

Audit, Internal Control and Risk Management Committee – Terms of Reference

Introduction

The School is committed to ensuring that it has a strong internal control system that supports risk management, in accordance with regulatory requirements and best practices in risk management.

This Statement explains the School's underlying risk management approach, as well as the roles and responsibilities of the Board of Governance, the Principal, and the Senior Leadership Team and other key stakeholders.

The Policy also highlights key aspects of:

- the risk management process,
- identifying the primary reporting procedures,
- describing the processes wherein the efficiency of School's internal control procedures will be evaluated by the Board of Governance

Application of the Policy

This Statement and associated process applies to all internal and external stakeholders, all the colleagues and grades (whether permanent, fixed term, or temporary), teaching staff, workers, trainees, seconded employees, agency staff, agents, volunteers, interns, and anyone else who works in any context within the School.

Principles of Approach to Risk Management

The School's approach to risk management and internal control is guided by the following core principles:

- Effective risk management contributes to the long-term viability of the School's operations;
- The school's goal is to foster a culture in which risks are identified, acknowledged, and managed by all levels of staff;
- Risk management is integrated into the School's planning process. All Senior Managers are accountable for ensuring good risk management practise within their portfolios of responsibility;
- Key risk indicators are identified and closely monitored on a regular basis.
- The School recognises and discloses the financial and non-financial implications of risks prudently.

Role of the Board of Governance

As the School's governing body, the Board of Governance is responsible for a range of statutory and regulatory obligations. It must guarantee that the Board is carrying out its responsibilities for proper and

effective risk management, control, and governance, as well as the economy, efficiency, and effectiveness (return on investment) of the School's operations.

In terms of risk management, the role of the Board is to set the tone and shape the risk management culture within the School. This includes the following:

- Identifying the proper risk appetite or amount of exposure for the School as a whole or for any relevant specific issue;
- Determining which types of risk are acceptable and which are not.
- Setting the standards and expectations of workers in terms of behaviour and probity;
- Approve important actions impacting the risk profile or exposure of the School;
- To limit the chance of unpleasant shocks, and to keep a close eye on the management of larger risks.
- Ensure that the less significant risks are actively addressed and that suitable controls are in place and operating efficiently.
- Review the School's strategic risks at least once a year and authorize adjustments or improvements to key components of its risk management plan and policy based on the Audit Committee's advice.

Role of the Audit, Internal Control and Risk Management Committee

The Audit, Internal Control, and Risk Management Committee has been assigned responsibility by the Board to monitor and advise on the School's risk management framework.

The Audit, Internal Control, and Risk Management Committee advises the Board of Governance on the efficacy of the School's risk management practises. It submits an annual report to the Board of Governance detailing the Committee's activities. The Committee's formal opinion on the adequacy and effectiveness of the School's risk management systems is included in this report. This report is considered by the Board as part of its review of the Financial Statements and the data linked to the.

Frequency of meetings

The Audit, Internal Control and Risk Management Committee will normally meet twice a year.

Membership

The Committee will be chaired by an external Governor. The membership will include:

The Chair

CEO

Head of Operations

Registrar/Compliance Manager

Data Manager

External Member

The Principal (by invitation)

Role of the Principal and Senior Management Team

The Principal is ultimately responsible for the organisation, direction, and management of the School and its staff. The Principal, in the context of risk assessment and audit is responsible for:

- Identifying and evaluating the school's key risks for consideration by the Board of Governance.
- Advising the Board of Governance on risk management strategy and policy development through the Audit Committee and the effectiveness with which policies and procedures for risk management and internal control are being implemented.
- Providing adequate information on the status of risks and controls at the corporate level to the Board of Governance and its committees in a timely way.
- Notifying the OfS of any significant adverse change, such as a large and imminent threat to the School's financial status, or substantial fraud.

In carrying out these responsibilities, the Principal is facilitated by Director Operations who has operational responsibility for the development and application of the Risk Management Policy, as well as making sure that risk management processes are accurately coordinated and consistent throughout, and that employees are adequately inducted and trained.

SMT is responsible for monitoring and updating the School's Risk Register (as needed).

Each Audit Committee meeting begins with a review of the Risk Register.

It is the responsibility of a member of the SMT who a risk owner is, to monitor the risk and ensure that it is monitored and managed effectively, and that progress is reported.

Risk management as part of the system of internal control

The School's internal control system includes risk management and a range of features that allow the School to respond to operational, financial, reputational, and commercial concerns. These are some examples:

- **Regulation, policies and procedures**

A regulatory and policy framework is used throughout the School and serves as the foundation for the internal control process (this includes, financial regulations, academic regulations, risk registers, counter-fraud and anti-bribery policy, and health and safety policy etc.).

- **Regular reporting**

The risk management framework and Risk Register is used to review risks on a regular basis by all areas of the School. There are processes in place for reporting and escalating risks when an issue is considered to be high.

The Principal reports to the Board of Governance at each meeting, offering an update on major areas of strategic activity, progress, and development, as well as normal items of business such as student recruitment and financial performance.

The Board periodically considers performance against all key performance indicators (KPIs), including issues relating to the student experience, research and enterprise, and institutional sustainability, and success on all strategic KPIs is explicitly reported on an annual basis.

- **Annual planning and budgeting**

The annual planning and budgeting processes at the School are used to establish objectives, agree on action plans, and allocate resources. The SMT and members of each academic programme meet at least once a year to discuss risk identification and management. Progress toward meeting annual plan objectives that support the fulfilment of the Strategic Planning Framework is tracked and reported to the Board of Governance on a regular basis.

- **Corporate risk management framework**

The SMT considers risk management issues on a regular basis, and formal discussion and review of the Risk Register at regular intervals throughout the academic year aids in the identification, assessment, and ongoing monitoring of risks that are important to the institution and its performance.

- **Programme risk management framework**

Programme managers apply and tailor the risk management framework to each Programme. They are accountable, in collaboration with their Leadership Teams, for identifying, managing, monitoring, and reporting risks and controls via the agreed-upon School processes and make sure that suitable links between operational and corporate level risks are established.

The Principal oversees a routine evaluation of all Programme and Risk Registers to verify compliance with the School's expectations for the consideration, recording, and management of significant risks.

- **Audit Committee**

The Audit Committee reports on internal control issues to the Board of Governance and to alert the Board to any emergent difficulties. In addition, as part of its evaluation of internal controls, the Committee reviews internal audit, external audit, and management. As a result, the Committee is well-positioned to advise the Board on the effectiveness of the internal control system, including the School's risk management system.

- **Internal audit programme**

Internal audit is a key component of the internal control process. Aside from its regular work, internal audit oversees an annual review of the efficacy of the institution's risk management system, and it uses a risk-based approach in accordance with instructions from the Office for Students.

- **External audit**

External audit gives feedback to the Audit Committee on the operation of the internal financial controls examined during the yearly audit.

- **Third party reports**

External consultants support may be required where seen to be advantageous to the institution, and as appropriate, used on a regular basis. The engagement of specialised third parties for consulting and reporting can improve the internal control system's reliability.

1. **Internal working groups**

Internal cross-institutional working groups serve as an additional mechanism for monitoring and assessing risk on a thematic basis, and can escalate issues to the Risk Register, which senior managers can incorporate into their own.

Annual review of effectiveness

Based on information provided by the Audit Committee, the Board of Governance is responsible for monitoring the efficacy of the School's internal controls. Its strategy is given below.

- The Audit Committee will review the preceding year and analyse the School's track record on risk management and internal control for the risks on the Risk Register.
- Consider the following year's internal and external risk profile, as well as whether current internal control mechanisms are likely to be successful.
- Ensure that the upcoming year's internal audit programme tackles the significant risks.

The Audit Committee will consider and advise the Board on the following aspects when examining the effectiveness of internal controls:

- **Control of environment**

- The School's objectives and financial and non-financial goals;
- The institutional culture, approach, and resources for risk management;
- Accurate delegation of authority .

- **On-going identification and evaluation of significant risks**

- Early identification and assessment of important hazards.
- Risk prioritisation and resource allocation to address high-exposure areas

1. **Information and communication**

- The reliability and quality of information on serious hazards;



- The time it takes to identify control breakdowns or new risks.
- **Monitoring and corrective action**
 - The institution's ability to learn from its past experiences and failures;
 - The institution's commitment and the speed with which corrective actions are implemented.