

Audit Committee Terms of Reference

Serviced by: Governance Officer

Reports to: Board of Governors

1. Constitution

1.1 The Board of Governors has established a committee known as the Audit Committee.

2. Scope

2.1 It is the role of the Audit Committee to advise and assist the Board of Governors in respect of the entire assurance and control environment of the institution.

3. Membership and Quorum

3.1 Members are nominated by the Governance & Nominations Committee, approved by the Board of Governors and include:

- Chair of the Committee
- No fewer than three members or co-opted members (provided that the majority of members are 'nominated' independent governors - Directly Appointed, Diocesan Nominated or National Society Nominated)

In attendance:

- Vice-Chancellor
- Director of Finance
- University Secretary & Registrar
- Governance Officer
- Head of Internal Audit
- Representative of the External Auditors

3.2 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. However, in line with Article 27.8, the majority of members must be governors.

- 3.3 Pursuant to Article 27.5, no member of the Committee may also be a member of the Finance & Resources Committee. In accordance with Article 27.4 no Elected Governor shall be eligible for membership of the Committee. The Chair of the Board of Governors should not be a member of the Committee. Members should not have significant interests in the institution.
- 3.4 The Director of Finance and a representative of the external auditors shall normally attend meetings where business relevant to them is to be discussed. However, at least once a year the Committee should meet with the external and internal auditors without any officers present.
- 3.5 A quorum exists when no fewer than three members are present. The majority must be 'nominated' independent governors (Directly Appointed, Diocesan Nominated or National Society Nominated), not co-optees.

4. Frequency of meetings

- 4.1 Meetings shall normally be held at least three times each financial year. The external auditors, internal auditors or Management Audit Group may request a meeting if they consider it necessary

5. Authority

- 5.1 The Committee is authorised by the Board of Governors 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.
- 5.2. The Committee is authorised by the Board of Governors 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 Vice-Chancellor and/or Chair of the Board of Governors. However, it may not incur direct expenditure in this respect in excess of £5,000, without the prior approval of the Board of Governors.
- 5.3. The Audit Committee will review the audit aspects of the draft annual financial statements. These aspects will include the external audit opinion, the statement of

governors' responsibilities, the statement of internal control and any relevant issue raised in the external auditor's management letter. The Committee should, 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 the Board of Governors.

6. Duties

6.1 The duties of the Committee shall be to:

- a. advise the Board of Governors 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;
- b. discuss if necessary with the external auditors, before the audit begins, the nature and scope of the audit;
- c. 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 University management where necessary);
- d. consider and advise the Board of Governors on the appointment and terms of engagement of the internal auditors, the audit fee, the provision of any non-audit services by the internal auditors and any questions of resignation or dismissal of the internal auditors;
- e. approve the annual audit plan of the internal auditors;
- f. 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 Board of Governors as appropriate);
- g. 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;
- h. monitor the implementation of agreed audit-based recommendations, from whatever source;
 - i. ensure that all significant losses have been properly investigated and that the internal and external auditors, and where appropriate the regulator have been informed;
 - j. oversee the institution's policy on fraud and irregularity, including being notified of any action taken under that policy;
 - k. satisfy itself that suitable arrangements are in place to promote economy, efficiency and effectiveness. This may include consideration of arrangements that:
 - i) support the culture and behaviour that is prevalent within the institution;
 - ii) ensure the effective management of conflicts of interest; and
 - iii) enable the appointment of 'fit and proper persons' to the governing body and senior executive positions.
 - l. satisfy itself that effective arrangements are in place to ensure appropriate and accurate data returns are made to external stakeholders and regulatory bodies;
 - m. receive any relevant reports from the National Audit Office, the regulator and other organisations;
 - n. monitor annually the performance and effectiveness of external and internal auditors, including any matters affecting their objectivity, and to make recommendations to the Board of Governors concerning their reappointment, where appropriate;
 - o. monitor other relevant sources of assurance, for example other external reviews;
 - p. consider elements of the annual financial statements in the presence of the external auditor, including the auditors' formal opinion, the statement of members' responsibilities and the statement of internal control, in accordance with the regulator's accounts directions;

- q. 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;
- r. provide assurance that decisions which might have significant reputational or financial risks undergo a rigorous process of due diligence;
- s. provide assurance that appropriate policies and procedures are consistently applied, and that there is compliance with relevant legislation, including an opinion to this effect within the annual Audit Committee's Report by the Governing Body;
- t. Provide assurance that whistleblowing is effectively managed, for example by getting an annual report on numbers and outcomes of any whistleblowing; including the extent to which the associated protocols are widely known within the Institution;
- u. Discuss with internal auditors how the institution compares with other organisations in areas undergoing audit and benchmark institutional policies and practice against sector practice and external requirements.

7. Reporting procedures

- 7.1 The minutes of meetings of the Committee will be circulated to the Board of Governors.
- 7.2 The Committee will prepare an annual report for the institution's financial year and any significant issues up to the date of preparing the report. The report will be addressed to the Board of Governors and the Vice-Chancellor, 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 in the annual statement of accounts); and
 - processes for promoting value for money through sustainability economy, efficiency and effectiveness.
- 7.3 This opinion should be based upon the information presented to the Committee. The Audit Committee annual report should normally be submitted to the Board of Governors before the governors' responsibility statement in the annual financial

statements is signed. The report will usually be published after consideration by the Board of Governors.

8. Clerking arrangements

- 8.1 The clerk to the Audit Committee will be the Secretary to the Board of Governors (or another appropriate independent individual).

9. Review

- 9.1 The Audit Committee should periodically (and at a minimum of every four years) undertake a review of its terms of reference and its own effectiveness and recommend any necessary changes to the Board of Governors.