

# AUDIT AND QUALITY COMMITTEE

## TERMS OF REFERENCE 2019/2020

### Purpose of the Committee

The Committee's purpose is to provide constructive challenge through the independent and objective review and scrutiny of the effectiveness of the University's financial and other internal control systems. It provides assurance to the Board of Governors that suitable and robust arrangements exist to promote efficiency and effectiveness and pro-active risk management. It also provides the Board of Governors with assurance that the University's academic governance and quality assurance processes comply with requisite standards and are fit-for-purpose.

The Committee reviews the scope and effectiveness of the work of the internal and external auditors and advises the Board of Governors on their appointment. It reviews regulatory requirements and the University's annual financial statements and accounting policies.

### Membership

The constitution is at least three members of the Board with power to co-opt. The membership should include at least one member with relevant experience in finance. The Committee elects the Chair from the external Governor members annually (normally a maximum five years in office). The Vice-Chancellor, Chair of the Board of Governors, and staff and student Governors are ineligible to be members of Audit Committee (in accord with the Articles of Government, article 5.2).

The Office for Students (OfS) Audit Code of Practice states that Audit Committee members must not have executive authority [in the institution] or be members of a finance committee or its equivalent unless the institution can satisfy OfS that this is unavoidable for statutory or practical purposes. Those present in attendance have the right to speak but not to vote.

The membership of the Group shall consist of the following core members:

- Three External Governors appointed by and from the Board of Governors

In attendance by invitation:

- Vice-Chancellor (*ex officio*)
- Executive Director of Finance
- Staff Representative
- Student Governor
- External Auditors
- Internal Auditors

### Quorum

The quorum shall be 40% of the membership of whom more than half shall be independent members.

## Terms of Reference

1. The Committee carries out all the responsibilities placed on it by the Office for Students (OfS) Terms and Conditions of funding for higher education providers. It also conducts its business in accordance with sector wide good practice guidance.
2. Under delegated authority from the Board of Governors it is empowered to:
  - (a) Investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees must co-operate with any request made by the Committee.
  - (b) 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 accountable officer and/or chair of the governing body. However, it may not incur direct expenditure in this respect in excess of £5,000 (plus VAT), without the prior approval of the governing body.
  - (c) Review the audit aspects of the draft annual financial statements. These aspects will include 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, 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.
  - (d) Arrange joint meetings as appropriate with other board committees or their Chairs to discuss areas of mutual interest or significant matters.
3. Audit Responsibilities
  - (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 risk assessment and strategy; to consider major findings of internal audit investigations and management's response, as well as any findings from HE sector benchmarking. 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 promote co-ordination between the internal and external auditors.
- (g) To keep under review, in the context of the University's Strategic Plan, 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.
- (h) 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.
- (i) To consider elements of the annual financial statements 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.
- (j) To monitor the implementation of agreed audit-based recommendations, from whatever source.
- (k) 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.
- (l) To oversee policies including in particular those on whistleblowing, fraud irregularity and related matters, including being notified of any action taken under those policies.
- (m) To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
- (n) To receive any relevant reports from the National Audit Office, OfS and other organisations.
- (o) To review key compliance reports and receive assurance on the implementation of the ethics governance framework
- (p) 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.

#### 4. Quality Responsibilities

- (a) To receive monitoring reports including the annual assurance statement on academic quality that enable it to provide confirmation to the governing body that the University's academic governance and quality assurance processes meet or exceed requisite thresholds and are fit-for-purpose.

- (b) To monitor the operation of external quality assurance procedures to which the University is subject.
- (c) To consider the outcome of academic and professional assessments conducted by external statutory bodies and professional bodies, including research and scholarship.
- (d) To receive monitoring reports that enable it to confirm to the governing body that the University meets or exceeds the requirements of the Concordat to Support Research Integrity.

#### 5. Annual Report

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 accountable officer, summarising the Committee's 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
- economy, efficiency and effectiveness (value for money)
- management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies.

*(Section 9, Annex C: Audit Code of Practice: OFS Terms and conditions of funding for higher education institutions for the period to 31 July 2019 and Terms and Conditions of Funding 2019-20)*

This opinion should be based on the information presented to the Committee during the course of the year. 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.

#### 6. Health and Safety

To monitor compliance with the statutory and other requirements for Health and Safety as placed upon the University as an employer.

- 7. On a periodic basis, to critically reflect upon its effectiveness as a committee and the value-added contribution that it makes to the delivery of the University's strategic objectives.

## **Conduct of Business**

The Committee may conduct its business via any communication method that is deemed suitable by its Chair.

## **Frequency of Meetings**

The Committee should meet on at least four occasions per annum.

## **Clerking**

The Clerk to the Board of Governors will be responsible for the organisation of meetings, facilitating communication and for the provision of clerking services to the Group.

## **Records of Decisions**

Formal minutes shall be taken of all meetings and made available to the Board of Governors.

## **Amendments to the Terms of Reference**

Amendments to the membership and terms of reference of the Group may be proposed by any governor at any time but shall only be formally approved by the Board of Governors.

## **Review of the Terms of Reference**

The membership and terms of reference of the Committee shall be formally reviewed on an annual basis by the Board of Governors.