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**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

The Board of Governors and its committees will conduct their business in a way that is consistent with and reflects and promotes the [University's Equality, Diversity and Inclusion Plan](#).

**Constitution**

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

**Authority**

2. 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.
3. 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 Chair 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.
4. 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.

**Membership**

5. The membership of Audit Committee shall comprise:
  - a) at least two (2) and up to five (5) Independent Governors, one (1) of whom shall be Chair;
  - b) a maximum of one (1) Co-opted Governor; and
  - c) a maximum of (1) co-opted member, who is not a member of the Board of Governors, with relevant background and experience in finance, accounting, or auditing.
6. 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.
7. The Chair of the Board of Governors may not be a member of the Committee.
8. No member of the Committee may chair or be a member of the *Finance & Resources Committee*, unless specifically authorised by the Office for Students (OfS).

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9. The Chair of the *Finance and Resources Committee* shall have a standing invitation to attend meetings of the Audit Committee as an observer. The Chair of the Audit Committee will similarly be invited to attend meetings of the *Finance and Resources Committee* as an observer.

**Procedural rules, including report procedures**

10. The Committee and its Chair 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.
11. The quorum for the committee shall be three (3) members, including the member with recent and relevant experience in finance, accounting, or auditing.
12. Meetings of the Committee shall normally be held three (3) times each financial year. The external auditors or head of internal audit may request a meeting if they consider it necessary.
13. The Chief Financial Officer; another relevant member of the Vice-Chancellor's Group; the Head of the internal audit service; 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.
14. The minutes (or a report) of meetings of the Committee will be circulated to all members of the Board of Governors together and the top-level risk register will be circulated annually to the Board of Governors.
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 Head of Institution, 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 21 (k) below. (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 and will be published on the University's website following its consideration by the Board of Governors.
18. The Clerk to the Committee shall be the Clerk to the Board of Governors.
19. The constitution and terms of reference of the Committee shall be reviewed on an annual basis by the Governance Committee and recommended to the Board of Governors.

**Duties**

20. To consider and advise the Board of Governors on:
- a) The appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors;

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- b) 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;
  - c) Internal audit reports; the long-term strategy and short-term audit plan for the internal audit service;

21. To be responsible, on behalf of the Board of Governors, for:

- a) The approval of 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.
- b) Discussing, if necessary, with the external auditors, before the audit begins, the nature and scope of the audit;
- c) Discussing 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;
- d) Reviewing 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);
- e) Keeping 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;
- f) Monitoring the implementation of agreed audit-based recommendations from whatever sources;
- g) Ensuring that all significant losses have been properly investigated and that the internal and external auditors, and where appropriate the Office for Students have been informed;
- h) Overseeing the institution's policies on fraud and irregularity and whistleblowing, including being notified of any action taken under those policies;
- i) Overseeing the University's policy on reporting serious incidents, including monitoring incidents and informing the Office for Students where appropriate;
- j) Satisfying itself that satisfactory arrangements are in place to ensure sustainability and promote economy, efficiency and effectiveness. This may include consideration of arrangements that:

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- 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.
- k) Satisfying itself as to the adequacy and effectiveness of the arrangements for the management and quality assurance of data submitted to the Designated Data Body (DDB), Office for Students, and other funding bodies;
  - l) Receiving any relevant reports from the National Audit Office (NAO), the Office for Students and other organisations;
  - m) Monitoring 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;
  - n) Monitoring annually waivers of the Financial Regulations for Competitive Tenders.
  - o) Considering 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 Office for Students' Accounts Directions;
  - p) In the event of the merger or dissolution of the University, ensuring that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed;
  - q) Monitoring reportable events, as defined by the Office for Students, 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*'; and
  - r) Complying with the Committee of University Chairs (CUC) Audit Committees Code of Practice.
  - s) Considering such other matters as may be referred to the Committee by the Board of Governors, or by another Committee where it is relevant to the terms of reference.