

## Terms of Reference of the Audit and Risk Committee

### *Membership*

The Committee and its Chair shall be appointed by Council, with the following specific requirements:

- members will have no executive responsibility for the management of the institution;
- there shall be no fewer than four members three of whom should be members of Council; a quorum shall be two members;
- the Chair of Council will not normally be a member of the Committee;
- the Chair of the Committee will normally be a member of Council;
- members should not have significant interests in the institution;
- At least one member should have recent relevant experience in finance, accounting or auditing. The Committee may, if it considers it necessary or desirable, co-opt members with relevant expertise.;
- no member of the Committee may also be a member of the Finance and Infrastructure Committee (or equivalent),
- the Chair of Finance and Infrastructure Committee, although not a member of the Committee, will be allowed to attend and comment as appropriate.

Membership of the Committee is for three years and may be renewed. Members should not ordinarily serve on the Committee for more than three terms of office and, where possible, changes in membership should be phased in to provide continuity.

### *Other attendees at meetings*

The Chief Operating Officer, the Director of Finance, 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. At least once a year, the Committee will meet with the external and internal auditors without any officers present.

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 and Risk Committee Secretary.

### *Frequency of meetings*

Meetings shall normally be held four times each financial year. The external auditors or head of internal audit may request additional meetings if they consider it necessary.

### *Authority*

The Committee is authorised by 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.

The Committee is authorised by 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 Accountable Officer (as designated by OfS) and/or the Chair of Council. This includes non-audit fees paid to the external auditors and internal auditors. However, it may not incur direct expenditure in this respect in excess of £25,000, without the prior approval of Council.

The Audit Committee is authorised to approve all audit planning documents on behalf of the Council.

The Audit Committee will review the audit 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 Council.

#### *Purpose*

**It is the role of the Audit Committee to advise and assist the Council in respect of the entire assurance and control environment of the University.**

#### *Duties*

The duties of the Committee are to:

- **Auditors**
  - advise the Council 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;
  - discuss with the external auditors, before the audit begins, the nature and scope of the audit;
  - 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);
  - consider and advise the Council 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;
  - review the internal auditors' audit risk assessment, strategy and programme; consider major findings of internal audit investigations and management response; and promote coordination between the internal and external auditors. The Committee will ensure that the resources made available for internal audit are enough to meet the University's needs (or make a recommendation to the Council as appropriate);
  - keep under review the effectiveness of the risk management, culture, control and governance arrangements and review the external auditors' management letter, the internal auditors' annual report and management responses;
  - monitor the implementation of agreed audit-based recommendations, from whatever source;
  - monitor annually the performance and effectiveness of the external and internal auditors, including any matters affecting their objectivity, and make recommendations to the Council concerning their reappointment, where appropriate.
- **Risk management and control**
  - review, and to advise Council on, risk management control activity undertaken by the University Executive, with a view to ensuring that the University is managing all forms of risk effectively and adopting best practice in risk management generally;
  - Satisfy itself that suitable arrangements are in place to ensure the sustainability of the institution and to promote economy, efficiency and effectiveness. This may include consideration of arrangements that:
    - a) support the culture and behaviour that is prevalent within the institution;
    - b) ensure the effective management of conflicts of interest; and
    - c) enable the appointment of 'fit and proper persons' to the Council and senior executive positions.

- oversee the institution's policy on fraud and irregularity, including being notified of any action taken under that policy;
- ensure that all significant losses have been thoroughly investigated and that the internal and external auditors – and where appropriate the regulator – have been informed;
- satisfy itself that effective arrangements are in place to ensure appropriate and accurate data returns are made to external stakeholders and regulatory bodies;
- receive any relevant reports from the National Audit Office, the regulator (the OfS) and other organisations;
- monitor other relevant sources of assurance, for example other external reviews;
- ensure governance oversight of the reporting to OfS of serious incidents (defined as those that may have, or actually, put the University's assets, beneficiaries or reputation at risk).
- In the event of the merger or dissolution of the University, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.
- **Financial Regulation and Governance**
  - review the effectiveness of the University's Finance and Governance Regulations, including the University's Bank Mandates, Treasury Controls and the University's Financial Authority-limits, and to report to Council thereon
  - should question whether management has considered those risks likely to have the greatest financial, reputational or regulatory impact on the institution. This should include:
    - how the Nolan Principles are integrated into the operations of the University;
    - the management of whistleblowing procedures;
    - arrangements for anti-bribery;
    - tests for 'fit and proper persons'/reference checking;
    - the identification and reporting of material adverse events;
    - identifying fraud risks and a rigorous assessment of any relevant internal controls and their ability to prevent and/or detect fraud; and
    - the management of conflicts of interest.
  - to review, in exceptional circumstances, ethical governance issues referred following consideration by the University Executive or the University Research Ethics Committee.
- **Financial statements**
  - 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 the regulator's accounts directions;
- **Review of Effectiveness of the Audit and Risk Committee**
  - periodically (and at a minimum of every four years) undertake a review of its terms of reference and its own effectiveness and recommend any necessary changes to the Council.

### *Reporting Procedures*

The minutes (or a report) of meetings of the Committee will be circulated to all members of the Council.

The Committee will prepare an annual report covering the University's financial year and any significant issues up to the date of preparing the report. The report will be addressed to the Council and Vice-Chancellor and will summarise the activity for the year. It will give the Committee's opinion of the adequacy and effectiveness of the University'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); and sustainability,

economy, efficiency and effectiveness. This opinion should be based on the information presented to the Committee. The Audit and Risk Committee annual report should normally be submitted to the Council before the members' responsibility statement in the annual financial statements is signed. The report will usually be published after consideration by the Council.

*Secretarial arrangements*

The secretary to the Audit and Risk Committee will normally also be responsible for servicing Council (or another appropriate independent individual).

JGW/Approved by Council 24 March 2021