

AUDIT & RISK ASSURANCE COMMITTEE TERMS OF REFERENCE

1. Purpose

- 1.1. The purpose of the Audit and Risk Assurance Committee (“the Committee”) is to:
- 1.1.1. advise Council on 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. advise Council on 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. provide Council with assurances and where necessary recommendations relating to the management of risk and the internal control environment;
 - 1.1.4. provide Council with assurances relating to corporate governance and charity governance requirements for the organisation;
 - 1.1.5. advise Council on the adequacy of the various policies which fall under the remit of the Committee; and
 - 1.1.6. advise Council on any implications 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 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 independent¹ external member. The Chair and the independent external

¹ a person who is able to provide a credible and unbiased perspective, who is not a GOC employee or a member of Council or any of its statutory committees and who is not and never has been a registrant of the GOC or an employee of a registrant of the GOC.

member should have appropriate audit, governance/charity governance and/or risk management experience.

- 2.3. The Chair of the Committee will be appointed by Council for a fixed period of three years, followed by one further reappointment for up to three years, except in the case where no other Council member has relevant financial experience to chair the Committee, in which case the maximum membership of a total of six years will be extended to eight years.
- 2.4. The members of the Committee will be appointed by Council for a fixed period of three years, followed by one further reappointment for up to three 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.
- 2.5. Only members of the Committee have the right to attend and participate at Committee meetings. However, other individuals such as the Chief Executive and Registrar, Director of Resources, Head of Governance, Compliance Manager, internal and external auditors or other advisers considered appropriate by the Chair may be invited to attend for all or part of any meeting.
- 2.6. In the absence of the Committee Chair, the remaining members present shall elect one of their number to chair the meeting.
- 2.7. A member of the Governance Team shall act as the secretary of the Committee.
- 2.8. The quorum necessary for the transaction of business shall be any two members. Member's attendance via telephone or video-link is permissible for the purposes of determining a quorum.
- 2.9. 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 One of these terms of reference, or exercisable, by the Committee.
- 2.10. 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.
- 2.11. 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 four 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 GOC annual report about its membership, role and remit for the preceding year.

6. Other

- 6.1 The Committee will review its effectiveness to ensure it is operating at maximum effectiveness, including how it is performing against its terms of reference, on an annual basis and report the results to Council.
- 6.2 The Committee will review its terms of reference and recommend any changes it considers necessary to Council every three years.

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 and approve the internal audit plan to ensure it is aligned with the key risks of the GOC;
 - 7.1.3 approve the internal audit fee;
 - 7.1.4 approve the external audit terms of engagement including the content of any engagement letter at the start of each audit and the scope of the audit;
 - 7.1.5 review and approve the following policies:
 - a. Accounting policies;
 - b. Contracts and Procurement policy;
 - c. Scheme of Financial Delegation (Chief Executive and Registrar and Directors delegations only);
 - d. Complaints; and
 - e. Information governance.
 - 7.1.6 approve the external auditors terms of engagement, including the content of any engagement letter issued at the start of each audit and the scope of the audit;
 - 7.1.7 review and approve the external annual audit plan and ensure consistency with the scope of the audit engagement;
 - 7.1.8 review and approve the statements to be included in the annual report concerning internal controls and risk management; and
 - 7.1.9 review the adequacy and robustness of the Business Continuity Plan and approve any changes to it ensuring it is effective, consistent with Council's view and provides the necessary assurances.
- 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 26 July 2016.
To be reviewed by the ARC in July 2019.

Appendix 1: Duties of the Audit & Risk Assurance Committee

1. Financial Management and Reporting – the Committee will:
 - 1.1 provide assurance to Council that there is a suitable mechanism in place for budget setting for each financial year;
 - 1.2 review the statutory annual report and financial statements prior to their submission to Council for approval, focusing particularly on the Governance Statement, 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;
 - 1.4 review the adequacy of and approve any changes to the following finance related policies and procedures by ensuring each is effective, consistent with Council’s view and provides assurance as to the appropriateness and robustness of each:
 - Accounting policies;
 - Contracts and procurement policy; and
 - Scheme of Financial Delegation (Chief Executive and Registrar and Directors delegations only).
 - 1.5 review the adequacy of and changes to the following finance related policies and procedures by ensuring each is effective, consistent with Council’s view and provides assurance as to the appropriateness and robustness of each before recommending their approval by Council:
 - Financial regulations
 - Reserves policy; and
 - Investment policy.
2. Internal Audit – the Committee will:
 - 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 ensure that the internal audit function has unrestricted scope, the necessary resources and access to information to enable it to perform its function effectively with adequate standing which is free from management interference in accordance with the appropriate professional standards for auditors;
 - 2.5 review and approve the annual internal audit plan to ensure it is aligned with the key risks of the GOC;
 - 2.6 approve the internal audit annual fee;
 - 2.7 oversee the co-ordination of activities with the external audit function to ensure effective operation and to avoid duplication;
 - 2.8 receive reports of internal audit work, review and monitor the Executive's response to the findings and recommendations of the internal auditor, form a view on how well they reflect the organisations risk exposure and provide assurance to Council;
 - 2.9 meet with the head of internal audit at least once per year, without the Executive present, to discuss their remit, the effectiveness of their function, issues arising from audits and progress with recommendations; and
 - 2.10 ensure that the head of internal audit has direct access to the Chair of Council and the Committee.
3. External Audit – the Committee will:
- 3.1 oversee the relationship with the external auditor including (but not limited to):
 - 3.1.1 make recommendations to Council on the appointment, re-appointment and removal of the GOC external auditors;
 - 3.1.2 oversee the tendering process for an external audit provider ensuring that all tendering firms have access as is necessary to relevant information and individuals for the duration of the tendering process;
 - 3.1.3 investigate the issues leading to the resignation of an external audit provider, decide whether any action is required and advise Council;
 - 3.1.4 negotiate the external audit fee and make recommendations to Council on such remuneration;
 - 3.1.5 negotiate other fees for audit or non-audit services and make recommendations to Council;
 - 3.1.6 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;
 - 3.1.7 review and approve the annual audit plan and ensure consistency with the scope of the audit engagement;
 - 3.1.8 annually assess their independence, effectiveness and objectivity taking into account relevant UK law, professional and regulatory requirements and the Ethical Standard;

- 3.1.9 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);
 - 3.1.10 ensure that the external audit function has unrestricted scope, the necessary resources and access to information to enable it to perform its function effectively with adequate standing which is free from management interference in accordance with the appropriate professional standards for auditors; and
 - 3.2 monitor and review the effectiveness of the GOC external audit function as appointed by Council and the relationship with the auditor as a whole;
 - 3.3 meet with the external auditor at the planning stage before the audit and once after the audit at the reporting stage;
 - 3.4 oversee the co-ordination of activities with the internal audit function to ensure effective operation and to avoid duplication;
 - 3.5 meet with the external auditor at least once per year, without the Executive present, to discuss their remit, the effectiveness of their function, issues arising from the audit and progress with recommendations;
 - 3.6 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 and advise Council on the assurances provided by the audit;
 - 3.7 review any representation letter(s) requested by the external auditors before they are signed by the Executive and/or Council;
 - 3.8 review the external audit findings report and the Executive's response to the auditors findings and recommendations and action plan;
 - 3.9 ensure that the head of external audit has direct access to the Chair of Council and the Committee; and
 - 3.10 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 will:
- 4.1 receive a quarterly report on complaints received (outside of Fitness to Practice) which includes instances where the Acceptable Behaviour policy has been implemented in order for the Committee to provide assurance to Council that processes are operating effectively;
 - 4.2 report annually to Council on the work the Audit and Risk Committee has undertaken during the previous year;
 - 4.3 consider annually the GOC Policy Log in order to provide assurance to Council that work in this area is progressing;
 - 4.4 review the adequacy of and changes to the following governance related policies and procedures ensuring each is effective, consistent with

Council's view and provide assurance as to the appropriateness and robustness of each before recommending their approval by Council:

- Code of Conduct;
 - Complaints policies (not those relating to Fitness to Practise);
 - Information governance; and
 - Scheme of delegation – Part one.
- 4.5 annually review the GOC Register of Interests and Register of Gifts and Hospitality; and
- 4.6 receive an annual report on information governance which includes progress made against the action plan, future planned work, details of the GOC information governance framework and the content of information governance related training including details on attendance and availability of refresher training and annual data on requests received for information in relation to freedom of information and data protection.
5. Risk Management and the Control Environment – the Committee will:
- 5.1 review the Corporate Risk Register on a quarterly basis and advise Council on any current risk exposures (identified and potential), changes to risk scores and the adequacy of proposed action/mitigations in order to provide assurance to Council that the risk register is operating effectively and in line with Council's expressed risk appetite and tolerance;
- 5.2 review the Departmental Risk Registers on an annual rolling basis and advise Council on any material changes to risk scores, concerns in relation to proposed actions/mitigations in order to provide assurance to Council that the Directorate Risk Registers are operating effectively;
- 5.3 review the adequacy of the guidance provided to employees on how to populate the risk registers (corporate and directorate), including scoring, mitigations and planned actions in order to provide assurance to Council that the system is working effectively;
- 5.4 obtain assurance from the internal auditors that the control environment 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 review and critically challenge the adequacy and effectiveness of internal financial controls and internal control and risk management systems in order to provide assurance to Council that the arrangements in place are robust and actively working;
- 5.7 review the organisations insurance cover to ensure that it is appropriate, relevant and best value;
- 5.8 review the adequacy of and any changes to the following internal control related policies ensuring they are effective, consistent with Council's view and provide assurance as to the appropriateness and robustness of each before recommending their approval by Council:

- risk management strategy and policy (inc. how to complete the risk registers); and
 - anti-bribery, money laundering, fraud, theft and corruption policy (inc. the public statement).
- 5.9 review the adequacy and robustness of the Business Continuity Plan and approve any changes to it ensuring it is effective, consistent with Council's view and provides the necessary assurances.
- 5.10 receive a quarterly breaches and exceptions report which will include:
- non-compliance/breaches with policies which fall under the remit of the Committee;
 - notification of any material changes to the following policies which are approved by the Executive: remainder of the scheme of delegation, credit card (use of), acceptable behaviour, gifts and hospitality and management of interests;
 - 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);
 - gifts and hospitality declared by all employees and members;
 - health and safety (i.e. accidents, incidents etc); and
 - litigation (i.e. employees, 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 Assurance Committee.

Prepared by the GOC Governance Team

Approved by Council on 26 July 2016.

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