

UNIVERSITY OF THE
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UNIVERSITEIT VAN DIE
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REMIT OF THE AUDIT, RISK AND IT GOVERNANCE COMMITTEE (ARIC)

1. Name of the Committee

The name of this committee is the Audit, Risk and IT Governance Committee (ARIC) of the University of the Free State (“UFS”) (“the Committee”).

2. Statement of Aim

2.1 The Committee is a committee of the Council of the UFS, established by the Council in accordance with the provisions of Section 29(1) of the Higher Education Act, 101 of 1997, as amended.

2.2 The Committee is accountable to the Council. As such it shall not perform any management functions or assume any management responsibilities and shall have an objective, independent role, providing monitoring and oversight and making recommendations to the Council for approval.

2.3 The Committee assists the Council in discharging its duties to ensure the integrity of annual reporting and review the effectiveness of the financial reporting process, the system of internal control and the management of risks, the assurance process, and the process for monitoring compliance with laws and regulations.

2.4 The Committee maintains effective working relationships with the Council, the Rectorate, and the internal and external auditors.

3. Membership

3.1 The Committee shall consist of the following members:

- (a) at least four (4) non-executive Council members
- (b) two (2) external independent members, who are not members of Council appointed on the basis of their requisite expertise
- (c) the Rector and Vice-Chancellor (Observer)
- (d) the Vice-Rector: Operations (Observer)
- (e) External Auditors (Observers)
- (f) the Director: Internal Audit (Observer)
- (g) the Chief Risk Officer (Observer)
- (h) the Compliance Officer (Observer)

- (i) the Senior Director: Finance (Advisory)
- (j) the Senior Director: Information, Communication and Technology Services (Advisory)
- (k) Directors: Finance (Advisory)

3.2 The Chairperson and Vice-Chairperson of ARIC are appointed by the Council, and shall not also be the Chairperson of the Council, and will hold these positions for the duration of their membership of the Committee.

3.3 ARIC may invite UFS officials to attend ARIC meetings as advisers, to advise on such matters as may be required by ARIC.

3.4 If the Chairperson of ARIC is absent from a meeting, the Vice-Chairperson will act as the Chairperson.

4. Term of Office

4.1 Members appointed in terms of paragraph 3(1)(a) shall serve for a period of four (4) years, or for a shorter period as may be determined by the Council.

4.2 Members appointed in terms of paragraph 3(1)(b) shall serve for a period of four (4) years, or for a shorter period as may be determined by the Council.

4.3 Members appointed in terms of paragraph 3 (1) (c -k) shall serve on the basis of their respective positions (ex officio).

4.4 Members may be reappointed at the end of a term, with a maximum of two four-year terms.

4.5 A member of the Committee may resign by means of a written notice to the Council.

5. Responsibilities/Functions

The responsibilities of the Committee include the following:

5.1 Financial Reporting

The Committee shall:

5.1.1 Review the financial statements and consider all factors and risks that may affect the integrity of the financial statements.

5.1.2 Consider the need for summarised information and engaging external auditors to provide assurance on the summarised results.

5.1.3 Ensure that the combined assurance mode is applied to provide a coordinated approach to all assurance activities.

- 5.1.4 Review major issues regarding account principles and financial statement presentation, including signification issues as to the adequacy of internal controls.
- 5.1.5 Assist the Council in reviewing the annual report to ensure that the information is reliable and that it does not contradict the financial aspects of the report.

5.2 Independent External Audit

The Committee shall:

- 5.2.1 Oversee the appointment of the external auditor to ensure that the appointment of the auditor complies with the Auditing Profession Act and other relevant legislation.
- 5.2.2 Approve the terms of engagement and remuneration for the external audit engagement.
- 5.2.3 Assess and monitor the independence and objectivity of the external auditor, including the length of the external auditor tenure and rotation of the designated auditor.
- 5.2.4 Define a policy and approve the contracts for non-audit services provided by the external auditor.
- 5.2.5 Ensure that there is a process for ARIC to be informed of any reportable irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor.
- 5.2.6 Review the quality and effectiveness of the external audit process.
- 5.2.7 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- 5.2.8 Review the management letter and management's response to the auditors' findings and recommendations.
- 5.2.9 Meet the external auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit.

5.3 Internal Audit

The Committee is responsible for overseeing internal audit. The Committee shall:

- 5.3.1 Oversee the appointment, performance assessment and/or removal of the Director: Internal Audit.
- 5.3.2 Review and approve the annual internal audit plan.
- 5.3.3 Approve the internal audit charter and review it annually, making recommendations for changes if required.

- 5.3.4 Receive all internal audits that have been performed, including management responsiveness to findings and recommendations.
- 5.3.5 Receive reports on the risk management and corporate governance practices as assessed by Internal Audit.
- 5.3.6 Evaluate the formal review of financial controls conducted annually by Internal Audit and report to the Council on the effectiveness of the University's internal controls.
- 5.3.7 Ensure that there is a formal process of following up significant findings and that Internal Audit reports on non-implementation of agreed management actions or delays in implementing remedial actions.
- 5.3.8 Obtain assurance on the independence of the Director: Internal Audit.
- 5.3.9 Review the Internal Audit service budget on an annual basis.
- 5.3.10 Ensure that the Director: Internal Audit has the right of direct access to the Chairperson of Council and to the Committee.

5.4 Risk Management Oversight

The Committee is an integral component of the risk management process and specifically it shall:

- 5.4.1 Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes.
- 5.4.2 Make recommendations to the Council concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by Council.
- 5.4.3 Oversee that the risk management plan is widely disseminated throughout the University and integrated in the day-to-day activities.
- 5.4.4 Ensure that risk management assessments are performed on a continuous basis, and that management considers and implements appropriate risk responses.
- 5.4.5 Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- 5.4.6 Ensure that continuous risk monitoring by management takes place.
- 5.4.7 Liaise closely with the internal auditors and management to exchange information relevant to risk.
- 5.4.8 Express the Committee's formal opinion to Council on the effectiveness of the system and process of risk management.

- 5.4.9 Review reporting concerning risk management that is to be included in the annual report to ensure that it is timely, comprehensive and relevant.
- 5.4.10 Oversee financial reporting risks, internal financial controls and fraud risks as they relate to financial reporting and general IT risks.

5.5 IT Governance

The Committee shall:

- 5.5.1 Monitor the governance of IT risks, returns and competitive aspects of IT investments.
- 5.5.2 Ensure that the UFS strategic risk register includes IT risks.
- 5.5.3 Establish the exposure to IT risks, including compliance risks and significant audit findings.
- 5.5.4 Follow the progress on major IT projects.
- 5.5.5 Monitor that appropriate project management principles have been applied to all IT projects.
- 5.5.6 Ascertain the contribution of IT to the University (i.e. delivering the promised business value).
- 5.5.7 Gauge the compliance with relevant IT laws and adherence to relevant IT regulations, standards and codes.
- 5.5.8 Support the Council in the governance of the UFS by ensuring that the strategic asset of IT and its related risks and constraints are well governed and controlled to ensure that IT supports the strategic objectives of the organisation.
- 5.5.9 Assist the Council in their governance role by ensuring that the UFS has implemented an effective IT governance framework to enable the organisation to deliver value from IT, whilst optimising cost and managing risk.
- 5.5.10 Proactively monitor intelligence to identify and respond to incidents, including cyber-attacks and adverse social media events.
- 5.5.11 Consider the need to receive periodic independent assurance on the effectiveness of the UFS's technology and information arrangements, including outsourced services.
- 5.5.12 Continually monitor the security of information.
- 5.5.13 Oversee an information architecture that supports confidentiality, integrity and availability of information.
- 5.5.14 Manage the performance of, and risks pertaining to, third-party and outsourced service providers.
- 5.5.15 Oversee the protection of privacy of information.

5.6 Fraud, Litigation and Whistleblowing

The Committee shall:

- 5.6.1 Receive reports on matters of fraud and the results of forensic investigations into cases of fraud.
- 5.6.2 Consider management's actions in dealing with these cases of fraud and receive assurance from management with regard to the compliance with relevant legislation regarding the incidents of fraud and actions to recover monies and assets.
- 5.6.3 Receive feedback on the University's fraud risk profile.
- 5.6.4 Receive regular reports and feedback on areas of litigation that pose a risk to the UFS in terms of financial impact and/or reputational consequences.
- 5.6.5 Review the University's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing through an independent whistleblowing service.
- 5.6.6 Ensure that there are arrangements for proportionate and independent investigation of such matters, as well as appropriate follow-up action.
- 5.6.7 Review the University's procedures for detecting and preventing fraud and bribery and receiving reports on non-compliance.

5.7 Compliance with Laws, Regulations and Policies

The Committee shall:

- 5.7.1 Receive and review regular updates on the University's compliance with relevant laws and regulations.
- 5.7.2 Receive independent assurance from the internal and external auditors, based on their annual audit coverage plans, on compliance with the relevant laws and regulations.
- 5.7.3 Assist the Council in fulfilling its role of providing assurance on corporate governance.

6. Delegated Authority

- 6.1 The Committee acts in accordance with its statutory duties and the delegated authority of Council, as recorded in these terms of reference. It has the power to investigate any activity within the scope of its terms of reference.
- 6.2 The Committee, in the fulfilment of its duties, may call upon the Chairpersons of Council Committees, the Rector and Vice-Chancellor, Vice-Rectors, any of the senior directors, the

Secretariat or assurance providers to provide it with information subject to the Council-approved process.

- 6.3 The Committee will have reasonable access to the UFS's records, facilities and any other resources necessary to discharge its duties and responsibilities subject to following the Council-approved process.
- 6.4 The Committee may obtain, at the University's expense, any outside legal or other professional advice it shall reasonably require in connection with the performance of its duties, subject to following the Council-approved process.
- 6.5 The Committee may form and delegate authority to subcommittees, and may delegate authority to one or more designated members of the Committee.
- 6.6 The Committee may, from time to time, seek advice from independent experts and must be satisfied that such experts have no conflicts of interest in relation to the matter under consideration.
- 6.7 The Committee has decision-making authority in regard to its statutory duties and is accountable in this respect to the Council.
- 6.8 The Committee has the right to publish in the annual report details of any issue/s that cannot be resolved between the Committee and the Council.
- 6.9 On all responsibilities delegated to it by the Council outside of the statutory duties, the Committee makes recommendations for approval by the Council.

7. Meetings/Procedures

- 7.1 The Committee will have four regular meetings per year in each term.
- 7.2 The Committee is required to keep minutes of its proceedings and to report at least once quarterly to the Council and Senate.
- 7.3 Fifty percent (50%) plus one of the members of the Committee will constitute a quorum.
- 7.4 Members of the Committee have the right to have a minority viewpoint recorded in the minutes as an alternative to the consensus opinion.
- 7.5 Decisions of the Committee will be taken on the basis of consensus and in the event that consensus cannot be reached, the decision will be taken on the basis of a simple majority vote.
- 7.6 In the event of a tie of votes, the Chairperson will have a casting vote.
- 7.7 Observers or advisers may participate in the discussions, but shall not vote on any matter.
- 7.8 If the nominated Chairperson of the Committee is absent from the meeting, then the Vice-Chairperson shall act in his place.

- 7.9 In the event that neither of those parties is present, the members present must elect one of the external independent members to act as Chairperson.
- 7.10 The Meeting Administration Division shall service the Committee. Documents for the agenda should be supplied to Meeting Administration ten (10) days before a meeting; Meeting Administration will send out the agenda at least seven (7) days before the scheduled meeting.

8. Evaluation of the Performance of the Committee

The Council will annually evaluate the performance of the Committee.