

AUDIT COMMITTEE

TERMS OF REFERENCE

UCAS ('THE COMPANY')

Security marking: CONFIDENTIAL

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1. Constitution

The Audit Committee ('the Committee') will have up to five members, a majority of whom will be independent trustees, and two members will be co-opted based on specific skills. One of the trustees will be from the higher education ('HE') sector, and at least one member of the Committee will have recent and relevant financial experience, and competence in accounting and/or auditing. The Audit Committee as a whole shall have competence relevant to the sector in which the Company operates.

The appointment of the Committee members will be by the Board on the recommendation of the Nominations Committee in consultation with the Chair of the Committee. The Nominations Committee will recommend co-opted members to the Committee for approval. The Board will appoint the Chair of the Committee. The Chair of the Board shall not be a member of the Committee.

2. Term

Unless otherwise determined by the Board on the recommendation of the Nominations Committee, a trustee's appointment to the Committee will run concurrently with his or her term of office as a trustee of the Company. A trustee's appointment as a member of the Committee shall automatically cease when he or she ceases to be a trustee of the Company.

Co-opted members of the Committee shall be appointed for a period of up to four years, and the Board may extend that period for a maximum of a further four-year period, provided the Committee member still meets the criteria for membership of the Committee. The Board can remove co-opted members at any time.

3. Quorum and Voting

The Committee will have a quorum of three, two of whom must be trustees of the Company.

Decisions at Committee meetings will be made by a majority vote, and each Committee member shall be entitled to one vote. In the event of an equality of votes at a meeting, the Chair will have a casting vote.

In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

4. Duties and Responsibilities

The Committee shall undertake and be responsible for the following for the Company and, as appropriate, any subsidiaries of the Company and the group as a whole:

4.1 Internal Controls

- > reviewing with management, the internal auditors and the external auditors, the adequacy and effectiveness of all internal controls, including, but not limited to, internal financial controls
- > monitoring management's implementation of recommendations by the internal and external auditors
- > reviewing the procedures for the prevention and detection of fraud, bribery, and other irregularities, and monitoring the reporting of fraud and other improper acts, including being satisfied that all losses and all cases of fraud and suspected fraud have been brought to the Committee's attention; that they have been properly investigated; and internal and external auditors have been informed
- > reviewing the adequacy and security of the Company's arrangements for its employees, and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (whistleblowing). The Committee shall ensure these arrangements allow proportionate and independent investigation of such matters, raising and appropriate follow-up
- > reviewing the Company's fraud, suspected fraud, and whistleblowing register, and the Company's annual assessment of fraud risk
- > reviewing delegated authority limits proposed by management.

4.2 Risk Management

- > overseeing, reviewing, and advising the Board on the Company's overall risk appetite, exposure, and risk strategy
- > reviewing the effectiveness of management processes designed to identify, assess, monitor, and manage risk, including a review of the outcomes of internal audit work on the risk management process
- > reviewing and advising the Board on periodic reports from management, identifying material business risks, the operation of risk management strategies and controls, and the effectiveness of risk management processes
- > advising the Board on material business risks and material breaches of risk appetite levels, the adequacy of proposed action, and the operation of risk management strategies and controls as reviewed by the Committee, including during its private session
- > considering any serious incidents reported, including, but not limited to, any reported instance of fraud or suspected fraud, and ensuring the incidents have been managed responsibly, steps have been taken to limit immediate impact, and where possible, prevent it from happening again, necessary action has been taken as quickly as possible, and professional advice has been taken where appropriate.

4.3 External Audit

- > discussing with the external auditors, before the audit begins, the nature and scope of their audit
- > reviewing with the external auditors matters arising from their interim and final audits, including but not limited to:
 - any significant areas of judgement in the financial statements
 - the appropriateness of accounting policies, in light of best practice
 - recommendations for improvements in internal controls, systems, and procedures
 - any other matters the external auditors may wish to discuss (in the absence of management where necessary).
- > advising the Board on the appointment of external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of resignation or dismissal of the external auditors
- > if an auditor resigns, the Committee must investigate the issues leading to this, and decide whether any action is required
- > monitoring annually the performance, independence and objectivity, and effectiveness of external auditors, and making recommendations to the Board concerning their re-appointment, where appropriate.
- > ensuring at least once every ten years the audit services contract is put out to tender, to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other firms
- > ensuring the auditor is rotated after the maximum period of 20 years
- > meeting regularly with the external auditors (including once at the planning stage before the audit commences and once after the audit at the reporting stage) and at least once a year, without the presence of management.

4.4 Internal Audit

- > reviewing and approving the annual internal audit plan to ensure it is aligned to the key risks of the Company
- > receiving and reviewing the reports of the internal auditors on the outcomes of their work
- > receiving and reviewing the annual report of the internal auditors summarising work undertaken in the year, the results of that work, and the subsequent actions taken by, and responsiveness, of management
- > considering any other matters, the internal auditor may wish to raise with the Committee (in the absence of management where necessary)
- > in consultation with management, appointing internal auditors, and agreeing their fees
- > monitoring annually the performance and effectiveness of the internal auditors
- > having responsibility for all questions of reappointment, resignation, or dismissal of the internal auditors.

4.5 Governance

Monitoring the effectiveness of corporate governance arrangements, taking into account work conducted by internal audit, or the outcome of other independent reviews, and advising the Board on any proposed changes.

4.6 Annual Report and Accounts

- > considering elements of the annual financial statements in the presence of the external auditor, including the auditor's formal opinion, the statement of Committee members' responsibilities, and any statements on corporate governance, internal control, and risk management
- > monitoring the integrity of the financial statements of the Company, and reviewing and reporting to the Board significant financial reporting issues and judgements contained in them having regard to matters communicated to it by the auditor
- > reviewing the content of the annual report and accounts. If requested by the Board, providing advice on whether the annual report and accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for members of the Company to assess the company's position and performance, business model, and strategy
- > reviewing the representation letter given by the Board to the external auditors, and recommending it for approval by the Board
- > where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, reporting its views to the Board
- > subject to the Committee's satisfaction, recommending to the Board that the annual financial statements be approved.

4.7 Reporting

- > advising and/or making recommendations to the Board in respect of the above matters
- > making whatever recommendations to the Board it deems appropriate, on any area within the Committee's remit where action or improvement is needed
- > reporting promptly to the Board on all acts and proceedings of the Committee.

4.8 Performance Evaluation

- > monitoring the role and effectiveness of the Committee once a year, considering how this could be enhanced and improved, and recommending to the Board any changes it considers necessary
- > reporting annually to the Board on the work undertaken by the Committee, its performance, constitution, and terms of reference.

4.9 Other Matters

- > keeping under review developments in financial reporting, laws, and regulations, and agreeing with management any actions arising
- > determining and advising the Board on whether any incidents are deemed serious, and should be reported to the Charity Commission.

5. Resources

The Committee will:

- > have access to sufficient resources in order to carry out its duties, including access to the company secretariat for secretarial support, and other assistance as required
- > be provided with appropriate and timely training, both in the form of an induction programme for new Committee members, and on an ongoing basis for all Committee members.

6. Proceedings

The Committee will meet at least three times a year.

Meetings of the Committee will be called by the Company on behalf of the Chair, by notice served on the members of the Committee.

The notice of each Committee meeting with the agenda, and any supporting papers, will normally be sent by the Company to the members of the Committee, and any other person attending the meeting, no later than five working days before the meeting date.

Committee meetings may be held in person or by suitable electronic means agreed by the members of the Committee, in which each participant may communicate with all the other participants.

As part of the formal meeting programme, the Committee shall hold separate private sessions with each of the external auditors, internal auditors, and management.

Outside the formal meeting programme, the Chair of Committee will maintain contact with key individuals involved in the Company's governance, including the Chair of the Board, the Chief Executive, Director of Finance and Corporate Services, the external audit lead partner, and internal audit lead partner.

Outside the formal meeting programme, the Committee shall work and liaise as necessary with the other Board Committees.

7. Minutes

The Company will minute the proceedings of the Committee meetings, which will be circulated to all members of the Committee and, following approval by the Chair, to the Board.

8. Authority and Regulation

In the exercise of the powers delegated to it by the Board to advise on, and recommend to the Board for approval, the above matters, the Committee shall conform to any regulations and financial limits within which it is required to operate, as imposed on it by the Board. The Committee shall not exceed such financial limits without the authorisation of the Board.

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

The Committee is authorised to seek any information it requires from any employee/director of the Company to perform its duties, and to request the attendance of any employee at a meeting of the Committee, as and when required.

9. In Attendance

The following individuals shall attend the meetings of the Committee:

- > the Chief Executive (non-voting)
- > the Director of Finance and Corporate Services (non-voting)
- > the Minute Secretary (non-voting)
- > internal auditors (non-voting)
- > external auditors (non-voting)

From time to time, other senior members of staff connected with items of business may be invited by the Chair of the Committee to attend all or part of any Committee meeting. Such members of staff in attendance will not be entitled to vote at any Committee meeting.