

TERMS OF REFERENCE AND MEMBERSHIP OF THE AUDIT COMMITTEE**Constitution**

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

Membership

2. The Committee and its Chairman shall be appointed by the Board of Governors, from among its own members, and must consist of members with no executive responsibility for the management of the institution.
3. The membership of the Committee shall comprise at least five members, one of whom may be co-opted.
4. At least one member of the Committee should have recent and relevant experience in finance, accounting or auditing. If no Governor on the Committee has such experience, the Committee will co-opt a person with such expertise on to the Committee.
5. The Chairman of the Board of Governors may not be a member of the Committee.
6. No member of the Committee may chair or be a member of the Resources Committee, unless specifically authorised by the Office for Students (OfS).
7. At least three members, including the member with recent and relevant experience in finance, accounting or auditing, should be present for a meeting to be quorate.

Attendance at meetings

8. The Chief Finance Officer; another relevant member of the Vice-Chancellor's Group; the Head of internal audit; 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 internal and/or external auditors without any officers present. The Committee Clerk shall be the Clerk to the Governors.

Frequency of meetings

9. Meetings of the Committee shall normally be held at least three times each financial year. The external auditors or head of internal audit may request a meeting if they consider it necessary.

Authority

10. 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.
11. 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 designated officer and/or Chairman of the Board. However, it may not incur direct expenditure in this respect in excess of £5,000 without the prior approval of the Board of Governors.
12. The Committee will review the audit aspects of the draft annual financial statements. These aspects will include the external audit opinion, the statement of members' responsibilities, the statement of internal control and any relevant issue raised in the external auditors' 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.

Duties

13. The duties of the Committee shall be:
 - i. to advise the Board of Governors on the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors;
 - ii. to approve any fees in excess of £10,000 in respect of non-audit services provided by the external auditors (or fees in excess of £20,000 where such services are taxation advisory or compliance services) and ensuring that the provision of any non-audit services does not impair the independence or objectivity of the external auditors.
 - iii. to discuss if necessary with the external auditors, before the audit begins, the nature and scope of the audit;
 - iv. 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), and to advise the Board of Governors accordingly;
 - v. to consider and advise the Board of Governors on the appointment and terms of engagement of the internal audit service (and the head of internal audit, if applicable), 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;
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- vi. to review the internal auditors' audit risk assessment and strategy and audit plan; to consider major findings of internal audit investigations and management's response; and 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).
 - vii. to consider and advise the Board of Governors on internal audit reports; the long-term strategy and short-term audit plan for the internal audit service;
 - viii. to keep under review the adequacy and effectiveness of the risk management, internal control and governance arrangements, and in particular to review the external auditors' management letter, the internal auditors' annual report, and management responses;
 - ix. to monitor the implementation of agreed audit-based recommendations from whatever sources;
 - x. to ensure that all significant losses have been properly investigated and that the internal and external auditors, and where appropriate the Office Students, have been informed;
 - xi. to oversee the institution's policies on fraud and irregularity and whistleblowing, including being notified of any action taken under those policies;
 - xii. to oversee the University's policy on reporting serious incidents, including monitoring incidents and informing the Office for Students where appropriate;
 - xiii. to satisfy itself that satisfactory arrangements are in place to ensure sustainability and promote economy, efficiency and effectiveness. This may include consideration of arrangements that:
 - a) support the culture and behaviour that is prevalent within the institution;
 - b) ensure the effective management of conflicts of interest; and
 - c) enable the appointment of 'fit and proper persons' to the governing body and senior executive positions.
 - xiv. to satisfy itself as to the adequacy and effectiveness of the arrangements for the management and quality assurance of data submitted to the Higher Education Statistic Agency (HESA), OfS, and other funding bodies;
 - xv. to receive any relevant reports from the National Audit Office (NAO), the OfS and other organisations;
 - xvi. to monitor annually the performance 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;
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- xvii. to consider elements of the annual financial statements in the presence of the external auditors, including the auditors' formal opinion, the statement of members' responsibilities and the statement of internal control, in accordance with OfS's Accounts Directions;
 - xviii. in the event of the merger or dissolution of the University, to ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed;
 - xix. to monitor reportable events, as defined by the OfS, that *'could materially affect or materially effects the provider's legal form of business model and/or its willingness or ability to comply with its conditions of registration'*:

Report procedures

- 14. The minutes (or a report) of meetings of the Committee will be circulated to all members of the Board of Governors together with the top level risk register.
- 15. The Committee will prepare an annual report for the institution's financial year, including any significant issues up to the date of preparing the report. The report will be addressed to the Board of Governors and designated officer, summarising the activity for the year.
- 16. The report will give the Committee's opinion on the extent to which the Board of Governors may rely on the internal control and risk management arrangements, the arrangements for governance and the arrangements for ensuring sustainability and promoting and securing economy, efficiency and effectiveness (value for money). In addition, the report will give the Committee's opinion of the adequacy and effectiveness of arrangements for the management and quality assurance of data as referred to in paragraph 13(xii) above. (These opinions should be based upon the information presented to the Committee.)
- 17. The Audit Committee annual report should normally be submitted to the Board of Governors before the members' responsibility statement in the annual financial statement is signed.

Committee Clerk

- 18. The Clerk to the Audit Committee shall be the Clerk to the Governors.