

The University of Manchester

Audit and Risk Committee

Terms of Reference

1. All Audit and Risk Committee (ARC) members, including the Chair, will be appointed to the ARC by the Board, with a membership drawn from the lay membership of the Board (with provision for co-opted lay members from outside the Board). There shall be no fewer than three members. The Chair of the governing body and the Chair of the Finance Committee shall not be members of ARC. At least one ARC member shall be suitably financially qualified and have recent relevant financial experience. All members will have equal voting rights.
2. ARC members should collectively possess knowledge and skills in accounting, risk management, audit, financial governance and technical issues relevant to the business and strategic management of the university
3. Members of the Board, including ARC members, shall not, subject to what follows, serve continuously more than three terms of three academic years (or, where appointed for whatever reason for any period of fewer than three years, for longer than nine years in total), Exceptionally, in the interests of the University, the Board may approve the eligibility of a member to be appointed or elected for a fourth and final term or for longer than nine years (subject always to an overall maximum of twelve years).
4. The ARC shall be entitled to co-opt additional members for a maximum of three terms of three years (or, where appointed for whatever reason for any period of fewer than three years, for no longer than nine years in total) to provide specialist skills, knowledge and experience with the approval of the Board.
5. ARC members should declare to the appropriate authority, any personal interest that may compromise or might reasonably be deemed to compromise impartiality, conflict with duty as an employee to their employer, or result in private benefit. In particular, ARC members must declare any personal interest in the business to be discussed and, if necessary and as required, withdraw from the consideration of such business. ARC committee members will comply with Board policy on Conflicts of Interest.
6. The Committee will meet according to a pattern devised to fulfil the Committee's duties and responsibilities, which normally will require at least four meetings each year either in person or remote.
7. As set out in the Board Committee Standing Orders:
 - a) the quorum is one third membership, rounded to the nearest whole number,

b) at least one week's notice is provided of meetings

c) the RSCOO is Secretary to the Board and determines secretarial support to ensure effective conduct of business (this is provided through the Governance Office).

Scope and purpose

To advise and assist the Board of Governors by keeping under review the effectiveness of the University's arrangements* for: risk management culture, internal control and governance, compliance and external audit, whistle-blowing and fraud response.

(* including arrangements for its subsidiaries and other satellite entities)

Terms of Reference

a) External Audit

1. To recommend to the Board of Governors the appointment of the external auditors, and remuneration of the external auditor and the scope of the work, and any questions of resignation or dismissal of the external auditors. As part of this process to recommend any obligations arising from the University's status as a Public Institute Entity (PIE). (NB The University's status as a PIE precludes provision of any non-permitted non-audit services.)
2. Oversee the relationship with the external auditors and review their effectiveness.
3. Meet regularly with the external auditor, at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit.
4. Review and approve the annual audit plan, and associated costs, and ensure that it is consistent with the scope of the audit engagement.
5. Review the findings of the audit with the external auditors. This shall include but not be limited to:
 - a discussion of any major issues that arose during the audit
 - any accounting or audit judgements
 - levels of errors identified during the audit
 - the effectiveness of the audit

6. To consider all 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 OfS accounts directions and ensure the annual financial statements are fair and balanced. (The Finance Committee will provide the Committee with their view on the financial statements. This will be considered as part of the overall review and ARC will recommend to the Board the approval of the Financial Statements),
7. To review any representation letter(s) requested by the external auditor before they are signed by management
8. To review the management letter and the adequacy of management's response to the auditor's findings and recommendations.

b) Internal Audit

1. To review the scope and effectiveness of the internal auditor's work including:
 - i) risk assessment and strategy (whereby the annual plan will be informed by any relevant assurance mapping exercises undertaken),
 - ii) planning and operation of the internal auditor's work,
 - iii) assess the findings of major internal investigations and management responses; and
 - iv) to advise the Board of Governors as to the appropriateness of the resources made available for internal audit to meet the University's needs.
2. To review and approve the annual internal audit plan and ensure it is aligned to the University's strategic plan and strategic risk register.
3. To ensure effective co-ordination between the University's internal and external auditors.
4. To receive and consider the internal auditor's annual report which will cover their assessment of the effectiveness of the University's arrangements for: risk management, control and governance, economy and efficiency and data quality.
5. To review and monitor the implementation of agreed audit based recommendations, from whatever source, and to provide confirmation to the Board of Governors of the necessary actions taken to remedy any significant failings or weaknesses identified from the Committee's review of internal control.

6. To consider and recommend for approval to the Board of Governors the appointment and terms of engagement of the internal audit service (or the head of internal audit, if appropriate), the audit fee, the provision of any non-audit services and any questions of resignation or dismissal of the internal auditors.

c) Auditor performance

1. To monitor annually the performance, effectiveness and value for money offered by the services of the external and internal auditors (through the agreement of and performance against relevant KPIs), including commenting upon any matters affecting their objectivity, and to make recommendations to the Board of Governors concerning their reappointment where appropriate.

d) Internal Controls & Risk Management

1. To keep under review the adequacy and effectiveness of the University's financial and non-financial internal control and risk management activities in relation to the organisation's risk appetite.

2. To satisfy itself that the system of internal control has operated appropriately throughout the reporting period.

3. To provide assurance through reviewing and approving the statements to be included in the annual report concerning internal controls and risk management.

4. To review the strategic risks at each meeting of the Committee.

5. To review annually the risk framework and make recommendations to the Board regarding risk management activity.

6. To review annually the adequacy of governance the University's subsidiaries and other satellite entities.

7. To Provide a bi-annual report to the Board on risk management, including a review of the strategic risk register.

8. To oversee any other special strategic operations, including overall strategic plan, cost reductions, change programmes, significant contracts and material projects to assess overall systemic risk or if they are considered to pose a significant strategic risk, either at its own volition or following a request from the Board. In this context and to support this oversight work, the Committee shall have the ability to commission specialist, external work.

9. To liaise with other University committees in respect of any material risks relevant to that committee.

e) Financial Probity

1. To consider and review the University's accounting policies and any changes to them as set out in the annual financial statements.
2. To ensure that all significant losses have been properly investigated and that the internal and external auditors, and where appropriate the Office for Students (OfS) and United Kingdom Research and Innovation (UKRI) Accounting Officers (or other relevant parties), have been informed.

f) Compliance, Whistle blowing and Fraud

1. To receive an annual update on the University's policies on fraud, whistleblowing, and financial irregularity and make recommendations for any changes.
2. To receive prompt reports and ensure satisfaction with any action taken under those policies.
3. To receive an annual report summarising the year including any themes and actions taken to minimise the likelihood of fraud, whistleblowing, and financial irregularity (both from a pro-active and re-active perspective).
4. To review the arrangements for its employees, contractors and volunteers to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.
5. To review the operation of the anti-fraud policy.
6. To review systems and controls for the prevention of bribery and receive reports on non-compliance.
7. To receive regular reports of any alleged instances of fraud, theft, whistleblowing or bribery occurring amongst staff, volunteers, Trustees, committee members, contractors or any other individuals acting on its behalf and regularly review the operation of relevant policies.
8. To receive regular reports from the Information Governance Committee which will cover any breaches of data protection.

g) Value for Money

1. To satisfy itself that arrangements are in place that promote economy, efficiency and effectiveness.

h) Academic Governance

1. In conjunction with Senate in its role as principal academic authority, to monitor and provide assurance to the Board that the University has an effective framework to manage the quality of learning, teaching and research and to maintain academic standards.

i) Annual Report

1. To present to the Board of Governors and to the Accounting Officer, an annual report covering the University's financial year and any significant events up to the date of preparation. The report should express opinions in relation to the Committee's review of the effectiveness of institutional arrangements for the following:

- Risk management, control and governance
- Economy and efficiency
- Data Quality.

2. As part of this process, the ARC will consider and review the risk registers and maps of the University, reporting on any further assessment of risk undertaken by the Committee to the Board of Governors.

j) Governance

1. To review, on an annual basis and in consultation with the Board of Governors (in the context of overall governing body effectiveness), the Committee's own performance against accepted good practice.

2. To hold, on (at least) an annual basis, private meetings between the members of the Committee and the external and internal audit teams, and between the members of the Committee and the officers of the University.

k) Other

1. To receive any relevant reports from the National Audit Office, the OfS, UKRI and other external organisations.

2. To receive any relevant reports from other University committees, and to discuss any issues arising with the appropriate representatives of management either from: i) within the University or ii) from any subsidiary undertaking and other satellite entity in which the University is involved as a participant partner or shareholder, as appropriate.

Current membership

Deidre Evans (Chair and Lay Board member)

Ann Barnes (Lay Board member)

Robin Phillips (Lay Board member)

Natasha Traynor (Associate Lay Board member)

Trevor Rees (co-opted member)

Alex Creswell (Advisor to committee on cyber risk and cyber security)