Audit, Finance and Risk Committee (ARC) - Terms of Reference

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1. Purpose

1.1 Council has established an Audit, Finance and Risk Committee (ARC), with the following delegated authority:

a. To provide Council with assurances relating to:
- management of GOC finances;
- management of risk;
- the internal control environment; and
- corporate and charity governance.

b. To appoint, reappoint and remove the external supplier of internal audit services and associated fees

c. To approve the internal audit plan;

d. To approve policies relating to the following:
- financial regulations;
- working capital;
- risk management;
- contracts and procurement;
- information governance;
- anti-financial crime;
- working capital; and
- credit cards.

e. To advise Council on:
- the annual report, accounts and financial statements of the organisation;
- the suitability of the proposed annual budget
- matters of note in the financial performance reports;
- the appointment, reappointment and removal of the external auditors;
- the external audit fee and other fees for audit and non-audit services;
- the Reserves Policy;
- the Risk Appetite statement.

f. To approve the external audit terms of engagement;

g. To approve the external audit annual plan;

h. To approve the statements to be included in the annual report concerning internal controls and risk management; and

i. To ensure that all policies and work within the committee's remit take account of and promote the GOC values and commitment to equality, diversity and inclusion.

2. Membership, Chair, Secretary and Quorum

2.1 The Committee will have at least four members, including one independent member[i]. The membership will include at least one lay Council member and one registrant Council member. At least one member of the Committee will sit on both the Investment Committee and Audit, Finance and Risk Committee (ARC). The quorum necessary for the transaction of business will be three members. In the instance of a tied vote, the Chair will have the casting vote.

2.2 The Chair will be appointed by Council for up to four years, extendable by one further reappointment for up to four years. Council members will be appointed by the Council, in consultation with the Committee Chair. The maximum term for any appointment to the Committee will be eight years. A Chair may be elected by the members of the committee in advance of the meeting in the event the Chair has given their apologies.

2.3 The independent member will be appointed by the Nominations Committee for a fixed period of four years, followed by one further reappointment of four years.

2.4 The Chair and the independent member should have appropriate audit, governance or risk management experience.

2.5 The Chair of Council, the Chief Executive and members of the Senior Management Team (SMT) may attend and speak at meetings of the Committee. The internal auditor and external auditor are permitted to attend any meeting upon request, except where the Chair of the Committee determines that there is an unmanageable conflict of interest. Others may be called upon to attend and speak at the invitation of the Chair.

3. Frequency and Notice of Meetings

3.1 The Committee will meet at least four times during each financial year.

3.2 Meetings will be held electronically (online via MS Teams or similar) unless otherwise notified. A notice of the meeting confirming the venue, time and date will be issued to all Committee members and participants electronically. This will be accompanied by the agenda and supporting papers. This will be issued no later than five working days before the date of the meeting, unless otherwise agreed by the Chair of the Committee.

3.3 Meetings of the Committee shall be called by the secretary of the Committee, who is normally a member of the Governance team, according to the annual calendar. Additional meetings can be organised at the request of the Committee Chair, Chair of Council, Chief Executive and Registrar or Director of Corporate Services. For a meeting to proceed, the secretary of the Committee must be present. If it is necessary for the secretary of the Committee to leave the meeting due to confidential matters, the Chief Executive and Registrar or their nominated representative will act as secretary of the Committee.

4. Minutes of Meetings

4.1 A member of the Governance team will minute the discussion, decisions and actions of all meetings of the Committee, including recording the names of those in attendance.

4.2 Draft minutes of Committee meetings will be circulated to all members of the Committee once they have been agreed to by the Committee Chair. Draft minutes will be considered and approved by the Committee at its next meeting. In the event of a dispute, the Chair will have a casting vote.

4.3 The draft minutes of the Committee will be referred to the next strictly confidential Council meeting. The Chair may choose to submit a report from the Committee highlighting any issues for Council's discussion or consideration.

5. Accountability & Reporting Responsibilities

5.1 The Committee is accountable to Council.

5.2 The Committee will review its effectiveness, including how it is performing against its terms of reference, on an annual basis and provide an annual report to Council to be considered at a public meeting.

5.3 The Committee will review its terms of reference every three years and recommend any changes it considers necessary to Council for approval.

6. Authority

6.1 The Committee is authorised by Council to seek such information as it may reasonably require from any employee or member of Council to fulfil its remit. Individual members of the Committee can request information via the Chair of the Committee and the Chair of Council. Such requests must outline the purpose for which the information is requested, and any information made available will be circulated to the Committee as a whole. The Chief Executive and Registrar, with the agreement of the Chair of Council, can refuse an information request where it is reasonably believed that disclosure is not in the interests of the GOC, its regulatory purpose or the pursuit of its charitable objectives.

Appendix 1: Duties of the Audit, Risk & Finance 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:

a. the Governance Statement;

b. compliance with relevant accounting policies and practice;

c. unadjusted mis-statements;

d. major judgmental areas;

e. level of error identified;

f. significant adjustments resulting from the audit; and

g. management letters of representation;

and advise Council accordingly on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess the company's position and performance, business model and strategy;

1.3 review and challenge as appropriate:

a. the consistency of accounting policies;

b. the methods used to account for significant or unusual transactions;

c. 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 and challenge as appropriate the proposed budget in advance of each financial year and report its opinion to Council prior to the budget being considered by Council;

1.5 review and challenge as appropriate the quarterly financial performance reports prior to presentation to Council; provide assurance to Council as to their content; and advise Council as to any issues of which it should be aware and any action required;

1.6 review the adequacy of and approve any changes to the following finance related policies and procedures

a. Annual accounting
b. Anti-financial crime
c. Contracts and procurement
d. Credit cards
e. Financial regulations
f. Scheme of Delegation for Financial Management
g. Working Capital

ensuring each is effective, consistent with Council's view and provides assurance as to the appropriateness and robustness of each.

1.7.1 review the adequacy of and changes to the following finance related policies and procedures before recommending their approval to Council:

a. Reserves policy

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.

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, investigate the issues leading to this and decide whether any action is required and advise Council;

2.3 monitor and review the effectiveness of the internal audit function, including an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team. This may include:

a. Collaborating with SMT and the internal audit function to determine the scope and frequency of the external quality assessment.
b. Consider the responsibilities and regulatory requirements of the internal audit function, as described in the internal audit charter, when defining the scope of the external quality assessment.
c. Review and approve the internal audit function's plan for the performance of an external quality assessment. Such approval should cover, at a minimum:

- The scope and frequency of assessments.
- The competencies and independence of the external assessor or assessment team
- The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment

d. Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.
e. Review and approve the internal audit function's action plans to address identified deficiencies and opportunities for improvement, if applicable.
f. Approve a timeline for completion of the action plans and monitor the internal audit function's progress.

2.4 establish, approve, and support the mandate 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 (priority one recommendations in detail at each meeting, with a particular focus on recommendations that have been deferred or are on hold, and other recommendations in detail annually), form a view on how well they reflect the organisation's risk exposure and provide assurance to Council focusing on the highest priority items;

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 unrestricted access to the Chair of Council and the Chair of the Committee.

3. External Audit

The Committee will:

3.1 oversee the relationship with the external auditor including (but not limited to):
a. make recommendations to Council on the appointment, re-appointment and removal of the GOC external auditors;
b. 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;
c. investigate the issues leading to the resignation of an external audit provider, decide whether any action is required and advise Council;

d. negotiate the external audit fee and make recommendations to Council on such remuneration;
e. negotiate other fees for audit or non-audit services and make recommendations to Council;
f. 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;
g. review and approve the annual audit plan and ensure consistency with the scope of the audit engagement;
h. annually assess their independence, effectiveness and objectivity taking into account relevant UK law, professional and regulatory requirements and the Ethical Standard;
i. 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);
k. 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;

3.2 monitor and review the effectiveness of the 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 unrestricted access to the Chair of Council and the Chair of 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 review on an annual basis:
- a. patterns and trends in corporate complaints and where the Acceptable Behaviour policy has been implemented in order to provide assurance to Council that processes are operating effectively;
- b. information governance in order to provide assurance to Council that work in this area is compliant with GDPR and associated legal powers and duties (including review of completed and planned actions, effectiveness of the GOC information governance framework, completion of mandatory training and data on freedom of information and subject access requests;

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

4.3 review the adequacy and robustness of key performance measures being used to report performance to Council;

4.4 review the adequacy of and approve any changes to the Information governance framework;

4.5 annually review the GOC Register of Interests and Register of Gifts and Hospitality.

5. Risk Management and the Control Environment

The Committee will:

5.1 review the Corporate Risk Register on a quarterly basis, focusing on the highest risk areas, and advise Council on any current risk exposures (identified and potential), changes to risk scores and the adequacy of proposed action or 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, until such time as the Committee considers there to be an effective risk management system in place and fully embedded, focusing on the highest risk areas, and advise Council on any material changes to risk scores, concerns in relation to proposed actions or mitigations in order to provide assurance to Council that the Directorate Risk Registers are operating effectively;

5.3 advise Council as to which risk areas it should explore in depth;

5.4 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;

5.5 obtain assurance from the internal auditors that the control environment arrangements in place are effective;

5.6 review and approve the statements to be included in the annual report concerning internal controls and risk management;

5.7 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;

5.8 review the adequacy of and approve any changes to the following internal control related policies:

- risk management policy; and
- anti-financial crime.

5.9 review the adequacy of and approve any changes to the Risk Appetite statement before approval by Council;

5.10 review the adequacy and robustness of the Business Continuity Plan, ensuring it is effective, consistent with Council's view and provides the necessary assurances;

5.11 review the annual Health & Safety compliance report;

5.12 receive a quarterly exceptions report, which will include matters requiring reporting to the Charity Commission as 'serious incidents', covering:

5.12.1 breaches of or exceptions to any of the policies that are approved by Council or its committees;

5.12.2 material changes to policies approved by the Executive;

5.12.3 non-financial theft or loss which has created or may create a significant risk;

5.12.4 security incidents which have created or may create a significant risk;

5.12.5 data breaches requiring reporting to the Information Commissioner's Office;

5.12.6 incidents requiring reporting to the Health and Safety Executive in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013;

5.12.7 new or intended litigation;

5.12.8 waiver of standing orders;

5.12.9 exceptional financial actions such as losses being written off or special payments being made;

5.12.10 financial crimes such as fraud, theft or money laundering;

5.12.11 significant financial loss;

5.12.12 large donations from an unknown or unverifiable source or suspicious financial activity using the charity's funds;

5.12.13 new insurance claims;

5.12.14 links to terrorism or extremism, including proscribed organisations or individuals subject to an asset freeze; and

5.12.15 other serious or significant incidents such as disqualified trustees; insolvency; forced withdrawal of banking services; suspicions, allegations or incidents of abuse; or actual/suspected criminal activity.

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

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[i] 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.