

Audit committee - Terms of reference

Constitution

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

Membership

2. The committee and its chairman shall be appointed by the governing body, from among its own members, and must consist of members with no executive responsibility for the management of the institution. There shall be four independent governor members; a quorum shall be two independent governor members. The chairman of the governing body will not normally be a member of the committee. Members should not have significant interests in the institution.
3. At least one member should have a background 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 & General Purposes Committee (paragraph 7 Annex C of the Office for Students Terms and Conditions for higher education funding).

Attendance at meetings

4. The Director of Finance & Operations, 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. However, at least once a year the committee should meet with the external and internal auditors without any officers present.

Frequency of meetings

5. Meetings shall normally be held at least three times in each financial year. The external auditors or head of internal audit may request a meeting if they consider it necessary.

Authority

6. 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. 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 £1000 without the prior approval of the governing body.

8. The audit committee may review the draft annual financial statements. Where reviewed, the committee should consider the external audit opinion, the statement of members' responsibilities, the corporate governance statement and any relevant issue raised in the external auditor's 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

9. 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 if necessary 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 needs assessment and the 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 governing body as appropriate).
 - f. To keep under review the effectiveness of internal control and risk management systems, and in particular to 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 Office for Students has been informed.
- i. To oversee the institution's anti-bribery policy, including being notified of any action taken under that policy.
- j. To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
- k. To receive any relevant reports from the National Audit Office, the Office for Students and other organisations.
- l. To monitor annually the performance and effectiveness of external and internal auditors, and to make recommendations to the governing body concerning their reappointment, where appropriate.
- m. To consider elements of the annual financial statements in the presence of the external auditor, including the auditor's formal opinion, the statement of members' responsibilities and any corporate governance statement. This responsibility should be extended to include consideration of internal control and risk management statements.

Reporting procedures

- 10. The minutes (or a report) of meetings of the committee will be circulated to all members of the governing body.
- 11. The committee will prepare an annual report for the institution's financial year. 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 extent to which the governing body may rely on the internal control and risk management system and the arrangements for securing economy, efficiency and effectiveness. (This opinion should be based upon 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.

Clerking arrangements

- 12. The clerk to the audit committee will be the Secretary to the Board of Governors (or other appropriate independent individual)