

# **AUDIT COMMITTEE**

## **Terms of Reference**

The Audit Committee is a standing Committee of Council.

It is responsible for independent assessment of the School's arrangements for internal control, risk management, financial reporting, data quality, governance and value for money.

**Membership:** Lay Governors (Council Members) x2 - one of whom shall be Chair  
Lay Governors x2  
Independent Expert Members x2

**Secretary:** A member of the Governance Team

**In attendance:** Director of Finance, Chief Operating Officer, Internal Auditor, External Auditor, Pro-Director Planning and Resources, and the School Secretary.

**Quorum:** Three members including the Chair or the other Council member and at least one Independent Member.

**Frequency of meetings:** At least four meetings per academic year.

**Sub Committees and Groups:** None

**Confidentiality:** The Committee has the right to go into confidential session and exclude any, or all, participants and observers/advisors. It shall be at the discretion of the Chair as to whether a note taker may remain to capture the points raised and any actions arising.

### **1 Responsibilities delegated to the Committee by Council**

- 1.1 The provision of an independent assessment of the School's arrangements for internal control, risk management, financial reporting, data quality, governance and value for money.

### **2 Authority to take decisions**

#### **2.1 General**

- 2.1.2 The Committee shall exercise general oversight of operational audit, of accounting policies, and of financial statements and procedures.
- 2.1.3 The Committee will approve the external auditor's fee in years other than those in which tendering exercises are carried out.
- 2.1.4 The Committee is authorised by the Council 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.
- 2.1.5 The Committee is authorised by the Council 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 School Secretary and/or Chair of the Council.

#### **2.2 Operational Audit**

- 2.2.1 The Committee shall satisfy itself that financial, risk management and other internal control systems are operating effectively and will monitor the performance and effectiveness of external and internal audit.
- 2.2.2 The Committee shall comment on aspects of the School's governance arrangements as appropriate.
- 2.2.3 The Committee shall review audit needs assessments and related annual internal audit plans, receive and consider periodic reports from the Internal Auditor together with management responses and shall additionally receive and consider annual reports from the Internal Auditor.
- 2.2.4 The Committee shall satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
- 2.2.5 The Committee shall seek to promote co-ordination between the internal and external auditors.
- 2.2.6 Before each annual audit commences, the Committee shall discuss with the external auditors the nature and scope of the forthcoming audit.
- 2.2.7 Before the conclusion of each annual audit the Committee shall review with the external auditors the annual financial statements and express a view on them to Council and Court. In carrying out this review, the Committee shall have regard to the external auditors' formal opinion, annual management letter and any related reports including the management response.
- 2.2.8 At each meeting, the Committee shall meet the external and internal auditors without any officers being present. In addition, the Head of Internal Audit shall be given the right of direct access to the Chairman and to the Committee.
- 2.2.9 The Committee shall undertake a self-assessment review of its effectiveness once every three years.
- 2.3 *Accounting and Financial Policies and Procedures*
- 2.3.1 The Committee shall satisfy itself that accounting procedures, including systems of internal check, are adequate to safeguard the School's resources against inefficiency, waste and fraud.
- 2.3.2 The Committee shall oversee the School's policy on fraud and irregularity, including the notification to it of any action taken under that policy.
- 2.3.3 The Committee shall ensure that any significant losses are properly investigated and reported in accordance with the policy on fraud and irregularity, and that in appropriate cases the HEFCE Accounting Officer is informed.
- 2.3.4 The Committee shall consider any relevant reports from the National Audit Office, the HEFCE and other organisations.
- 2.4 *Risk*

- 2.4.1 The Committee shall keep under review and report to Council on the effectiveness of the School's risk management arrangements and evaluate the effectiveness of risk controls.
- 2.4.2 The Committee shall report to Council any matters arising from the work of internal or external audit or other sources (e.g. consultants) which have risk management implications.
- 2.5 *Data quality*
- 2.5.1 The Committee shall provide an opinion regarding the arrangements in place for the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies.
- 2.6 *Governance*
- 2.6.1 The Committee will form a view on the School's overall arrangements for governance and bring this into play in the review of the governance statement in the annual financial statement. It will be assisted to do so by the annual plans for internal audit including some aspect of the School's governance arrangements, so that over a cycle all the important features will be covered.
- 3 **Authority to make recommendations**
- 3.1 *Authority to make recommendations to Council*
- 3.1.2 The Committee shall recommend to Council the level of resources required to provide an appropriate level of service for internal and external audit.
- 3.1.3 The Committee shall recommend to Council the basis on which internal audit services should be provided.
- 3.1.4 The Committee shall, as necessary, having monitored the School's risk procedures to ensure they are functioning effectively, make recommendations to Council regarding the effectiveness of risk procedures.
- 3.2 *Authority to make recommendations to Court*
- 3.2.1 The Committee shall recommend to the Court the selection, appointment and basis of remuneration of the external auditor (normally as the result of a tender exercise).
- 3.2.2 The Committee shall assess annually the external auditors' independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services by the external auditor and any questions of resignation or dismissal of the external auditor.
- 4 **Reporting requirements**
- 4.1 The Committee shall make such arrangements as it considers appropriate to fulfil its responsibility to keep Council informed of its work.
- 4.2 The Committee shall respond to any requests for information initiated by the Council.

- 4.3 The Committee shall produce an annual report for Council and the Director (as accountable officer) on the adequacy and effectiveness of the School's arrangements for the following:
- risk management, control and governance
  - economy, efficiency and effectiveness (value for money)
  - management and quality assurance of data submitted to HESA and to HEFCE and other funding bodies.
- 5 **Review**
- 5.1 The Committee shall review their terms of reference in the Lent term of each academic year and shall recommend any changes for the following academic year to Council for consideration in the Summer term.
- 5.2 The Committee shall undertake a self-assessment review of its effectiveness once every three years.

**General terms and conditions applying to the delegation of powers by the Court, Council or Academic Board to committees**

Committees may not change their terms of reference without the approval of Court, Council or Academic Board (the approving body) as appropriate. This includes the quorum.

The Committee shall comply with the terms of the delegated authority as set out above. The approving body may revoke or vary the delegation by notice.

It is the duty of each committee to keep the approving body informed of its work as appropriate, or on request. Committees will be responsible for determining whether issues of significance they are progressing should be reported to the approving body for information/guidance.

With the permission of the Committee Chair, the Committee may invite School Officers to attend specific meetings or the discussion of a specific item. Such attendance will be recorded in the minutes.

Committees may handle expenditure decisions within existing budgets, but all proposals from committees involving additional expenditure beyond approved budgets should be referred to the Academic Planning and Resources Committee or Finance Committee, as appropriate.

Committees may establish and appoint members to its sub-committees, delegating such responsibility to them as it considers appropriate within the terms of its own delegated responsibilities and consider reports from them on the matters within their terms of reference. Committees may not delegate any of their formal decision making functions.

Committees may appoint non-voting co-optees for specific purposes (primarily expertise) for specified periods (not permanently). Appointment of Co-optees shall not distort the balance of the membership structure of the committee either by virtue of their total number or by their disproportionate representation of a particular constituency.