

## Audit Committee Terms of Reference and Membership 2019/20

<b>Section 1: Purpose</b>	
<p>The role of the Audit Committee is to provide assurance to the Board of Governors to help it discharge its responsibilities for ensuring that the University has adequate and effective arrangements in place for risk management, internal control, governance, value for money and the management and quality assurance of data. The Committee achieves this through oversight of the effectiveness of the internal and external audit functions, and monitoring of the adequacy of other sources of assurance provided by management.</p>	
<b>Section 2: Roles and Responsibilities</b>	
<b>Section 2a: Financial Review and Reporting</b>	
2.1	To monitor the integrity of the financial statements of the University and review significant financial reporting issues and judgements in line with the reporting standard, as a basis for recommending them to the Board of Governors.
2.2	<p>In particular, the Committee should review and challenge where necessary:</p> <ul style="list-style-type: none"> <li>➤ the consistency of, and any changes to, accounting policies;</li> <li>➤ the methods used to account for significant and unusual transactions where different approaches are possible;</li> <li>➤ whether the University has followed appropriate accounting standards including FRS102, the Statement of Recommended Practice for Accounting in Further and Higher Education (2019) and the OfS annual accounts direction;</li> <li>➤ the clarity of disclosure in the company's financial reports and in particular the annual report and financial statements, including the fair and balanced nature of the narrative reporting and statutory information including the statements on corporate governance and internal control and the University's compliance with charity legislation.</li> </ul>
2.3	To satisfy itself, and provide an annual opinion on, the adequacy and effectiveness of the University's arrangements to promote economy, efficiency and effectiveness (Value for Money) and risk management, internal control, governance, and the management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies.
2.4	To receive information from the University Executive on the outcomes and impact of non-compliance with the Financial Regulations and other financial controls and irregularities, including; materially adverse changes to the University's financial position, fraud, impropriety or accounting breakdown. To also receive assurance from the University Executive that such cases have been properly investigated and reported on.
2.5	In the event of a major restructuring, 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.
<b>Section 2b: Internal Control and Risk Management</b>	
2.6	<p>To review the adequacy and effectiveness of the University's internal control including:</p> <ul style="list-style-type: none"> <li>• financial controls (see Section 2a above)</li> <li>• risk management</li> <li>• legal compliance</li> <li>• data quality</li> <li>• governance</li> <li>• value for money</li> <li>• health and safety</li> <li>• information governance and data and information security</li> <li>• assurance from University Executive, Academic Board and other bodies on the adequacy of methodologies to improve the student academic experience and outcomes and academic quality and standards.</li> </ul>
2.7	To review the adequacy and effectiveness of the University's risk management framework and systems and provide assurance to the Board on the adequacy of these.

2.8	To review the adequacy and security of the University's policies and arrangements for whistleblowing and fraud, including those for detecting fraud, controls for the prevention of bribery and money laundering.
2.9	To commission, and monitor the outcome of, and actions from investigations commissioned by others including internal and external bodies, which relate to a significant breach of regulation or controls or relate to material adverse events.
2.10	To consider and review the Board's responsibilities to oversee an ethics framework for the University as required by the CUC HE Code of Governance.
<b>Section 2c: Internal and External Audit</b>	
2.11	To recommend to the Board of Governors the appointment and re-appointment of the internal and external auditors, fees and associated terms of engagement, and termination of services where required.
2.12	To ensure that the internal and external auditors have adequate resources and appropriate access to information from the University, and other sources, to perform their function effectively.
2.13	To review the scope and approach of external audit and internal audit, including reviewing and approving any material variations, and monitoring performance against their annual and longer-term programme of work.
2.14	To monitor implementation by management of the findings and agreed actions arising from the internal and external audit function.
2.15	To approve the provision of non-core audit services provided by the internal auditors and external auditors to ensure that the independence of these functions is maintained.
2.16	To ensure dialogue between the internal auditors and external auditors and between both parties and the Committee.
2.17	To review the effectiveness of the internal and external audit function.
<b>Section 3: Mode of Operation</b>	
The Committee will carry out its duties through:	
<ul style="list-style-type: none"> <li>• the consideration of regular reports from the University Executive, internal and external auditors and other auditors including those commissioned to undertake health and safety audits. In carrying out this function the Committee will: <ul style="list-style-type: none"> <li>○ consider the information presented to it, hold the University Executive to account by monitoring the adequacy of the University's internal control environment, and provide constructive challenge and input to discussions and decision-making;</li> <li>○ provide information, assurance and where required, recommendations to the Board of Governors on the areas within the Committee's remit.</li> </ul> </li> <li>• Cross-Committee working, including the referral of matters brought before it to another committee or body where specialist consideration or investigation is required. Referral of business should be made under the authority of the Board of Governors. Cross-Committee interactions, including off-committee working groups will be established where required to take forward matters which span the remits of more than one body.</li> <li>• A closed meeting between Committee Members and the representatives of internal and external audit, which precedes each meeting of the Audit Committee.</li> </ul>	
<b>Section 4: Constitution</b>	
4.1	The CUC HE Code of Governance require that all members of the Committee are independent governors or co-opted members, of whom one will be Chair. All members will be invited to each meeting at which decisions are taken. In the event that the Chair cannot attend the meeting, he will appoint a deputy for that meeting. At least one member will have recent and relevant financial experience. Committee Membership is reviewed annually by Nominations Committee, in conjunction with the Chair of the Committee, for the approval of the Board of Governors. Membership of the Committee would be up to three years, co-terminous with a governor's term of office, and may be subject to renewal for up to two further terms (a maximum of three terms of three years).
4.2.	The quorum for the Committee is 3/5 of its members, thereby amounting to a simple majority. Co-opted members of Board Committees form part of the quorum and have full voting rights. Attendees from the Board of Governors and other Committees, or senior management attendees do not form part of the quorum, not do they have any right to vote

4.3	The Committee meets at least four times per year and at the discretion and judgement of the Chair, may transact decisions by written resolution by a simple majority of members where it is not possible/or expedient to physically meet.
4.4	Committee members' participation in meetings via teleconferencing and video-conferencing facilities will be deemed the equivalent to them being physically in attendance and count towards the quorum for the meeting, although physical attendance is strongly encouraged.
4.5	The Committee will undertake an annual review of its own effectiveness, co-ordinated by the Chair. The Terms of Reference of the Committee are reviewed annually by the Committee for approval by the Board of Governors.

#### **Section 5: Membership**

Alasdair Corfield (Chair)	Independent Governor	3 <sup>rd</sup> term ends: 05/02/21
Amy Rice-Thomson	Independent Governor	2 <sup>nd</sup> term ends: <b>17/06/20</b>
James Bromiley (Proposed Chair from 06/02/21)	Independent Governor	2 <sup>nd</sup> term ends: 18/12/20
Peter Judge MBE	Independent Governor	1 <sup>st</sup> term ends: 31/12/22
David Jennings	Co-opted Board Committee Member	3 <sup>rd</sup> term ends: 05/02/21

#### **Observer**

Sally Pelham	Independent Governor	2 <sup>nd</sup> term ends: 18/12/20
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#### Committee Secretary:

Susan O'Donnell, Secretary

Michael Ritzmann, Assistant Secretary

#### Individuals with a standing invitation to attend each meeting:

Stephen Reid (EY) representatives of internal audit  
 Nicola Wright (EY) representatives of internal audit  
 Stuart Kenny (EY) representatives of internal audit  
 Clare Partridge (KPMG) representatives of external audit  
 Chris Vaulks (KPMG) representatives of external audit  
 Profess Andrew Wathey CBE, Vice-Chancellor and Chief Executive  
 Professor Peter Francis, Deputy Vice-Chancellor  
 Simon Newitt, Finance Director  
 Dan Monnery, Director of Strategic Planning  
 Other management role-holders may be invited as required for specific items or at the request of the Chair.

#### **Appendix 1 – Proposed Principles of the Committee's Work**

The Audit Committee upholds the following principles:

- a principal focus on providing assurance to the Board of Governors that the University's internal systems of self-regulation are sound, and are also able to respond to the accountability and regulatory requirements of a range of regulatory bodies;
- to uphold proportionate, risk-based responses to actions and activities linked to risk management, financial reporting, control and governance of the University;
- to ensure constructive challenge and dialogue with management and the internal and external auditors to support a 'no surprises' culture of reporting to the Committee;
- transparency and timeliness of internal and external reporting and disclosure on matters which relate to the effective risk management, financial reporting control and governance of the University.