

## **Audit Committee**

### **Terms of Reference**

In accordance with the Articles of Government and Bye-laws, the following Committee shall be appointed with the membership, terms of reference and modus operandi as indicated, and be subject to the general provisions of the University's constitution, Bye-laws, Policies and Procedures.

### **Purpose**

The purpose of the Audit Committee is to:

- a) Support the Board of Governors in discharging its responsibility for adequate and effective risk management, control and governance
- b) Advise the Board of Governors on the probity of financial statements
- c) Ensure that systems are in place for the economic, efficient and effective operation of the University of Northampton and its subsidiaries.

### **Members**

- Four independent or co-opted members of the Board of Governors
- Four external members appointed by the Board of Governors
- At least one of the members shall have competence in accounting and/or auditing
- The Chair of the Board of Governors, and employees and students of the University of Northampton shall not be members of the Audit Committee

### **Chair**

- The Chair and Deputy Chair are elected by the Committee after consultation with the Chair of the Board
- The Chair and Deputy Chair shall be selected from amongst the members who are governors of the University
- The Chair and Deputy Chair are elected for a maximum of two three-year terms of office

### **Attendees**

The following are in attendance at the invitation of the Committee:

- External and Internal Auditors
- Chair of the Board of Governors
- Vice Chancellor, Chief Operating Officer, Director of Finance
- Other University staff as appropriate to report to the Committee on their activities
- Other observers at the invitation of the Chair

### **Clerk**

The clerk to the Committee shall be the Clerk to the Board of Governors.

## **Quorum**

Three of the seven members, at least one of whom shall be a governor of the University. Where there are vacancies, the same proportions of members apply, rounded up to the nearest whole number.

## **Frequency of Meetings**

As determined by the Committee to allow it to discharge its responsibilities. There will be at least three meetings per academic year.

## **Terms of Reference**

### **Duties**

The Committee will have oversight of the University and its wholly owned subsidiaries. As relevant, and subject to the requirements of regulation and the independence of the boards of subsidiary companies, it will carry out the duties below from the University and its wholly owned subsidiaries.

### **Auditors**

The Committee will:

1. Agree the procedure for the selection of the internal and external auditors of the University and its subsidiaries
2. Recommend to the Board of Governors the appointment and terms of engagement of the internal and external auditors of the University and its subsidiaries. This will include the fee and the provision of non-audit services
3. Advise the Board on any questions of resignation or dismissal of auditors
4. Review and monitor the performance and effectiveness of the auditors
5. Review and monitor the independence of the auditors and in particular the appropriateness of the provision of non-audit services
6. At least annually, hold meetings with the external and internal auditors without management being present to discuss their work and any issues arising
7. Monitor co-ordination between the internal and external auditors to optimise audit resources
8. Monitor the implementation of agreed audit-based recommendations, from whatever source

### **External Audit**

The Committee will

9. Review the work and findings of the external auditors and consider the implications and management's responses to their work. This will be achieved by:
  - a. agreement of the nature and scope of the audit as set out in the annual plan
  - b. discussion with the external auditors of their evaluation of audit risks and factors that could affect audit quality
  - c. Review the findings of the audit with the external auditor. This shall include but not be limited to the following:
    - discussion of any major issues which arose during the audit

- the auditor's explanation of how the risks to audit quality were addressed
- key accounting and audit judgements
- the auditor's view of their interactions with senior management

Levels of errors identified during the auditReview the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee

### **Internal Audit**

10. The Committee will ensure that there is an effective internal audit function that provides appropriate independent assurance to the Audit Committee, Vice Chancellor and the Board. This will be achieved by:
  - a. review and approval of the internal audit strategy and plan ensuring it is aligned to the key risks of the business and receive regular reports on work carried out
  - b. considering the findings of internal audit investigations and management's response to these
  - c. review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function
  - d. ensure that the internal audit function is adequately resourced and has appropriate standing within the organisation

### **Risk Management and Internal Control**

The Audit Committee will:

11. Monitor risk registers and the management and mitigation of significant risks
12. Review the adequacy and effectiveness of:
  - a. the University's risk management policy and procedures
  - b. risk and control related disclosure statements, and in particular the statement on internal control contained in the annual report and financial statements. To do this, the Committee will review any accompanying internal audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board
  - c. other processes that indicate the degree of achievement of corporate objectives, the effectiveness of the management of the principal risks and the appropriateness of the above disclosure statements

### **Financial Reporting**

The Audit Committee will:

13. Monitor the integrity of the financial statements , taking into account all relevant information
14. Review and report to the Board of Governors on significant financial reporting issues and judgements which the financial statements contain
15. Evaluate risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee
16. Review the annual financial statements in the presence of the external auditors before submission to the Board, focusing particularly on:
  - a. the auditor's formal opinion
  - b. the statement of internal control
  - c. the application of accounting policies and any changes to them

- d. the methods used to account for significant or unusual transactions where different approaches are possible
- e. whether appropriate accounting policies have been adopted, and appropriate estimates and judgements made, taking into account the external auditor's views
- f. unadjusted miss-statements in the financial statements
- g. significant judgments in preparation of the financial statements
- h. significant adjustments resulting from the audit

### **Narrative Reporting**

Where requested by the Board, review the content of the annual report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for stakeholders to assess the performance of the entity, its business model and strategy.

### **Other Sources of Assurance**

The Audit Committee will:

- 17. Review the findings of other significant assurance functions, both internal and external, and consider the implications for the governance of the University
- 18. Satisfy itself that suitable arrangements are in place for the management and quality assurance of data submitted to statutory and regulatory bodies
- 19. Satisfy itself that suitable arrangements are in place to promote economy, efficiency, effectiveness and value for money
- 20. Satisfy itself that the entity has adequate arrangements in place for whistleblowing and for countering fraud, bribery and corruption
- 21. Receive reports on incidents of fraud, bribery and corruption
- 22. Approve the University's policies on fraud, bribery and corruption
- 23. Review the adequacy of University's arrangements for Health and Safety and consider reports on Health and Safety and on Occupational Health from the University Executive
- 24. Give assurance to the Board regarding its responsibilities for Health and Safety
- 25. Ensure that all significant financial losses have been properly investigated and that the internal and external auditors, and where appropriate the relevant funding bodies, have been informed
- 26. Carry out an annual assessment of its own performance to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board

### **Reports**

- 27. The minutes of meetings of the Audit Committee will be circulated to all members of the Board of Governors
- 28. The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed
- 29. The Committee will prepare an Annual Report to the Board of Governors covering the financial year and any significant issues up to the date of preparing the report. The report will be addressed to the Board of Governors and the accountable officer and will summarise activity for the year. It will give the Committee's opinion on the adequacy and effectiveness of the University's arrangements for:
  - a. risk management, control and governance
  - b. economy, efficiency and effectiveness (Value for money)
  - c. management and quality assurance of data submitted to other bodies for example funding bodies

This opinion should be based on the information presented to the Committee. The Audit Committee Annual Report should be submitted to the Board of Governors before the annual financial statements are signed.

### Authority

30. In carrying out its work, the Audit Committee will primarily make use of the work of internal and external auditors and other assurance functions, but will not be limited to these sources
31. 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 Audit Committee.
32. The Committee may request reports from any individual functions within the University and its subsidiaries as may be appropriate to give assurance
33. The Committee is authorised to obtain independent legal or other professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary. This will normally be decided in consultation with the Vice Chancellor and/or Chair of the Board of Governors. It may not incur direct expenditure in this respect in excess of £5,000 without the prior approval of the Board

### Delegated Powers and Authority

The Board of Governors has delegated to the Audit Committee the power to:

- Agree the procedure for the selection of internal and external auditors
- Monitor the performance and effectiveness of the auditors
- Monitor the integrity of the financial statements
- Approve the strategy and work plan of the internal and external auditors
- Approve policies on fraud, bribery and corruption
- Spend up to £5,000 on seeking independent advice
- Investigate any activity which falls within its terms of reference, requesting reports or attendance at meetings of staff as appropriate
- Operate as the Annual General Meeting of any subsidiary entity which requires an AGM

### Version Control

Version	Date	Comments
D1.0	June 2013	First Issue
D2.0	October 2013	Second issue
D2.1	July 2014	Update
D2.2	September 2014	Chair's update
D2.3	July 2015	Board update
D2.4	August 2015	Update approved by Chair's action
D3.0	23 November 2016	Approved by Board of Governors
D4.0	12 December 2018	Approved by Board of Governors
<b>R4.1</b>	20 February 2019	Update to number of external members approved by Board of Governors