

**DE MONTFORT UNIVERSITY
BOARD OF GOVERNORS - AUDIT COMMITTEE
CONSTITUTION**

A Scope and purpose of the committee

The Committee of University Chairs (CUC) Higher Education Code of Governance and the Higher Education Funding Council for England (HEFCE) Audit Code of Practice (contained within the Memorandum of Assurance and Accountability between HEFCE and institutions) requires the university to establish an Audit Committee that reports directly to the Board of Governors. The Audit Committee shall be independent in its decisions and actions, it shall have sufficient authority and resources to form an opinion and report on the risk management control and governance arrangements of the institution; and shall satisfy itself that the institution has adequate arrangements in place for ensuring economy, efficiency and effectiveness and for the management and quality assurance of data submitted to HEFCE and other funding bodies.

The responsibilities of the Audit Committee relate to the university, all its subsidiary companies, joint ventures and other constituent parts.

Decisions, actions and recommendations will be in full compliance with the CUC Guide, HEFCE Audit Code of Practice, all other statutory requirements, provisions of the Articles of Government and the requirements of and obligations to funding councils and all other relevant bodies.

Additional guidance on interpretation of these terms of reference should be sought in the first place from the Executive Director of Finance or the Clerk to the Board of Governors.

B Terms of reference

The committee will:

1. Advise the Board of Governors on the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors.
2. Approve the provision of any non-audit services provided by the external auditors and advise the Board of Governors accordingly.
3. Prior to the commencement of an external audit discuss with the external auditors, the nature and scope of that audit.
4. Discuss with the external auditors any problems and reservations arising from the interim and final audits, including a review of the university's management responses, and any other matters the external auditors may wish to discuss (in the absence of management where necessary).
5. Consider and advise the Board of Governors on the mode of provision of the internal audit service including their appointment, the terms of engagement, 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. Review the internal auditors' audit risk assessment and the audit plan, consider major findings of internal audit investigations and management's response; and promote co-ordination between the internal and external auditors.
7. Ensure that the resources made available for internal and external audit are sufficient to meet the institution's needs (or make a recommendation to the Board of Governors as appropriate).
8. Keep under review the adequacy and effectiveness of internal control, risk management systems and governance (for example in seeking assurance that the Finance and Human Resources sub-committee of the Board is addressing the requirements of the approved treasury management systems and investment policy in relation to the use of the proceeds of the university's bond issue) and in particular to review the external auditors' management letter, the internal auditors' annual report, and management responses.
9. Satisfy itself that satisfactory arrangements are in place for the management and quality assurance of data submitted to HEFCE and other funding bodies.
10. Monitor the implementation of agreed audit-based recommendations, from whatever source.
11. 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.
12. Oversee the institution's policy on fraud and irregularity, including being notified of any action taken under that policy.
13. Satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness (value for money).
14. Satisfy itself that satisfactory arrangements are in place to prevent cybercrime.
15. Receive any relevant reports from those bodies from whom the university obtains external assurance such as the National Audit Office, HEFCE and such other organisations as may be relevant in this context and will consider and advise the Board as appropriate.
16. Monitor annually the performance and effectiveness of external and internal auditors, and make recommendations to the Board of Governors concerning their reappointment, where appropriate.
17. Consider elements of the annual financial statements in the presence of the external auditor, including the auditor's formal opinion, the statement of members' responsibilities and any corporate governance statement. This responsibility should be extended to include consideration of internal control and risk management statements.
18. Ensure that there is an effective risk register and risk management system together which provide a clear and consistent approach to risk management and that the risk register provides a framework that results in all significant, actual or potential opportunities being recognised, assessed and managed.
19. Consider the annual audited accounts and accounting policies of the university and its subsidiaries and to make appropriate recommendations on the same to the Board of Governors.

20. Undertake any other duties which the Board of Governors may delegate to the Audit Committee from time to time.

C Authority and access

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.

Internal and external audit partners have direct access to the Chair of the Audit Committee, the Chair of the Board of Governors and the Vice-Chancellor. Internal and external auditors have unrestricted access to all records, assets, personnel and premises and are authorised to obtain whatever information the internal or external audit partner considers necessary.

The Head of the HEFCE Assurance Service has access to all the above and to the internal and external audit partners.

The committee is authorised by the Board of Governors to obtain external 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 Vice-Chancellor and Chair of the Board of Governors.

The Audit Committee shall review the draft annual financial statements, specifically considering the external audit opinion, the statement of members' responsibilities, the corporate governance statement and any relevant issue raised in the external auditor's management letter. The committee shall, 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.

D Membership

Members shall be drawn from the Board of Governors (other than staff or student Governors) to serve on this committee. There shall be no fewer than three members and such members must have no executive responsibility for the management of the institution. The Chair of the Governing Body shall not be a member of the committee.

The Chair shall be an Independent Governor, be elected annually by the Board of Governors and have a casting vote

Members should not have significant interests in the institution.

At least one member should have a background 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 specifically authorised HEFCE under the terms of paragraph 73 of the Accountability and Audit Code of Practice.

Members shall hold office for three years and may be re-elected.

On an annual basis, membership will be confirmed by the committee's secretary to the People and Organisational Development directorate in order that an anonymous analysis of equality participation may be undertaken, as part of the university's equality obligations.

E Attendance at meetings

Attendees at meetings shall be:

1. Chief Operating Officer;
2. Clerk to the Board of Governors;
3. Executive Director of Strategic Planning Services / Associate Chief Operating Officer;
4. Executive Director of Finance;
5. Deputy Director of Finance;
6. Head of Legal Services
7. Internal audit partner; and
8. External audit partner.

The attendance of any other person at meetings of the Audit Committee requires the approval of the Chair of the Audit Committee upon consultation with the Vice-Chancellor.

At least once a year, the committee shall meet with the external and internal auditors without any officers present.

F Quorum

A quorum is two independent members.

G Servicing and support

Servicing and support will be provided by Executive Governance and Legal Services.

H Meeting schedule

The Audit Committee shall meet on four occasions in each financial year. Additional meetings may also be called at the request of the Chair of the Audit Committee, the Vice-Chancellor or the internal or external audit partner.

I Reporting procedures

An annual report of the Audit Committee meetings held in each financial year must be made to the Board of Governors, usually at the November Board meeting, which will, following approval by the Board, be submitted to the HEFCE Assurance Service by the Executive Director of Finance. The report must cover the financial year and include any significant issues up to the date of preparation of the reports. It will give the committee's opinion on the extent to which the Board of Governors may rely on the risk management control and governance systems and the arrangements for securing economy, efficiency and effectiveness. This opinion should be based upon 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. The reports must be submitted to HEFCE according to the timetable to be published annually in the HEFCE circular letter.

J Sub-committees

None.

K Approval and revision

This constitution will be reviewed and re-approved by the committee at its first meeting of every academic year, or sooner, if significant amendments are required.

L In-year revision record

Section	Details of revision	Approved on
E	Addition of 'Head of Legal Services' in the attendees list.	18.09.17
E	Addition of 'External audit partner' in the attendees list.	18.09.17
E	Removal of 'The external audit partner normally attends meetings at which business relevant to the external auditors is discussed'.	18.09.17

Approved: 18 September 2017

Endorsed by parent committee:

Received by university secretariat office: