

## **Audit committee**

### **Terms of reference**

#### **1. Constitution**

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

#### **2. Membership**

- 2.1 The Audit Committee and its chair shall be appointed by the Board, from among its own members, and must consist of members with no executive responsibility for the management of the institution.
- 2.2 There shall be no fewer than three members; a quorum shall be at least two members.
- 2.3 The chair of the Board should not be a member of the committee.
- 2.4 Members should not have significant interests in LSBU.
- 2.5 At least one member should have recent relevant experience in finance, accounting or auditing.
- 2.6 The committee may, if it considers it necessary or desirable, co-opt members with particular expertise.
- 2.7 Members of the committee should not also be members of the finance committee (or equivalent).

#### **3. Attendance at meetings**

- 3.1 The chief executive, head of finance (or equivalent), 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.
- 3.2 At least once a year the committee should meet with the external and internal auditors without any officers present.

#### **4. Frequency of meetings**

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

#### **5. Authority**

- 5.1 The committee is authorised by the Board 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.
- 5.2 The committee is authorised by the Board 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 head of institution and/or chair of the Board. However, it may not incur direct expenditure in this respect in excess of £20,000 without the prior approval of the Board.
- 5.3 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.

#### **6. Secretary**

- 6.1 The secretary to the Audit Committee will be the Clerk to the Board or other appropriate person nominated by the Clerk.

#### **7. Duties**

- 7.1 The duties of the committee shall be to:
- 7.1.1 advise the Board 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;
  - 7.1.2 discuss with the external auditors, before the audit begins, the nature and scope of the audit;

- 7.1.3 as necessary, to hold regular discussions with the external auditors (in the absence of management where necessary);
- 7.1.4 consider and advise the Board 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;
- 7.1.5 review the internal auditors' audit risk assessment, strategy and programme; consider major findings of internal audit investigations and management's response; and promote co-ordination between the internal and external auditors. The committee will monitor that the resources made available for internal audit by the executive are sufficient to meet LSBU's needs (or make a recommendation to the Board as appropriate);
- 7.1.6 keep under review the effectiveness of the risk management, control and governance arrangements, and in particular review the external auditors' management letter, the internal auditors' annual report, and management responses;
- 7.1.7 monitor the implementation of agreed audit-based recommendations, from whatever source;
- 7.1.8 monitor the proper investigation by the executive of all significant losses and that the internal and external auditors, and where appropriate the funding council's accounting officer, have been informed;
- 7.1.9 oversee the policy on anti-fraud and irregularity, including being notified of any action taken under that policy;
- 7.1.10 satisfy itself that suitable arrangements are in place to promote economy, efficiency and effectiveness;
- 7.1.11 receive any relevant reports from the National Audit Office (NAO), the funding councils and other organisations;
- 7.1.12 monitor annually the performance and effectiveness of the external and internal auditors, including any matters affecting their objectivity, and make recommendations to the Board concerning their reappointment, where appropriate;

- 7.1.13 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 funding councils' accounts directions;
- 7.1.14 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;
- 7.1.15 advise the Board of Governors on the effectiveness of the internal control system and recommend changes as necessary;
- 7.1.16 review regularly the financial regulations for the supervision and control of financial procedures, accounts, income and expenditure of LSBU and to advise the Board of Governors as necessary;
- 7.1.17 monitor compliance with relevant regulatory and legal requirements (e.g. HEFCE financial memorandum) and report to the Board of Governors as necessary;
- 7.1.18 receive reports made under the "speak up" policy and to monitor annually the performance and effectiveness of the "speak up" policy and procedures;
- 7.1.19 to authorise single debt write offs above £10,000 and annual debt write offs above £50,000. To receive a report on any debt written off below this threshold and approved by the Executive Director of Finance.
- 7.1.20 to consider significant deviations from business case or concerns following a post investment review

## **8. Reporting procedures**

- 8.1 The minutes (or a report) of meetings of the Audit Committee will be circulated to all members of the Board.
- 8.2 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 Board and Vice Chancellor/Chief Executive, and will summarise the activity for the year. It will give the committee's opinion of 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); and
- economy, efficiency and effectiveness (value for money).
- management and quality assurance of data submitted to HESA and to 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 before the members' responsibility statement in the annual financial statements is signed.

*Approved by the Board of Governors on 9 July 2015*