

DE MONTFORT UNIVERSITY

BOARD OF GOVERNORS – AUDIT COMMITTEE CONSTITUTION

A Scope and purpose of the committee

The Committee of University Chairs' (CUC) Higher Education (HE) Code of Governance and the Office for Students' (OfS) Audit Code of Practice (contained within the Terms and Conditions of Funding for Higher Education 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, 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 the OfS 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 HE Code of Governance, the CUC HE Audit Committees Code of Practice, the OfS Audit Code of Practice, all other statutory requirements, provisions of the university's Instrument and Articles of Government, and the requirements of, and obligations to, the regulator and all other relevant bodies.

In conducting its business, the committee should inform other subcommittees (and the board) of matters appropriate to their remit. The committee is responsible for identifying matters of potential ethical concern or activity that may lead to material adverse reputational risk to the university, and escalating such matters to the Board of Governors, as appropriate, in line with the university's Scheme of Delegation.

Additional guidance on the interpretation of these terms of reference should be sought from the Registrar (Academic)/ Secretary to the Board of Governors.

B Terms of reference

The committee will:

1. Consider and advise the board on the appointment, the terms of engagement, the audit fee and any questions of the resignation or dismissal of both the internal and external auditors.
2. Monitor annually the performance and effectiveness of the university's internal and external auditors, and make decisions on behalf of the board concerning their re-appointment, when appropriate, and promote co-ordination between the internal and external auditors.
3. Approve the provision of any non-audit services provided by both the internal and external auditors and advise the board accordingly.

4. Approve, prior to the commencement, the nature and scope of the internal and external auditors' respective plans, ensuring that the resources made available for internal and external audit are sufficient to meet the institution's needs.
5. Consider major findings of internal audit investigations and management's response, monitoring the implementation of agreed audit recommendations.
6. 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).
7. Review the external auditors' management letter, the internal auditors' annual report, and management responses.
8. Consider the annual financial statements in the presence of the external auditors, including the auditor's formal opinion, the statement of members' responsibilities, and any corporate governance statement. This responsibility is extended to include consideration of internal control and risk management statements.
9. Consider the transparency and openness of reporting throughout financial statements.
10. Consider the annual audited accounts and accounting policies of the university and its subsidiaries and make recommendations thereon to the board.
11. Keep under review the adequacy and effectiveness of governance, compliance, risk management and internal control. This may include consideration of arrangements that:
 - a. support the appropriate culture and behaviour within the institution;
 - b. ensure the effective management of conflicts of interest;
 - c. enable the appointment of 'fit and proper person' to the Governing Body and senior executive positions; and
 - d. determine the remit and activity of board's subcommittees in matters relating to governance, compliance, risk management and internal control.
12. Gain assurance that satisfactory arrangements are in place for the management and quality assurance of data submitted to the OfS and other funding bodies.
13. Ensure that all material losses have been properly investigated and that the internal and external auditors and, where appropriate, the OfS accounting officer, have been informed.
14. Oversee the institution's policy on fraud and irregularity, including being notified of any action taken under that policy.
15. Gain assurance that satisfactory arrangements are in place to promote a culture of economy, efficiency and effectiveness (value for money).
16. Gain assurance that there are satisfactory cyber security arrangements in place for the university.
17. Monitor the university's compliance with the General Data Protection Regulation and Data Protection Act 2018.

18. Gain assurance that satisfactory arrangements are in place for the handling of student complaints.
19. Receive any relevant reports from those bodies from whom the university obtains external assurance such as the National Audit Office, the OfS and such other organisations as may be relevant in this context, and will consider and advise the board as appropriate.
20. Ensure that there is an effective risk register and risk management system, which together 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 risks being recognised, assessed and managed.
21. Ensure that there are effective procedures in place for the management of whistleblowing disclosures and receive regular reports on the status and nature of such disclosures.
22. Ensure that there are effective procedures in place for the production of the annual Transparent Approach to Costing (TRAC) return.
23. Produce an annual report for the board and the accountable officer. The report must cover the financial year and include any significant issues up to the date of signing the report and its consideration of the financial statements for the year. The report will be presented to and reviewed by the board before the audited financial statements are signed.
24. Deal with any other matters as requested by the Board of Governors.

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 committee is able to go into confidential session and exclude any or all other participants and observers, other than the committee secretary. Private sessions are formally scheduled into committee agendas, both with and without auditors.

The OfS has access to all of the above and to the internal and external audit partners.

Members of the University Leadership Board may also have direct access to the Chair of the Audit Committee.

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 independent governors of the board 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 Board of Governors shall not be a member of the committee and no member of the committee should also be a member of the Finance and Performance Committee. If the Board of Governors determines that cross-representation involving one member is essential, this should be the subject of an explicit, recorded resolution, which sets out the rationale for such a decision – but it should not be an option for the chair of either committee or the Chair of the Board, as per paragraph 7 of the OfS' Audit Code of Practice.

The Chair shall be an independent governor, be elected annually by the Board of Governors, and have a casting vote.

Members of the committee should be independent should not have significant interests in the institution.

At least one member of the committee 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.

E Attendance at meetings

Attendees at meetings shall be:

1. Vice-Chancellor;
2. Chief Finance and Resource Officer;
3. Registrar (Academic) / Secretary to the Board of Governors;
4. Internal audit partner; and
5. 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.

F Quorum

A quorum is two independent members.

G Servicing and support

Servicing and support will be provided by the Governance Office.

H Meeting schedule

The Audit Committee shall meet on four occasions in each financial year for regular committee business, with a further meeting scheduled in December of each year to consider the annual accounts. 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 partners.

I Reporting procedures

The minutes of the Audit Committee will be presented to the Board of Governors on a regular basis, in addition to regular updates on business transacted by the committee being provided

to the board by the committee chair. Any items requiring Board of Governors' approval in the terms of the Scheme of Delegation will be presented for its consideration.

An annual report of the committee's 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 OfS. 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 the OfS according to the timetable to be published annually.

J Sub-committees

None.

K Approval and revision

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

L In-year revision record

| Section | Details of revision | Approved on |
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Approved: 10 June 2023

Endorsed by parent committee: 6 July 2023