

# Audit and Risk Committee Terms of Reference

## Introduction

The Committee of University Chairs prepared a Higher Education Audit Committees Code of Conduct in May 2020. It stipulates that 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 HE provider”. It cannot confine itself to financial matters, and its role extends to all areas of institutional activity. While responsibility for devising, developing and maintaining control systems lies with the Executive, the Audit and Risk Committee (“Committee”) provides independent assurance to the governing body.

In the context of the University, we use the term 'governor' to also mean the responsibilities and accountabilities as directors and trustees of the company and charity respectively.

## Membership

The Committee shall comprise at least three Independent Governors. Members of the Committee shall be appointed by the Governing Council, on the recommendation of the Nominations Committee in consultation with the Chair of the Audit and Risk Committee.

All members of the Committee shall be Independent Governors, at least one of whom shall have recent and relevant experience and competence in financial accounting or auditing.

The Chair of the Governing Council shall not be a member of the Committee. Members of the Committee should not also be members of the Finance and Estates Committee (or its equivalent).

The Governing Council shall appoint the Committee Chair upon the recommendation of the Nominations Committee. In the absence of the Committee Chair and / or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

All appointments and re-appointments are subject to approval of Nominations Committee, with limits of service in accordance with normal Council time limits. Independent Governors may serve for up to three years, and are eligible for re-appointment for up to two further three-year terms (maximum nine years). The Committee may, if it considers it necessary or desirable, co-opt members with particular expertise provided they have been suitably approved by the Nominations Committee. Co-optees may serve for a maximum of five years consistent with the same time limits applied to Co-optees of Governing Council.

An appropriate induction programme should be provided for all new members of the Committee. Depending on skills additional development support may need to be provided for some or all members. A regular review of the effectiveness of the Committee should be undertaken (at least every three years) with recommendations arising from the review to be implemented.

## In attendance

Only members of the Committee have the right to attend committee meetings. However, the Vice-Chancellor, Finance Director, internal audit and external audit lead partners will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to

attend all or part of any meeting as and when appropriate and necessary.

At least once a year the Committee should meet with the internal and external auditors without any officers present.

### **Secretary**

Secretariat support will be provided by the Governance Office. The Committee will receive information and papers in a timely manner to enable full and proper consideration to be given to issues

### **Quorum**

The quorum necessary for the transaction of business shall be two, both of whom shall be Independent Governors.

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.

### **Frequency of meetings**

The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required

Outside of the formal meeting programme, the Committee Chair, and to a lesser extent, the other Committee members, will maintain a dialogue with key individuals involved in the company's governance, including the Governing Council Chair, the Chairs of Finance and Remuneration Committees, the Vice-Chancellor, the Finance Director, the external audit lead partner and the head of internal audit.

The internal and external auditors have unrestricted right of access to the Audit Committee and/or its Chair and the right to ask the Chair to convene a meeting if necessary.

### **Reporting to Governing Council**

The Committee reports to the Governing Council. The Committee Chair shall report to the Council on its proceedings after each meeting on all matters within its duties and responsibilities. The minutes of meetings shall be provided to all members of Governing Council.

### **Key purpose / overview of role of the Committee**

The Audit and Risk Committee considers, on behalf of Governing Council, the effectiveness of internal control systems, risk management and value for money. The Committee considers the financial statements and related disclosures with particular reference to 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 satisfy itself that suitable arrangements are in place to ensure sustainability and promote economy, efficiency and effectiveness (value for money).

## **Duties**

The Committee should carry out the duties below for the University. The governing body will make the appropriate level of funds available to the Audit Committee to enable it to take independent legal, accounting or other advice when the Committee reasonably believes it necessary to do so.

### **External Audit**

1. Make recommendations to Governing Council, for approval in a general meeting, on the appointment, re-appointment or otherwise of the external auditor. Consider if there are any questions to ask should the auditors resign.
2. Approve fees, and terms of engagement of the external auditor.
3. Review and approve the external auditors' proposed audit scope and approach, including co-ordination with internal audit work.
4. Consider and make recommendations to the Governing Council regarding any letters of representation to be made to the external auditor.
5. Consider and report to the Governing Council on the annual statutory audit and make recommendations following consideration of the Executive response to any audit management letters, reports and investigations.
6. Obtain assurance that external audit recommendations, which have been approved by Governing Council, are implemented by management as timetabled.
7. Review and monitor the engagement of the external auditor to supply any non-audit services.
8. Consider annually the performance of the external auditors in carrying out their work.

### **Financial Reporting**

9. Review the process by which the Executive consider and report to the Audit and Risk Committee significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas, and recent professional and regulatory pronouncements. This should be such as to allow the Committee to consider and understand their impact on the financial statements.
10. Review the process by which the Executive review the annual financial statements and consider whether they are complete, such that the financial statements are consistent with the information known to Committee members, and reflect appropriate accounting principles, and recommend acceptance to Governing Council. Consider the transparency and openness of reporting throughout the financial statements.
11. Review the audit of the institution's financial statements, including the audit report, the statement of governors' responsibilities and the statement of internal control.

### **Internal Audit**

12. Make recommendations to Governing Council on the internal audit arrangements, including

appointment, re-appointment or otherwise of internal auditors, fees, methods and terms of engagement. Oversee the provision of any additional non-audit services. Seek assurance of reasons for resignation should this occur.

13. Approve the internal audit strategy and annual plan, monitor delivery of the plan, review reports on audit findings and consider the appropriateness of Executive responses and oversee implementation of agreed recommendations, providing assurance to Governing Council.
14. Receive and review the annual report from the internal auditor.

Annually review the independence, performance, value for money and effectiveness of the internal auditor.

### **Risk Management and Internal Control**

15. Monitor and review the effectiveness of the institution's entire risk management (including academic risk), control and governance arrangements. This will include compliance with the legal and regulatory framework that the institution operates within. This should include consideration of the culture and behaviour that is prevalent within the institution and arrangements that can affect reputation, such as the management of conflicts of interest.
16. Obtain assurances relating to the adequacy and effectiveness of risk management, internal controls and governance processes with particular reference to the management of key risks to the achievement of strategic objectives and targets. Undertake a rolling in depth review of key strategic and significant risks to the University. Escalate matters of concern to Governing Council.
17. Satisfy itself that suitable arrangements are in place to ensure sustainability and promote economy, efficiency and effectiveness (value for money).
18. Oversee the provider's policies related to ethical and other behaviours, including whistleblowing, anti-bribery, material adverse or reportable events, fraud and irregularity etc. – including being notified of any action taken under these policies. Ensure compliance with the OfS requirement for the reporting of fraud.
19. Ensure the Chair of the Committee reports formally to the Governing Council on its proceedings after each meeting on all matters within its duties and responsibilities and formally report to Council on how it has discharged its responsibilities.
20. Compile an annual report on its activities. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process, where applicable any of the significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed, having regard to matters communicated to it by the auditor.
21. Monitor other relevant sources of assurance, for example other external reviews undertaken during the year.
22. In the event of the merger or dissolution of the institution, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.

**Authority**

The Committee is authorised by the Governing Council to obtain at the University's expense, outside legal or other professional advice on any matter within its terms of reference. It is authorised to seek any information it requires from an employee, and all employees are directed to co-operate with any request made by the Committee.

Approved by Audit and Risk Committee

Date 3 July 2024

Approved by Governing Council

Date 25 September 2024

