



CUC Audit Committee Code of Practice mapping exercise

<b>Outcome requested:</b>	Audit and Risk Committee is asked to <b>discuss</b> the mapping exercise against the CUC Audit Committee code of practice published in May 2020.
<b>Executive Summary:</b>	<p>The CUC Audit Committee Code of Practice sets out the key elements for effective audit in HEIs. The Code is designed to support audit committees in ensuring institutions have effective audit arrangements. The Code is premised on an ‘apply or explain’ basis.</p> <p>The Committee is asked to discuss its compliance against the Code set out in the attached document. The Committee is asked specifically to discuss areas where greater alignment with the Code could be introduced.</p> <p><i>Terms of Reference</i> The Code provides a model terms of reference in Appendix 1. The Committee may wish to update the existing terms of reference to align with the model ToR.</p> <p><i>Confidential sessions</i> The existing ToR provide for in camera meetings with the internal and external auditors. The Committee may wish to consider referencing the Committee’s broader right to hold confidential sessions more generally.</p> <p><i>Membership</i> The Code suggests that the Committee may wish to consider the benefit of contributions from staff from other institutions to contribute to discussions on the embedding of risk, governance and control processes within the institution.</p>
<b>Alignment with QMUL Strategy</b>	Effective audit supports all areas of the strategy.
<b>Internal/External regulatory/statutory reference points:</b>	The CUC Audit Committee Code of Practice The CUC Higher Education Code of Governance Audit and Risk Committee Terms of Reference and membership QMUL Charter and Ordinances
<b>Strategic Risks:</b>	Compliance
<b>Equality Impact Assessment:</b>	Not required
<b>Subject to Prior and Onward Consideration by:</b>	N/A
<b>Confidential paper under FOIA/DPA:</b>	No
<b>Timing:</b>	N/A
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<b>Date:</b>	14 September 2021
<b>SET Sponsor(s):</b>	Jonathan Morgan, Chief Governance Officer and University Secretary

<b>Element 1: The role of the Audit Committee is clearly understood</b>	
14. 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 HE provider. Specifically, it will: review and recommend to the governing body for approval the annual consolidated financial statements of the institution, including consideration of the external auditors' management letter and management responses to it; seek appropriate assurances in order that it can advise the governing body on the effectiveness of the HE provider's arrangements for governance and internal control (see paragraph 10); and receive and consider the annual Head of Internal Audit report.	The role of the Committee is set out in its terms of reference and evidence that it has discharged its duties effectively can be found in the minutes of Committee meetings.
15. Audit Committees must not have any executive authority over the management of the HE provider except for matters that are linked to the provision of assurance and delegated to it, e.g. appointment and dismissal of internal and external auditors, agreement of audit plans and commissioning of specialist advice, if necessary.	The Committee does not have any executive authority over management as set out in the Committee terms of reference.
16. Institutions should ensure that appropriate members of the Executive are responsible for active engagement with audit processes, the auditors and recommendations for improvements as a result of audits that are agreed with the Audit Committee.	Regular meetings are held between the auditors and the University leadership to review progress against the audit plan and track progress against recommendations.
17. The role and responsibilities of the Audit Committee should be set out in written terms of reference, and should – with reference to the relevant regulatory requirements – include the following objectives:	Roles and responsibilities are set out in the Committee terms of reference, however, the Code is more specific. The Committee may wish to consider the value in consolidating the model terms of reference with the existing Committee terms of reference.
a) Monitor and review the effectiveness of the institution's entire risk management (including academic risk), control and governance arrangements. This will include compliance with the legal and regulatory framework that the institution operates within. This should include consideration of the culture and behaviour that is prevalent within the institution and arrangements that can affect reputation, such as the management of conflicts of interest.	
b) Review the audit of the institution's financial statements, including the audit report, the statement of governors' responsibilities and the statement of internal control. Audit Committees can fulfil a broader role than this, to include all aspects of the review of the financial statements and stand back from the narrative reporting (in particular the Strategic Report) and consider whether it is fair and balanced.	
c) Consider the transparency and openness of reporting throughout	
d) Satisfy itself that suitable arrangements are in place to ensure sustainability and promote economy, efficiency and effectiveness (value for money).	
e) Consider and advise the governing body on the approach to internal audit – this can be an in-house function, membership of a consortia, outsourced or a hybrid approach. Once the approach is determined, the Audit Committee can consider the appointment and terms of engagement of the internal audit function (and the head of internal audit, if applicable), the budget for audit, the provision of any non-audit services (e.g. consultancy) by internal auditors, and any questions arising from their resignation or dismissal.	
f) Review the nature and scope of the internal audit process and discuss with the internal auditors any problems and reservations arising from their audit, including their audit reports and any other matters the internal auditors may wish to discuss.	
g) Consider and advise the governing body on the appointment and terms of reference of the external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of their resignation or dismissal.	

h) Review the nature and scope of the external audit process and discuss with the external auditors any problems and reservations arising from their audit, including the external audit management letter and any other matters the external auditors may wish to discuss.	
i) Monitor annually the performance and effectiveness of external and internal auditors, including any matters affecting their independence and objectivity.	
j) Monitor other relevant sources of assurance, for example other external reviews	The Committee can commission external reviews and consider the outcome.
k) Oversee the provider's policies related to ethical and other behaviours, including whistleblowing, anti-bribery, material adverse or reportable events, fraud and irregularity etc. – including being notified of any action taken under these policies (see Appendix 2).	
18. The Audit Committee's terms of reference should be coordinated with the responsibilities of other governing body or Senate/Academic Board Committees in the institution, for example where there is a Finance Committee, a Risk Management Committee, and other committees focused on risk (e.g. an Investment Committee or an Environment, Health and Safety Committee). These Committees may be required to consider the same issue from different perspectives. Care should be taken to clearly define the roles and responsibilities of each committee, when collaboration is required, whether cross-membership is allowed and whether the Audit Committee Chair or members might attend other committee meetings as an observer (and vice versa).	The terms of reference are aligned with those for Finance and Investment Committee and clearly outline the roles, responsibilities and membership of each Committee. The Committee receives an annual report from the Health and Safety Advisory Group.
19. Audit Committee model terms of reference can be found in Appendix 1. These model terms of reference are intended to assist Audit Committees in creating or updating their own terms of reference for their specific circumstances. They are not prescriptive and serve only as a guide in establishing the Audit Committee's work plan and meeting agendas.	The Committee may wish to consider whether to update the existing terms of reference with reference to the Code's model terms of reference.
<b>Element 2: Audit Committee membership is independent, experienced and effective</b>	
20. The Audit Committee should consist of at least three independent members of the governing body and can co-opt non-members with relevant expertise or interests when necessary. All members of the Committee should be independent, objective and non-executive. The Audit Committee Chair should be a member of and appointed by the governing body. All members should be appointed by the governing body, and any 'independent member' (i.e. not a governing body member) should be appointed via the Nominations Committee. Members will need the appropriate mix of skills and experience to allow them to discharge their duties effectively. At least one member of the Audit Committee should have recent and relevant experience in accounting or auditing.	All members including the Chair are appointed by Council. All members of the Committee are non-executive members of Council. The terms of reference allow for up to two members external to Queen Mary to be co-opted to the Committee.
21. The size of the Audit Committee will vary depending on the needs and culture of the institution and the extent of responsibilities delegated to the Committee by the governing body. Committees of three to five individuals are generally most appropriate because they provide for a sufficiently wide range of skills, perspectives and experience.	The ToR sets out the membership as no less than three and no more than five.
22. The Committee should have the right, whenever it is satisfied that this is appropriate, to go into confidential session and exclude any or all other participants and observers other than the Audit Committee Secretary. A useful approach is for Audit Committees to routinely have member-only sessions before a meeting, then invite only the auditors to discuss anything they might wish to keep private, and at the end, ask the auditors to leave to give the Executive the opportunity to raise any further private matters. This stops such sessions being seen as somehow related to a particular problem or critical issue	Under Mode of Operation in the Committee terms of reference, the Committee holds one in camera meeting each with the internal and external auditors a year. Does the Committee wish to broaden the scope of <i>in camera</i> meetings set out in the terms of reference?

<p>23. As co-opted members are appointed only to the Audit Committee and not the governing body they will have to make efforts to obtain and maintain an appropriate understanding of the institution. In this respect, appropriate induction training is critical, as is an ongoing programme of activity to ensure that members maintain enough appropriate contact with the organisation. Where appropriate, co-opted members could be copied in on the minutes of the governing body and the papers prepared for its meetings. Whether or not papers are copied, the key requirement is that members need to understand how the HEI operates, its critical processes, the HE sector and key legislation affecting the sector. They also need to understand the role of auditors. This enables them to challenge rigorously and support appropriately, as required.</p>	<p>Co-opted members are provided with background reading on Committee business, Queen Mary and key issues in the higher education sector. Meetings are arranged by the Council Secretariat for new members with key members of the Senior Executive and other professional service leaders. Co-opted members receive the weekly information bulletin and other email communications sent to Council members. Co-opted members have access to the archive of Council papers on Convene.</p>
<p>24. Appointments to the Audit Committee, including co-option</p>	<p>All appointments including of co-opted members are made by Council</p>
<p>25. All Audit Committee members need to be independent and objective. Senior employees of the institution are generally not considered independent and should not be members of the Audit Committee. Similarly, the Vice-Chancellor, Chair of the governing body and Chair of the Finance Committee (or equivalent) should not be members of the Audit Committee. This does not preclude the Secretary to the Committee being an employee. Nevertheless, some institutions appoint students and staff to their Audit Committees on the basis that it builds trust, promotes inclusion and demonstrates transparency.</p>	<p>All Committee members are non-executive and independent of Queen Mary. The Chair of Council and Chair of Finance and Investment Committee are not members of Audit and Risk.</p>
<p>26. When determining the independence of an Audit Committee member, the governing body might consider whether any material relationships or circumstances could affect (or appear to affect) the member's judgement. Such relationships and circumstances may occur if the individual has: or has had within the last three years, a material business relationship with the institution, either directly or as a partner, shareholder, director, consultant or senior employee of a body which has such a relationship with the institution; has been an employee of the institution within the last five years; close family ties with any of the institution's advisers, officers or senior employees; or has significant links with any of the institution's auditors, advisers, officers or senior employees through involvement in other bodies.</p>	<p>When recommending appointments for approval to Council, Governance Committee considers whether there are any material relationships or circumstances that could affect a member's judgment.</p>
<p>27. Audit Committee members are not usually members of a Finance Committee or its equivalent. This is because the Audit Committee needs the independence to be able to challenge the Finance Committee. Cross-representation might be appropriate where the following conditions are met: the Audit Committee has at least three members (not counting co-optees); the person serving on both Committees is not the Chair of either; or in institutions which have a treasurer, that person does not serve on both Committees (albeit this individual might attend the meetings of both Committees).</p>	<p>Membership of the Audit and Risk and Finance and Investment Committees are entirely separate.</p>
<p>28. Notwithstanding the above, consideration might be given to Audit Committee members occasionally attending Finance Committee meetings by invitation, as observers and vice versa. Consideration should be given to the ongoing independence of the Audit Committee if there is a regular observer, as this could adversely influence the work and deliberations of the Committee.</p>	<p>Audit and Risk Committee members may request in advance to attend Finance and Investment Committee on an ad hoc basis. The Chairs of ARC and FIC get to see both sets of papers.</p>

<p>29. In determining who should sit on the Audit Committee, the governing body should not lose sight of the fact that the Committee's remit is much broader than financial audit. The Audit Committee's approach should always be risk-based, and therefore its remit encompasses aspects of governance; culture and behaviour; risk management (including academic risk) and control, as well as the economy; efficiency and effectiveness of the institution's activities. It is important that the Audit Committee seeks multiple inputs into its deliberations drawing on Executive management, internal and external auditors and any other expert voices it feels necessary to be able to reach a rounded conclusion.</p>	<p>The current Committee membership and meeting attendees enable the Committee to benefit from a wide range of expert voices.</p>
<p>30. Equally, it may be beneficial for members to have experience in areas pertinent to the institution and the specific circumstances in which it operates. For example, including staff from other institutions on the Audit Committee may help the Committee to draw its conclusions as to whether certain governance, risk or control processes will be easily embedded within the fabric of the institution.</p>	<p>The Committee may wish to consider the benefits of adding staff from other institutions to its membership.</p>
<p>31. When determining the composition of the Audit Committee, it is also important to balance experience in several different areas with a wide range of knowledge, skills and personal attributes such as:  sound judgement;  integrity and probity;  the ability to question intelligently and with relevance;  the ability to and debate constructively;  the ability to challenge rigorously and decide dispassionately; and  being trusted and respected by other governing body and Committee members.</p>	<p>The range of skills, knowledge and personal attributes expected is set out in the Council member role description and the role description for co-opted members.</p>
<p>32. It is important to emphasise that effective Audit Committees are about the people and their behaviours more than the processes and structures. This means that all members need to make sure they attend most meetings, prepare appropriately and make an effective contribution. To contribute means that they will need a good understanding of the business. The roles of the Chair and Clerk are crucial in ensuring an appropriate rigour of debate; effective relationships with management and auditors and checking that the Committee continuously adds value to the operations of the institution.</p>	<p>This is evidenced in the records of meeting attendance and minutes.</p>
<p><b>Element 3: Audit Committee meetings are properly organised and supported</b></p>	
<p>33. Audit Committee meetings need to coincide with key dates within the financial reporting and audit cycle to enable the Committee to make timely and influential decisions. A quorum will normally be at least two members, one of whom must be a member of governing body. If there is only one member of a governing body present, they should take the Chair for the meeting. If members are unable to attend, then provision should be made for them to provide comments on any papers, either via the Committee Secretary or the Chair, in advance of the meeting.</p>	<p>The meeting schedule coincides with key dates in the financial reporting and audit cycle. The quorum is a minimum of three members. Members unable to attend a meeting may submit comments in advance to the Chair and Committee Secretary.</p>
<p>34. Audit Committees need a set of standing orders within the context of general governance arrangements for the provider to ensure the proper conduct of business. These standing orders must be approved by the governing body and be subject to regular review (i.e. at least biennially).</p>	<p>The Charter and terms of reference ensure the proper conduct of business.</p>
<p>35. Notwithstanding the Audit Committee's right to decide who is entitled to attend any meeting, the internal and external auditors should have unrestricted right of access to the Audit Committee and/or its Chair and the right to ask the Chair to convene a meeting if necessary. The single exception would be agenda items covering the review of the audit service itself.</p>	<p>This is set out in the Committee terms of reference.</p>
<p><b>Element 4: The Audit Committee has enough resources and access</b></p>	

36. The Audit Committee must be provided with enough resources to undertake its duties and make effective use of its time. The Committee must have the right to obtain all the information it considers necessary and to consult directly with the internal auditors, external auditors, Executive management and any employees it considers necessary.	This is covered under Ordinance A3, the Primary responsibility of Council
37. The governing body should make funds available to the Audit Committee to enable it to take independent legal, accounting or other advice when the Committee reasonably believes it necessary to do so.	This is covered under Ordinance A3, the Primary responsibility of Council
38. The institution should provide an induction programme for new Audit Committee members. This should cover the role of the Audit Committee, including its terms of reference and expected time commitment by members, and an overview of the institution including, for example, its key risks and critical accounting policies. Depending on skills and experience this may need to be supplemented by a development programme.	New members are provided with documents on key matters of business, Committee terms of reference and membership, and an overview of the institution. Meetings are arranged with key members of the senior executive and professional service leaders.
39. The Audit Committee should have a Secretary – normally the clerk to the governing body or some other independent person. In determining the Secretary to the Committee, the governing body should consider whether the proposed Secretary has significant financial or other senior management responsibilities that might impair, or be seen to impair, the independence of the individual.	The Committee Secretary is a member of the Council Secretariat.
<b>Element 5: The Audit Committee communicates regularly and effectively with the governing body and the appropriate stakeholders</b>	
40. The Audit Committee should ensure that it communicates effectively with the governing body, head of finance (or equivalent), internal auditor, external auditor and other stakeholders. The key channel of communication is via the Audit Committee Chair.	The Committee produces a report after each meeting to Council. The Committee Chairs meet regularly.
41. The Audit Committee also needs to have open, timely communications with the governing body if it is to assist the governing body effectively in discharging its responsibility for adequate and effective risk management, culture, control and governance and for the economy, efficiency and effectiveness of the institution's activities. This may be via written reports at Board meetings, written information in between meetings and oral reports at Board meetings from the Chair.	The Committee produces a written executive summary of each meeting for the subsequent Council meeting.
42. The Audit Committee should produce an annual report for the governing body and the Head of Institution, timed to support the preparation of the published financial statements.	The Committee produces an annual report for Council to be considered in support of the preparation of the published financial statements.
43. The Audit Committee should consider 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, and when satisfied recommend them to the governing body for approval.	The Committee considers the annual financial statements in the presence of the external auditors before recommending to Council for approval.
44. The annual report should include the Committee's opinion of the adequacy and effectiveness of the institution's arrangements for risk management, control and governance, sustainability, economy, efficiency and effectiveness (value for money) and the quality of data submitted to regulatory bodies. The report should describe how the Audit Committee has discharged its duties and should include any significant issues arising during the financial year and the period up to the date of the report.	The Committee annual report covers the Committee's opinion of the adequacy and effectiveness of the institution's arrangements for risk management, control and governance, sustainability, value for money, and the quality of data submitted to regulatory bodies. The report describes how the Committee discharged its duties and includes any significant issues arising during the financial year and the period up to the date of the report.
45. The governing body needs to monitor any changes from the date of the Audit Committee report to the date of approval of the audited financial statements as the statement of internal control must explicitly relate to the period covered by the financial statements, and the period up to Board approval.	This is evidenced in the minutes of Council meetings where the financial statements are discussed.
<b>Element 6: The Audit Committee undertakes periodic assessments of its effectiveness</b>	
46. The Audit Committee should periodically (a minimum of every four years) undertake a review of its terms of reference and its own effectiveness and recommend any necessary changes to the governing body.	The Committee undertakes a review of its own effectiveness on an annual basis. The Committee forms part of the external effectiveness review of corporate governance that takes place in line with CUC recommended timescales.

<p>47. There is no right way to conduct such a review, but some form of assessment is desirable every year, and it is best that different approaches are used in different years. So, one year, it might simply be a discussion in a member-only session about how things have gone and what might be changed. Another year, there might be a questionnaire issued to members, auditors and senior managers, while occasionally there may be merit in asking for some external input – perhaps from the Audit Chair or the Head of Audit from another institution, and sometimes from an independent reviewer (typically as part of an independent review of the institution’s overall governance arrangements). Possible areas for consideration are set out in Appendix 3).</p>	<p>Committee members and attendees, including the internal and external auditors, have been asked to complete an online questionnaire. In previous years, committee members have been interviewed individually by the secretariat.</p>
<p><b>Element 7: The Audit Committee exercise oversight of external audit</b></p>	
<p>48. The Audit Committee assists the governing body by providing independent oversight over external audit. Specifically, the Audit Committee should:</p> <p>a) Consider and advise the governing body on the appointment and terms of reference of the external auditors, having done due diligence on the audit firm including their membership of a professional institute (which ensures that they will comply with relevant audit codes and regulations), and ensure through contract that they will comply with relevant audit codes and regulations, the audit fee, the provision of any non-audit services by the external auditors, and any questions arising from their resignation or dismissal.</p> <p>b) Review the nature and scope of the external audit process and discuss with the external auditors any problems and reservations arising from their audit, including the management letter and any other matters the external auditors may wish to discuss.</p> <p>c) Monitor the performance and effectiveness of the external auditors each year, including any matters affecting their independence and objectivity.</p> <p>d) Consider the external auditor’s independence and request from the auditor a statement that sets out the auditor’s processes used to ensure their independence and objectivity, taking into consideration relevant UK professional and regulatory requirements. For its part, the audit firm should have properly monitored internal policies and procedures in place to establish that the firm and its individual members are independent from the institution. This should take place at intervals of, at most, one year.</p>	<p>a) The Committee advises Council on the appointment and terms of reference of the external audit; b) The Committee reviews the nature and scope of the external audit process and discusses with the external auditors any issues; c) The Committee monitors the performance and effectiveness of the external auditors annually; d) The Committee receives from the auditors a statement that sets out their processes to ensure independence and objectivity.</p>
<p>49. The Audit Committee needs to ensure that it exercises appropriate oversight over the audit of subsidiaries as well as the institution itself. Where the same firm audits both subsidiary entities and the institution, the Audit Committee should review the nature, scope and results of the external audit process with the ‘group’ auditor. Similar considerations apply where subsidiary entities are audited by different auditors. Here, the Audit Committee needs to satisfy itself that the group auditor is factoring into the audit plan significant subsidiary audit risks, and that appropriate audit evidence is sought.</p>	<p>The Committee receives a report on the audit of subsidiaries and approves the consolidated accounts.</p>
<p>50. The governing body, acting on the advice of the Audit Committee, may pass a resolution to remove the auditors before the end of their term of office if serious shortcomings are identified.</p>	<p>Council has the authority to remove auditors before the end of their term, in the event that Audit and Risk Committee has made this recommendation.</p>
<p>51. Where auditors cease to hold office for any reason, they should provide the governing body with a statement of any circumstances connected with their removal which they consider should be brought to the governing body’s attention, or a statement that there are no such circumstances. The Audit Committee should investigate the issues giving rise to such resignation or removal and consider whether any action is required. If necessary, the Audit Committee Chair should ensure that each member of the governing body has a copy of the auditors’ statement.</p>	<p>In line with good practice in the audit sector, exiting auditors are required to provide a statement and liaise with incoming auditors.</p>



<p>52. To help ensure that non-audit services provided by the auditor do not impair, or appear to impair, the auditor's independence or objectivity, the Audit Committee should develop a policy on the provision and pre-approval of all non-audit services. In determining this policy, the Committee should consider the skills and experience of the audit firm, potential threats to the auditor's independence and objectivity, and any controls put in place by the institution and the auditor to mitigate such threats.</p>	<p>The Committee approved a policy on the provision of non-audit services 14 November 2013.</p>
<p>53. The pre-approved policy devised by the Audit Committee should formally specify the types of non-audit work from which the external auditor should be excluded, and the types of work for which the external auditor can be engaged. The policy should ensure that the auditor has appropriate procedures to ensure compliance with their profession's ethical standards.</p>	
<p>54. Where the institution is incorporated under the Companies Acts, the 'directors' (members of the governing body) are required to report publicly that they have taken steps to make themselves aware of relevant audit information and have disclosed all relevant information to the external auditor.</p>	<p>Queen Mary is incorporated under Royal Charter, however, Council makes a statement to this effect in the financial statements.</p>
<p>55. At the end of the audit cycle, the Audit Committee should review the audit findings, including any changes in audit approach or any modification to the auditor's report. The issues to be discussed will depend on institutional and audit circumstances. Nevertheless, the Audit Committee should: discuss with the external auditor any major issues that arose during the audit and were subsequently resolved, and those issues that have been left unresolved; review any problems detected in internal control; review key accounting and audit judgements; and review levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditor about why certain errors might remain uncorrected.</p>	<p>The Committee reviews the audit findings at the end of the audit including any changes to the audit approach or modification to the auditor's letter. The Committee also reviews the management letter and the response to the management letter to say what action has been taken.</p>
<p><b>Element 8: The Audit Committee exercises effective oversight of internal audit</b></p>	
<p>56. The Audit Committee assists the governing body by providing independent oversight over internal audit. Specifically, the Committee should: assist the governing body in the appointment, or termination of appointment, of the institution's head of internal audit or externally provided internal audit function. The Committee's recommendation to the governing body should be based on its assessment of the qualifications, expertise, resources and independence of the internal auditor and the effectiveness of the audit process (see below); ensure that the internal auditors have direct access to the Chair of the Audit Committee and the governing body, and are directly accountable to the Audit Committee for their performance; review and assess the internal audit work plan; receive periodic reports on the results of the internal auditors' work; review and monitor management's responsiveness to the internal auditors' findings and recommendations; monitor internal auditors' performance annually against agreed performance measures; and ensure that internal audit is properly positioned within the institution and is adequately resourced to fulfil its role effectively.</p>	<p>The Committee's oversight of internal audit is set out in the terms of reference. Council receives regular reports from the Committee which include its work in relation to internal audit.</p>
<p>57. The contracts for any externally provided services should be subject to competitive tender at least every five years, subject to any procurement rules. Contracts should include a clause to allow for earlier termination in the event of unsatisfactory performance.</p>	<p>The contracts for externally-provided services for internal audit are subject to competitive tender every 5 years.</p>
<p>58. Provision should be made for outgoing auditors to complete their work and submit their final annual report. Attendance by the outgoing auditors at the appropriate Audit Committee meeting should also be considered. If there is a change in auditor, institutions should ensure that the new contract immediately follows the end of the old contract or make other suitable arrangements.</p>	<p>Outgoing auditors would submit a final report and attend the appropriate meeting.</p>

<p>59. Subject to normal staffing arrangements (for in-house auditors) and any contractual arrangements, only the governing body (or the Audit Committee where delegated authority exists) in consultation with the Vice-Chancellor(or equivalent) may pass a resolution to remove the internal auditors before the end of their term of office if serious shortcomings are identified.</p>	<p>Council may remove the internal auditors before the end of their term where this has been recommended by Audit and Risk Committee as set out in the terms of reference.</p>
<p>60. The Audit Committee should review the audit plan and satisfy itself that appropriate audit coverage will cover all the institution's assurance needs. This includes ensuring that the requirements of regulators are actively considered as part of the planning process. If internal audit is not covering an area, then other means of assurance should be in place. When the Audit Committee is satisfied with the audit plan, it should, if its terms of reference so require, recommend the plan to the governing body for approval. Once the plan has been approved, the Audit Committee should monitor the auditors' progress against it during the year. Ideally, the Audit Committee will operate a rolling planning cycle to ensure each key area is considered at least once every three years.</p>	<p>The Committee reviews and approves the internal audit annual plan. Progress against the internal audit is monitored regularly throughout the year as evidenced in the minutes of Committee meetings.</p>
<p>61. The Audit Committee should also do its utmost to ensure that internal audit has: enough respect and support within the institution; unrestricted access to all records, assets, personnel and premises; authorisation to obtain whatever information and explanations are considered necessary by the head of internal audit; and adequate human and other resources to perform its work effectively.</p>	<p>The Committee ensures that internal audit is supported through the annual in camera meeting and the internal audit annual report which would flag any issues.</p>
<p>62. While the internal auditors report to the HOI (or equivalent) on a day-to-day basis, the Audit Committee has an oversight responsibility. As such, the Committee needs to determine appropriate communication channels and reporting arrangements with internal audit. This will include the unrestricted right of the Head of Internal Audit to report any matter they deem appropriate to the Chair of the Audit Committee. It is important to make best use of members' time and effectively manage the amount of paperwork received by Audit Committees. Some Audit Committees want to see every audit report, some a summary of every report, some only reports with limited (or no) assurance and others a periodic summary. Progress reports, comparing audit activity against the audit plan, are also useful.</p>	<p>The Head of Internal Audit has unrestricted access to the Chair of the Committee. The Committee receives all internal audit reports and periodic summary updates.</p>
<p>63. It is important that the Audit Committee considers significant individual audit findings or recommendations, though it need not be concerned with more detailed findings unless the Committee considers it valuable to do so.</p>	<p>The Committee considers individual audit reports including the significant findings and recommendations which is evidenced in the minutes of meetings.</p>
<p>64. The governing body, advised by the Audit Committee, should ultimately be responsible for either ensuring that management takes prompt and effective action on those audit reports which call for it, or recognising and accepting the risks of management's inaction.</p>	<p>Council is advised of management action in response to audit findings and recommendations through the executive summaries and annual report.</p>
<p>65. The internal audit service should provide the governing body and HOI with an annual report of its activities. This report should relate to the financial year and should include any significant issues up to the date of the report. Such reports are generally reviewed by the Audit Committee.</p>	<p>Council and the President and Principal receive the annual report on internal audit. The report is reviewed by the Committee before being considered by Council.</p>
<p>66. When agreeing appropriate performance measures for internal audit, the Audit Committee should recognise that, to be effective, such measures need to be adapted to each institution's requirements. The following are some of the more common measures used to monitor the performance of internal audit, but selection is a matter for each institution: performance against agreed programme, scope and time; staffing continuity, skills mix, quality and seniority of team; timeliness of engagements and reports; clarity and accuracy of reports, and effectiveness of follow-up of previous recommendations; Audit Committee attendance; focus on risk and key issues; and openness in discussion with the Audit Committee.</p>	<p>Key Performance measures are set out in the contract for internal audit services and measured monthly. The Committee is able to monitor performance through periodic updates and the audit annual report.</p>