The University of Chichester

# Governors’ Audit Committee

**Constitution and Terms of Reference 2021-22**

1. **Constitution**

The Governing Body has established a Committee of the governing body known as the Audit Committee.

2. **Scope**

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 institution.

3. **Membership**

Members shall be appointed by the governing body in consultation with the Chair of the Audit Committee on the recommendation of the Nominations and Effectiveness Committee and normally from among its own members. Members must have no executive responsibility for the management of the University. There shall be no fewer than three members; a quorum shall be at least two members. The Chair of the governing body should not be a member of the Committee. [The Chair of the Committee will normally be a member of the governing body]. Members should not have significant interests in the institution.

Only members of the committee have the right to attend committee meetings.

At least one member should have recent and relevant experience in finance, accounting or auditing preferably with a professional qualification from one of the accountancy bodies. The Committee may, if it considers it necessary or desirable, co-opt members with particular expertise. Members of the Committee should not also be a member of the Finance and Resources Committee.

The Board shall appoint the committee Chair. In the absence of the committee Chair and/or an appointed deputy, the remaining members shall elect one of themselves to chair the meeting.

4. **Attendance at Meetings**

The Vice-Chancellor, Deputy Vice-Chancellor, and Chief Operating Officer (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. However, at least once a year, the Committee should meet with the external and internal auditors without any officers present. The Committee has the right, whenever it is satisfied that it is appropriate, to go into confidential session and exclude any or all participants and observers other that the Audit Committee Secretary.

5. **Frequency of Meetings**

Meetings shall normally be held at least four times each financial year. The external auditors or the internal auditors may request a meeting if they consider it necessary. The committee through the Chair will maintain a dialogue outside of formal meetings with key individuals involved in the University’s governance.

6. **Authority**

The Committee is authorised by the governing body 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 the governing body 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 (Vice-Chancellor) and/or the Chair of the governing body. However, it may not incur direct expenditure in this respect in excess of £25,000, without the prior approval of the governing body.

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

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, the accounting policies and any changes to such policies and any relevant issue raised in the external auditor’s 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.

The duties of the Committee shall be:

6.1 To assure the Governing Body of the integrity of the governance management and operational arrangements of the institution. This will include financial reporting, internal controls and risk management systems, compliance, fraud and internal and external audit.

6.2 To understand the key business risks and to keep under review the effectiveness of the risk management, culture, control and governance arrangements, and in particular to review the external auditors’ management letter, the internal auditors’ annual report, and management responses and ensure there are no gaps in the assurance framework.

6.3 To satisfy itself that satisfactory arrangements are in place to ensure the sustainability of the institution and to promote economy, efficiency, and value for money by a process of continuous evaluation and improvement. 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.

c. enable the appointment of ‘fit and proper persons’ to the governing body and senior executive positions.

6.4 To satisfy itself that effective arrangements are in place to ensure appropriate and accurate data returns are made to stakeholders and regulatory bodies.

6.5 To receive any relevant reports from the National Audit Office, the regulator and other organisations.

6.6 To monitor other relevant sources of assurance, for example other external reviews.

6.7 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 the regulator’s accounts directions.

6.8 In the event of a 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.

External Audit

6.9 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.

6.10 To discuss with the external auditors, before the audit begins, the nature and scope of the audit.

6.11 To discuss with the external auditors issues 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) and monitor the effectiveness of internal and external auditor relationships.

6.12 To review and monitor the implementation of agreed external audit-based recommendations.

Internal audit

6.13 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, 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.

6.14 Review and assess the internal audit work plan and to review the internal auditors risk assessments and strategy (plus section below). Consider major findings of internal audit investigations and management’s response; and 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 University’s needs (or make a recommendation to the governing body as appropriate).

Compliance, fraud, quality assurance

6.15 To ensure that all significant losses have been properly investigated and that the internal and external auditors, and where appropriate the funding council’s Accounting Officer, have been informed.

6.16 To oversee the University’s policies on fraud and irregularity and public interest disclosure, including being notified of any action taken under those policies.

6.17 To receive any relevant reports from the National Audit Office, the Office for Students (OfS) and other organisations

6.18 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 re-appointment, where appropriate.

6.19 To consider elements of the annual financial statements in the presence of the external auditor, including the auditors’ formal opinion, the statement of members’ responsibilities and the statement of internal control, in accordance with the OfS Accounts Direction and the Audit Code of Practice (ACOP).

6.20 Arrange for periodic reviews (at a minimum of every four years) of its own performance and at least annually review its constitution and terms of reference and make any necessary changes to the governing body.

7. **Reporting Procedures**

The Audit Committee’s minutes will be circulated to all members of the governing body. Once agreed at the next formal meeting, the Minutes will be released through the University’s Publication Scheme in accordance with the Definition Document for higher education institutions published by the Information Commissioner’s Office.

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 governing body and the head of institution (Vice-Chancellor), and will summarise the activity for the year. The Report will include, inter alia, the Committee’s opinion on 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)
  + Sustainability, economy, efficiency and effectiveness (value for money).
  + Data assurance

This opinion should be based on the information presented to the Committee. 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.

8. **Clerking Arrangements**

The Clerk to the Audit Committee will be the University Secretary.

**Approved by Audit Committee: 17 September 2021**

**Approved by the Board of Governors: 16 November 2021**

**HL**