

AUDIT COMMITTEE: TERMS OF REFERENCE

Constitution

The governing body has established a committee of the Council known as the Audit Committee.

Membership

The committee and its chair shall be appointed by the Council, from among its own members, and must consist of members with no executive responsibility for the management of the institution. There shall be no fewer than three members. The Chair of Council should not be a member of the committee. Members should not have significant interests in the institution.

At least one member should have recent and relevant experience in finance, accounting or auditing. The committee may, if it considers it necessary or desirable, co-opt members with particular expertise. Audit Committee members should not be members of the Finance and Resources Committee (or equivalent); if the Council determines that cross-representation involving one member is essential, this should be the subject of an explicit, recorded resolution under the terms of paragraph 7 of Annex A, Audit Code of Practice, of the Memorandum of assurance and accountability between HEFCE and institutions (HEFCE Circular 2017/08).

A quorum shall be at least two members.

Attendance at Meetings

The Deputy Vice Chancellor, the Head of Internal Audit, and a representative of the external auditors shall normally attend meetings where business related to their responsibilities is to be discussed. However, at least once a year the committee should meet with the external and internal auditors without any officers present. This will normally take place directly after the autumn meeting of the Audit Committee.

Other senior post-holders may be invited to attend meetings when this is judged appropriate.

Frequency of Meetings

Meetings shall normally be held at least twice in each financial year. The External Auditors or Head of Internal Audit may request a meeting if they consider it necessary.

Authority

The Audit Committee will review the audit aspects of the annual financial statements. These aspects will include the external audit opinion, the statement of members' responsibilities, the statement of internal control and any relevant issues raised in the external auditors' management letter. If necessary, in the event of any major concern, the committee may request that the statements are amended. The Committee shall, where appropriate, confirm with the internal and external auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to Council.

The committee is authorised by the Council to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the committee.

The committee is authorised by the Council to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the designated officer and/or Chair of the Council. However, it may not incur direct expenditure in this respect in excess of £500, without the prior approval of the governing body.

Duties

The duties of the committee shall be:

1. To advise the Council on the appointment of the 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.
2. To discuss if necessary with the external auditors, before the audit begins, the nature and scope of the audit.
3. To discuss with the external auditors problems and reservations arising from the interim and final audits, including a review of the management letter incorporating management responses, and any other matters the external auditors may wish to discuss (in the absence of management where necessary).
4. To appoint an internal audit service provider and agree terms of engagement and fee thereof, approve and monitor provision of any non-audit services by the internal auditor service provider and made decisions in the event of resignation or dismissal of the internal auditors.
5. To review the internal auditors' audit risk assessment and strategy; to consider major findings of internal audit investigations and management's response' and to promote co-ordination between the internal and external auditors. The committee will ensure that the resources made available for internal audit are sufficient to meet the institution's needs (or make a recommendation to the Council as appropriate).
6. To keep under review the effectiveness of the risk management, control and governance arrangements, and in particular to review the external auditors' management letter, the internal auditors' annual report, and management responses.
7. To monitor the implementation of agreed audit-based recommendations, from whatever source.
8. To ensure that appropriate and effective risk management is in operation; to receive from the Strategic Management Group an Annual Review of Effectiveness of Risk Management, annually review the University's approach to risk management and approve changes or improvements to key elements of its processes and procedures.
9. To ensure that all significant losses have been properly investigated and that the internal and external auditors, and where appropriate the HEFCE accounting officer, have been informed.

10. To oversee the institution's policy on fraud and irregularity, including being notified of any action taken under that policy.
11. To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
12. To receive any relevant reports from the National Audit Office, the HEFCE and other organisations.
13. To monitor annually the performance and effectiveness of external and internal auditors, including any matters affecting their objectivity, and to make recommendations to the governing body concerning their re-appointment, where appropriate.
14. To consider elements of the annual financial statements in the presence of the external auditor, including the auditor's formal opinion, the statement of members' responsibilities and the statement of internal control, in accordance with HEFCE's Accounts Directions.
15. In the event of the merger or dissolution of the institution, to ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.

Reporting Procedures

The minutes of meetings of the committee will be circulated to all members of the Council.

The committee will prepare an annual report covering the institution's financial year and any significant issues up to date of preparing the report. The report will be addressed to the Council and designated officer, summarising the activity for the year. It will give the committee's opinion on the adequacy and effectiveness of the institution's arrangements for the following:

- Risk management, control and governance (the risk management element includes the accuracy of the statement of internal control included with the annual statement of accounts)
- Economy, efficiency and effectiveness (value for money).
- Management and quality assurance of data submitted to HEFCE, HESA, the Student Loans Company and other funding bodies.

This opinion should be based on the information presented to the committee. The Audit Committee's annual report should normally be submitted to the governing body before the members' responsibility statement in the annual financial statements is signed.

Clerking Arrangements

The clerk to the Audit Committee will be the clerk to the Council (or other appropriate independent individual).

Last updated October 2017