AUDIT COMMITTEE
TERMS OF REFERENCE

Terms of Reference

Note that these Terms of Reference follow the Higher Education Audit Committees Code of Practice dated May 2020.

Constitution

1. The governing body has established a committee of the governing body known as the audit committee.

Scope

2. It is the role of the Audit Committee to advise and assist the governing body in respect of the entire assurance and control environment of the institution.

Membership

3. All members of the Committee and its Chair shall be appointed by the governing body, from amongst 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; a quorum shall be at least two members. The chair of the governing body and Chair of the finance committee should not be members of the Audit committee. Members should not have significant interests in the institution.

4. 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. No member of the committee may also be a member of the finance committee (or equivalent).

   Quoracy shall be at least one third of the membership (2 members)

Clerking arrangements

5. The clerk to the Audit Committee will be the Secretary to the governing body (or another appropriate independent individual).

Attendance at meetings

6. The head of finance (or equivalent), 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. The Committee has the right, whenever it is satisfied that this is appropriate, to go into confidential session and exclude any or all other participants and observers other than the Audit Committee Secretary.

However, at least once a year the committee should meet with the external and internal auditors without any officers present.

Frequency of meetings

7. Meetings shall normally be held four times each financial year. The external auditors or head of internal audit may request a meeting if they consider it necessary.

Authority

8. The Committee is authorised by the governing body 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.

9. The committee is authorised by the governing body 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 HOI and/or chair of the governing body. However, it may not incur direct expenditure in this respect in excess of £5000, without the prior approval of the governing body.

10. The Audit Committee is authorised to approve all audit planning documents on behalf of the governing body.

11. The Audit Committee will review the audit 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 governing body.

Duties

12. The duties of the committee shall be:

a. To advise the governing body 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. To discuss with the external auditors, before the audit begins, the nature and scope of the audit.

c. 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).

d. To consider and advise the governing body 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.

e. To review the internal auditors' audit risk assessment, strategy and programme; consider major findings of internal audit investigations and management response; and promote coordination between the internal and external auditors. The Committee will ensure that the resources made available for internal audit are enough to meet the institution's needs (or make a recommendation to the governing body as appropriate).

f. To keep under review the effectiveness of the risk management, culture, control and governance arrangements and review the external auditors' management letter, the internal auditors' annual report and management responses.

g. To monitor the implementation of agreed audit-based recommendations, from whatever source.

h. To ensure that all significant losses have been properly investigated and that the internal and external auditors, and where appropriate the regulator, have been informed.

i. To oversee the institution's policy on fraud and irregularity, including being notified of any action taken under that policy.

j. To oversee the institution's policy on Whistleblowing.

k. To satisfy itself that suitable arrangements are in place to ensure the sustainability of the institution and to 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.

l. Receive any relevant reports from the National Audit Office and its equivalents in Scotland, Wales and Northern Ireland, the regulator and other organisations.

m. 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 reappointment, where appropriate.

n. Monitor other relevant sources of assurance, for example other external reviews.

o. 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 the regulator's accounts directions;

p. to consider the University's accounting policies, in consultation with the External Auditor where appropriate, and make recommendations to the governing body;

q. To report on the adequacy and effectiveness of the University's arrangements for the management and quality assurance of data submitted to HESA, SLC, OfS and other bodies.

r. 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

13. The minutes (or a report) of meetings of the Audit Committee will be circulated to all members of the governing body.

The Committee will prepare an annual report covering the institution's financial year and any significant issues up to the date of preparing the report. The report will be addressed to the governing body and HOI and will summarise the activity for the year. It will give the Committee's opinion of 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); and
- sustainability, economy, efficiency and effectiveness.

This opinion should be based on the information presented to the Committee. The Audit Committee annual report should normally be submitted to the governing body before the members' responsibility statement in the annual financial statements is signed. The report will usually be published after consideration by the governing body.

Review

14. 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 governing body.

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