

AUDIT COMMITTEE

Constitution

1. The Board of Governors has established a committee of the Board known as the Audit Committee.

Membership

2. The Committee and its Chairman shall be appointed by the Board of Governors, from among its own members, and must consist of members with no executive responsibility for the management of the institution. There shall be no fewer than three members; a quorum shall be at least two independent members. The Chairman of the Board of Governors should not be a member of the Committee. Members should not have significant interests in the institution.
3. At least one member should have recent and relevant experience 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 and Human Resources Committee, unless the Board of Governors determines that cross-representation involving one member is essential and that this is the subject of an explicit, recorded resolution, in accordance with paragraph 50 of the 2008 Model Financial Memorandum between HEFCE and Institutions. Such cross-representation is not an option for the Chairman of either Committee.

Attendance at meetings

4. The Financial Director, 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 each financial year. The external auditors or head of internal audit may request a meeting if they consider it necessary and the Chairman may call additional meetings if he or she considers it necessary.

Authority

6. The Committee is authorised by the Board of Governors 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 Board of Governors 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 Board of Governors. However, it may not incur direct expenditure in this respect in excess of £30,000, without the prior approval of the Board of Governors.
8. The Audit Committee will 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 Board of Governors.

Duties

9. The duties of the Committee shall be:
 - a. To advise the Board of Governors 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 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 Board of Governors 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 reviews and management's response; and to 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 Board of Governors as appropriate).

- f. To keep under review 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.
- 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 HEFCE Accounting Officer, have been informed.
- i. To oversee the institution's policy on fraud and irregularity, including being notified of any significant action taken under that policy.
- j. To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
- k. To receive reports from internal audit, external audit and any other sources in connection with the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies.
- l. To receive any relevant reports from the National Audit Office, HEFCE and other organisations.
- m. To monitor annually the performance and effectiveness of external and internal auditors, including any matters affecting their objectivity, and to make recommendations to the Board of Governors concerning their reappointment, where appropriate.
- n. 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 HEFCE's Accounts Directions.
- o. 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.

Reporting procedures

10. The minutes (or a report) of meetings of the Committee will be circulated to all members of the Board of Governors.
11. The Committee will prepare an annual report covering the institution's financial year and any significant events up to the date of preparing the report. The report will be addressed to the Board of Governors and designated officer, summarising the 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 (the risk management element includes the accuracy of the statement of internal control included with the annual statement of accounts)
 - economy, efficiency and effectiveness (value for money)
 - the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies.

This opinion should be based on the information presented to the Committee. The Audit Committee Annual Report should normally be submitted to the Board of Governors before the members' responsibility statement in the annual financial statements is signed.

Clerking arrangements

12. The clerk to the Audit Committee will be the Clerk to the Board of Governors (or other appropriate independent individual).