevant and have therefore been removed (such as no longer reviewing the allocation of roles and responsibilities and certain policies), the ARC does not propose any amendments in this area. It is interesting to note the conflicting guidance in this area. For example, the Institute of Chartered Secretaries and Administrators (ICSA) issued revised guidance notes on terms of reference for audit committees in June 2013 which continue to show it is appropriate for such

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_god_practice_july2011.pdf

committees to approve and terminate the appointment of internal auditors (a decision-making function). Their guidance is supported by the Financial Reporting Council guidance (also issued in 2011) which recommends this function also.

Impacts

47. Implications decisions by Council may have on:
- 47.1 GOC's reserves - none;
 - 47.2 GOC budget – none;
 - 47.3 Legislation – we have sought to comply with best practice and guidance where possible;
 - 47.4 Resources – none;
 - 47.5 Equality and Diversity – none. We will continue to work with the ARC Chair and Director of Resources to monitor the work of the Committee and its impact on equality and diversity; and
 - 47.6 Human Rights Act – none.

Devolved Nations

48. There are no implications/differences in relation to this area and the devolved nations. The report does not need to be published in Welsh.

Communications

49. Once approved, the terms of reference will be published on the GOC website and the committees work plan updated/amended accordingly.

Risks

50. Not following best practice guidance in this area could result in reputational risk to the GOC. Having clear terms of reference for all committees, which are followed, is important in ensuring the GOC's reputation.

Recommendations

51. It is recommended that Council approve the revised terms of reference from the ARC which will come into immediate effect.

Timeline for future work

52. Once the terms of references have been approved the committees work plan will be updated/amended accordingly.

Attachments

Annex 1 – ARC terms of reference

AUDIT & RISK COMMITTEE TERMS OF REFERENCE

1. Purpose

- 1.1. The purpose of the Audit and Risk Committee (“the Committee”) is to advise Council on:
 - 1.1.1. the accounts/financial statements and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, the level of error identified, accounting policies and managements letter of representation to the external auditors and advise whether the financial statements are fair, balanced and understandable to assess performance;
 - 1.1.2. the appointment, reappointment and removal of the external auditors, the planned activity and results of internal and external audits as well as the adequacy of the Executive’s response to issues identified by audit activity, proposals for tendering external audit services and for the purchase of non-audit services from contractors who provide non-audit services;
 - 1.1.3. the organisation’s overall risk appetite, tolerance and strategy, current risk exposures, the Executive’s response to changes in risks and the organisations capability to identify and manage new risks;
 - 1.1.4. assurances relating to [the management of risk](#), corporate governance [and charity governance](#) requirements for the organisation;
 - 1.1.5. [the adequacy of](#) various [financial/risk management/internal control related](#) policies which fall under the remit of the Committee ~~and to seek council’s approval~~; and
 - 1.1.6. the implications (if any) of how the Committee’s work contributes to Council’s ability to fulfil its duties under the Equality Act and other relevant legislation and guidelines.
- 1.2. The Committee ~~will have~~[has](#) delegated authority to:
 - 1.2.1. appoint, reappoint and remove the external supplier of internal audit services;
 - 1.2.2. review complaints (under the GOC’s complaints policy) in the event that a complainant is not satisfied with the Registrar’s response;
 - 1.2.3. Approve the following policies:
 - a. ~~accounting~~ [Accounting](#) policies;
 - b. ~~standing~~ [Standing orders](#);
 - c. [Scheme of financial delegation](#);
 - d. [Contracts and Procurement policy](#) ~~(contained as an annex in the Financial Regulations)~~;
 - e. [Credit card \(use of\) policy](#) ~~(contained as an annex in the Financial Regulations)~~;

- ~~f. The supply of non-audit services by the external auditor;~~
- ~~g. Risk Management policy;~~
- ~~h.e. Fraud control/detection, money laundering and the prevention of bribery; and~~
- ~~i.f. Business Continuity Plan.~~

1.3. The Committee will also review its effectiveness, including how it is performing against its terms of reference, on an annual basis and report the results to Council.

2. Membership, Chair, Secretary and Quorum

- 2.1. The Committee shall comprise of four members, but may operate with fewer while a vacancy exists provided the quorum is maintained.
- 2.2. The Committee will include at least three Council members and one independent external member. The Chair and the independent external member should have appropriate audit, governance/charity governance and/or risk management experience.
- 2.3. the Chair and members of the Committee will be appointed by Council for a period of up to three years, extendable by additional periods up to a maximum of eight years. Appointments will be made by Council, in consultation with the Audit and Risk Committee Chair, and expiration dates will be staggered to ensure continuity.
- 2.4. Only Members of the Committee have the right to attend and participate at Committee meetings. However, other individuals such as the Chief Executive, Director of Resources, internal and external auditors or other advisers considered appropriate by the Chair may be invited to attend for all or part of any meeting.
- 2.5. In the absence of the Committee Chair, the remaining members present shall elect one of their number to chair the meeting.
- 2.6. A member of the Governance Team shall act as the secretary of the Committee.
- 2.7. The quorum necessary for the transaction of business shall be two members. Member's attendance via telephone or video-link is permissible for the purposes of determining a quorum.
- 2.8. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions

vested in as outlined in Section 1 of these terms of reference, or exercisable, by the Committee.

- 2.9. The Chair of the committee will have a casting vote in the event of a tied decision and in instances where the casting vote is used for something which is being recommended for approval by Council, the situation will be reported to Council in the relevant covering paper.
- 2.10. Where the Chair of the Committee considers it appropriate, decisions may be taken by email. An audit trail of decisions taken by email will be maintained by the Governance Team.

3. Frequency and Notice of Meetings

- 3.1. The Committee shall meet at least 4 times per year, ideally once per quarter.
- 3.2. Meetings of the Committee, other than those regularly scheduled as above, shall be summoned by the secretary of the Committee at the request of the Committee Chair, Council Chair, Director of Resources and/or internal or external auditor.
- 3.3. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting.

4. Minutes of Meetings

- 4.1. The secretary shall minute the discussion, decisions and actions of all meetings of the Committee, including recording the names of those present and in attendance.
- 4.2. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee once agreed by the Committee Chair.

5. Accountability & Reporting Responsibilities

- 5.1 The Committee is accountable to Council.
- 5.2 The draft minutes of the Committee meeting will be circulated to the next strictly confidential Council meeting, along with a report from the Committee Chair highlighting any issues for Council's discussion/consideration.

5.3 The Committee shall make a statement in the annual report about its membership, role and remit for the preceding year.

6. Other

6.1 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to Council for approval.

7. Authority

7.1 The Committee has the following authority delegated to it by Council:

- 7.1.1 appoint, reappoint and remove the external supplier of internal audit services;
- 7.1.2 review complaints (under the GOC's complaints policy) in the event that a complainant is not satisfied with the Registrar's response;
- 7.1.3 review and approve the following policies
 - a. ~~accounting~~ Accounting policies;
 - b. ~~standing Standing orders and standing financial instructions;~~ Scheme of financial delegation
 - c. Contracts and Procurement policy (~~contained as an annex in the Financial Regulations~~);
 - d. Credit card (use of) policy (~~contained as an annex in the Financial Regulations~~);
 - ~~e. the supply of non-audit services by the external auditor;~~
 - ~~f. Risk Management policy;~~
 - ~~g.e.~~ g.e. Fraud control/detection, money laundering and the prevention of bribery; and
 - ~~h.f.~~ h.f. Business Continuity Plan.

7.2 The Committee is authorised by Council to investigate any activity within its terms of reference.

7.3 The Committee is authorised by Council to seek any information it requires from any employee or contractor of the GOC and all are directed to co-operate with any request made by the Committee.

7.4 The Committee is authorised to obtain, at the GOC's expense, outside legal or other professional advice on any matters within its terms of reference.

Prepared by the GOC Governance Team.

Approved by Council on ~~27 March 2013~~ 12 February 2014. To be reviewed by the ARC in January 20145.

Appendix 1: Duties of the Audit & Risk Committee

1. Financial Reporting – the Committee shall:
 - 1.1 provide assurance to Council that there is a suitable mechanism in place for budget setting for each financial year; ~~monitor the integrity of the financial statements of the General Optical Council including its annual, half-yearly, management accounts and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;~~
 - 1.2 review the statutory annual report and financial statements prior to their submission to Council for approval, focusing particularly on the Statement on Internal Control, changes in and compliance with relevant accounting policies and practice, unadjusted mis-statements, major judgmental areas, level of error identified, significant adjustments resulting from the audit and managements letters of representation and advise Council accordingly as to whether, when taken as a whole, they are a fair, balanced and understandable and provide the necessary information to assess performance;
 - 1.3 review and challenge (if/where necessary):
 - the consistency of accounting policies;
 - the methods used to account for significant or unusual transactions;
 - whether appropriate accounting standards have been followed and appropriate estimates and judgements have been made, taking into account the views of the external auditor; ~~and~~
 - 1.4 review the adequacy of and approve any changes to the following finance related policies and procedures ensuring each is effective and consistent with Council's view and providing assurance as to the appropriateness and robustness of each:
 - ~~accounting~~ Accounting policies;
 - ~~standing~~ Standing orders
 - ~~scheme~~ Scheme of financial delegation;
 - ~~contracts~~ Contracts and procurement policy; and
 - ~~credit~~ Credit card (use of) policy.
 - 1.5 review the adequacy of and changes to the following finance related policies and procedures ensuring each is effective and consistent with Council's view and providing assurance as to the appropriateness and robustness of each before recommending their approval by Council:
 - ~~financial~~ Financial regulations;
 - ~~Reserves policy~~ (inc. reserves policy and investment policy);
 - ~~investment policy~~; and
 - ~~scheme~~ Sscheme of delegation – Parts 1 and 2 all parts (except ~~scheme of financial delegation – see 1.4 above~~);

2. Internal Audit – the Committee shall:
 - 2.1 approve the appointment, re-appointment and removal of the external provider of the internal audit function;
 - 2.2 oversee the selection process for an external provider to provide the internal audit function and if such provider resigns, the Committee shall investigate the issues leading to this, decide whether any action is required and advise Council;
 - 2.3 monitor and review the effectiveness of the internal audit function;
 - 2.4 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards and has adequate standing and is free from management interference and other restrictions;
 - 2.5 review and assess the annual internal audit plan;
 - 2.6 ensure co-ordination of activities with the external audit function;
 - 2.7 review reports from the internal auditor and review and monitor the Executive’s response to the findings and recommendations of the internal auditor;
 - 2.8 meet with the head of internal audit at least once per year, without the Executive’s presence, to discuss their remit, issues arising from audits and progress with recommendations; and
 - 2.9 ensure that the head of internal audit has direct access to the Chair of Council and the Committee.

3. External Audit – the Committee shall:
 - 3.1 make recommendations to Council on the appointment, re-appointment and removal of the GOC external auditors;
 - ~~3.2~~ 3.2 oversee the selection process for an external audit provider;
 - ~~3.23.3~~ 3.23.3 ~~and if such provider resigns, the Committee shall~~ investigate the issues leading to ~~this~~ the resignation of an external audit provider, decide whether any action is required and advise Council;
 - ~~3.33.4~~ 3.33.4 monitor and review the effectiveness of the GOC external audit function as appointed by Council;
 - ~~3.43.5~~ 3.43.5 consider and approve the remit of the external audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards, ~~and~~ has adequate standing and is free from management interference and other restrictions;
 - ~~3.53.6~~ 3.53.6 oversee the relationship with the external auditor including (but not limited to):
 - recommendations to Council on their remuneration, whether fees for audit or non-audit services (and the level of such fees) are appropriate to enable an adequate audit to be conducted;

- approve their terms of engagement, including the content of any engagement letter issued at the start of each audit and the scope of the audit;
- annually assess their independence, effectiveness and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- satisfy itself that there are no relationships (family, employment, investment, financial or business) between the auditor and the General Optical Council (other than in the ordinary course of business);

~~3.6~~3.7 review and approve the annual audit plan and ensure consistency with the scope of the audit engagement;

~~3.7~~3.8 meet with the external auditor at the planning stage before the audit and once after the audit at the reporting stage;

~~3.8~~3.9 ensure co-ordination with the activities of the internal audit function;

~~3.9~~3.10 meet with the external auditor at least once per year, without the Executive's presence, to discuss their remit, issues arising from the audit and progress with recommendations;

~~3.10~~3.11 review the findings of the audit with the external auditor which will include (but is not limited to) a discussion of any major issues which arose during the audit, any accounting and audit judgments, levels of error identified during the audit and the effectiveness of the audit;

~~3.11~~3.12 review any representation letter(s) requested by the external auditors before they are signed by the Executive and/or Council;

~~3.12~~3.13 review the management letter (if any) and the Executive's response to the auditors findings and recommendations and action plan;

~~3.13~~3.14 ~~ensure there is a policy on, review the adequacy of and approve a policy on the supply of non-audit services by the external auditor (taking into account any relevant ethical guidance on the matter), ensuring it is effective and consistent with Council's view and provides assurance as to the appropriateness and robustness of such a policy; and~~

3.15 ensure that the head of external audit has direct access to the Chair of Council and the Committee; and

~~3.14~~3.16 review the external audit report on 'decisions of the Investigation committee and Fitness to Practise committee' and highlight any learning points or areas of concern to Council.

4. Governance – the Committee shall:

4.1 ~~R~~receive regular reports on ~~review~~ complaints received and dealt with by the Registrar under the GOC's Complaints policy;

4.2 report annually to Council on the work the Audit and Risk Committee has undertaken during the previous year;

- 4.3 review the adequacy of and changes to the following ~~finance~~governance related policies and procedures ensuring each is effective and consistent with Council's view and providing assurance as to the appropriateness and robustness of each before recommending their approval by Council:
- ~~Allocation of Roles and Responsibilities (or other terms of reference if applicable);~~
 - Code of Conduct;
 - Gifts and Hospitality;
 - ~~declarations~~Management of interests;
 - Scheme of delegation – Part 1;
 - ~~Confidentiality;~~
 - Complaints – corporate, Chair, Members, Advisers and non-executive recruitment;
 - Information governance – Ffreedom of information and, ~~d~~Data protection; and
 - wWhistleblowing
 - ~~Records management and retention; and~~
 - ~~Information security.~~
- 4.4 annually review the GOC Register of Interests;
- 4.5 receive an annual report on information governance which includes progress made against the original BDO Stoy Hayward action plan, future planned work and details of the GOC information governance framework; and
- 4.6 annually review the content of information governance related training including details on attendance and availability of refresher training.

5. Risk Management and Internal Control – the Committee shall:
- 5.1 advise Council on the organisation's overall risk appetite, tolerance, ~~and~~ strategy and policy;
- 5.2 advise Council on the current risk exposures (identified and potential), future risk strategy and the organisations capability to identify and manage new risks;
- 5.3 review reports on any material breaches of risk limits and the adequacy of proposed action;
- 5.4 keep under review the organisation's risk assessment processes and obtain assurance from the internal auditors that the arrangements in place are effective;
- 5.5 review and approve the statements to be included in the annual report concerning internal controls and risk management;
- 5.6 keep under review the adequacy and effectiveness of internal financial controls and internal control and risk management systems;
- 5.7 consider and approve the remitsetup of the risk management function and ensure it ~~has adequate resources and appropriate access to information to~~

~~enable it is able~~ to perform its function effectively and in accordance with relevant professional standards and has adequate ~~standing and is free from management interference and other restrictions~~ oversight and monitoring;

~~5.7~~5.8 review promptly any reports on changes to the GOC's risk profile from the Director of Resources and review and monitor the Executive's response to findings from such reports;

5.9 review the organisations insurance cover to ensure that it is appropriate, relevant and best value;

~~5.8~~5.10 review the adequacy of and changes to the risk management strategy and policy (inc. how to complete the risk registers) ensuring they are effective and consistent with Council's view and providing assurance as to the appropriateness and robustness of each before recommending their approval by Council

~~5.9~~5.11 review the adequacy of ~~and approve any changes to~~ the following risk management/internal control/finance related policies and procedures ensuring each is effective and consistent with Council's view and providing assurance as to the appropriateness and robustness of each:

- ~~risk management strategy and policy inc. how to complete the r~~Risk Registers;
- fraud control/detection, money laundering and prevention of bribery; and
- business continuity plan.

~~5.10~~5.12 receive regular updates and/or exception reporting with regards to:

- non-compliance with policy/breaches with in relation to policies outlined in paragraphs 1.4, 1.5, 4.~~32~~, ~~and~~ 5.10 and 5.11 in Annex A ('duties') of the terms of reference;
- security (i.e. information, buildings, staff, assets);
- theft/loss (i.e. assets, personal effects, identity, laptops, memory sticks and mobile phones);
- fraud (i.e. income related, expenditure, investment, procurement, invoicing, identity, banking e-crime);
- hospitality received / given by all staff;
- health and safety (i.e. accidents, incidents etc); and
- litigation (i.e. staff, contractors, suppliers etc).

6. Advise Council on any other areas of its work which the Committee believes is part of the role of a Risk and Audit Committee.

Prepared by the GOC Governance Team

Approved by Council on ~~27 March 2013~~ 12 February 2014

To be reviewed by the ARC in January ~~2014~~ 2015.