

TERMS OF REFERENCE

Note: The Terms of Reference for the committee include, and should be read in conjunction with, the obligations set out in the Office for Students (OfS) Audit Code of Practice.

1. DUTIES

- 1.1 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.
- 1.2 To discuss if necessary with the external auditors, before the audit begins, the nature and scope of the audit.
- 1.3 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).
- 1.4 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.
- 1.5 To 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 governing body as appropriate).
- 1.6 To 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.
- 1.7 To monitor the implementation of agreed audit-based recommendations, from whatever source.
- 1.8 To ensure that all significant losses have been properly investigated and that the internal and external auditors, and where appropriate the OfS accounting officer, have been informed.
- 1.9 To oversee the institution's policies on fraud, bribery and other irregularities, including being notified of any action taken under that policy.
- 1.10 To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness (value for money).
- 1.11 To receive, consider and (where appropriate) make recommendations to the governing body on any relevant reports from the National Audit Office, OfS and other organisations.

- 1.12 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.
- 1.13 To review the draft annual financial statements of the University (including its subsidiaries) and the external auditors' management letter and make appropriate recommendations for approval of and/or action thereon (as appropriate) to the Board of Governors.
- 1.14 As part of the review of the annual financial statements (at 1.13 above) to consider specific elements 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 Accounts Directions.
- 1.15 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.

2. REPORTING PROCEDURES

- 2.1 The minutes (or a report) of meetings of the committee will be circulated to all members of the governing body.
- 2.2 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 designated officer, 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 with the annual statement of accounts);
 - economy, efficiency and effectiveness (value for money);
 - management and quality assurance of data submitted to the Higher Education Statistics Agency, the Students Loans Company, OfS and other bodies.

This opinion should be based on the information presented to the committee. The Audit and Risk Management Committee annual report should normally be submitted to the governing body before the members' responsibility statement in the annual financial statements is signed.

3. CLERKING ARRANGEMENTS

- 3.1 The clerk to the Audit and Risk Management Committee shall be the clerk to the governing body (or other appropriate independent individual).

4. MEMBERSHIP

- 4.1 The committee shall be appointed by the governing body from among its own members, other than staff or student Governors, and must consist of members with no executive responsibility for the management of the institution. The chair of the governing body shall not be a member of the committee. Members shall not have significant interests in the institution. The Chair and Deputy Chair shall be independent governors unless approved otherwise by the Board of Governors.

- 4.2 The quorum shall be either three, or one-third, whichever is the greater of the currently serving members, rounded up to the nearest whole number where the calculation of one-third does not produce a whole number. The quorum should include at minimum the Chair or Deputy Chair and one other independent governor.
- 4.3 At least one member shall 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 Strategy, Policy, Finance and Resources Committee (or equivalent), unless specifically authorised and approved in accordance with section 7 of the Audit Code of Practice in the OfS Terms and Conditions of Funding for Higher Education Institutions.

5. ATTENDANCE AT MEETINGS

- 5.1 The Vice-Chancellor, Chief Operating Officer and Registrar, Director of Finance, 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 external and internal auditors without any officers present. Other senior officers within the University may be requested to attend where business relevant to them is to be discussed.

6. FREQUENCY OF MEETINGS

- 6.1 Meetings 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.

7. AUTHORITY

- 7.1 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.
- 7.2 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 designated officer and/or chairman of the governing body. However, it may not incur direct expenditure in this respect in excess of £20,000, without the prior approval of the governing body.
- 7.3 The Audit and Risk Management Committee, in reviewing the draft annual financial statements 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.

November 2018