

## Terms of Reference for Internal Audit Services

### Introduction

1. Internal Audit Services (IAS) is responsible for providing an independent appraisal of all the University's activities, financial and otherwise. It should provide a service to the whole Organisation, including the Council and all levels of management. It is not an extension of, nor a substitute for, good management, although it can have a role in advising management. IAS is responsible for evaluating and reporting to the University's Council and the Vice-Chancellor and thereby providing them with assurance on the arrangements for risk management, control, governance, quality of data and VFM. It remains the duty of management, not the Internal Auditor, to operate these arrangements.

### Scope

2. All the University's activities, funded from whatever source, fall within the remit of IAS, including overseas activities. IAS will consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that management have taken the necessary steps to achieve these objectives and manage the associated risks.
3. The scope of Internal Audit will cover all risks and operational and management controls necessary to form an opinion on the financial statements. This does not imply that all systems will be subject to review, but that all will be included in the audit risk assessment and hence considered for review following the assessment of risk. It follows that if Internal Audit is to give an opinion on the whole system then that will include academic operations. The role of Internal Audit in this area is to review the risks and controls in place and to confirm that there are adequate systems for the management of teaching and learning and research. For example, Internal Audit could confirm that the examination system is operating effectively and meeting its objectives, but this does not mean that Internal Audit should form academic judgements. Similarly, Internal Audit might review a research grant to ensure that the requirements of the grant have been met, but it should not form a view of the merit of the research undertaken.
4. It is not within the remit of IAS to question the appropriateness of policy decisions. However, Internal Audit is required to examine the arrangements by which such decisions are made, monitored and reviewed.
5. IAS may also conduct any special reviews requested by the Council, Audit Committee or the Vice-Chancellor, provided such reviews do not compromise its objectivity, independence, or achievement of the approved audit plan.

### Responsibilities

6. The Director of Internal Audit Services (DIAS) is required to give an annual opinion to the Council and the Vice-Chancellor, through the Audit Committee, on the adequacy and effectiveness of the arrangements for risk management, control,

governance and quality of data; and for economy, efficiency and effectiveness (value for money) within the institution; and the extent to which the Council can rely on these. The DIAS will also comment on other activities for which the Council is responsible, and to which IAS has access.

7. To provide the required assurance, IAS will undertake a programme of work, based on a strategy authorised by the Council on the advice of the Audit Committee. The programme will evaluate the arrangements in place:
  - (a) to establish and monitor the achievement of organisational objectives;
  - (b) to identify, assess and manage risks to those objectives;
  - (c) to advise on, formulate and evaluate policy within the responsibilities of the Vice-Chancellor;
  - (d) to ensure compliance with policies, laws and regulations;
  - (e) to ascertain the integrity and reliability of financial and other information provided to management and stakeholders, including that used in decision making;
  - (f) to ascertain that systems of control are laid down and operate to promote the economic, efficient and effective use of resources and to safeguard assets.
8. IAS will operate a three year rolling plan, refreshed annually, which ensures sufficient coverage of all significant risk areas, to support the DIAS annual opinion. The annual plan will be agreed by Audit Committee, on delegation of this responsibility from Council.

#### Management responsibilities

9. IAS can only be fully effective if it receives the full co-operation of management. In approving these Terms of Reference the Council are agreeing for management to co-operate with Internal Audit in the delivery of the service by:
  - (a) agreeing scoping documents;
  - (b) providing overall sponsorship for each review at senior management level;
  - (c) providing Internal Audit with full support and cooperation at all levels of operations;
  - (d) providing Internal Audit with complete access to all records, data, property and personnel relevant to the performance of their responsibilities;
  - (e) properly considering and agreeing a written response for all Internal Audit draft reports within 4 weeks of receipt;
  - (f) implementing agreed recommendations in accordance with the agreed timescales;
  - (g) keeping Internal Audit informed of proposed changes, developments, process and system changes as well as newly identified significant risks;
  - (h) providing customer satisfaction feedback to Internal Audit.

### Standards and approach

10. IAS work will be performed with due professional care, in accordance with appropriate professional auditing practice. It will have regard to the IIA and Treasury Standards, and will comply with the HEFCE Audit Code of Practice.
11. In achieving its objectives IAS will develop and implement an audit strategy that assesses the institution's arrangements for risk management, control, governance, and quality of data and for achieving value for money.
12. The DIAS will implement measures to monitor the effectiveness of the service and compliance with standards through a formal documented quality assurance and improvement programme. The Audit Committee will consider and approve these performance measures and may also ask the external auditor to provide an independent assessment of Internal Audit's effectiveness.

### Consultancy

13. The IIA Standards allows that Internal Audit may sometimes be more usefully focused towards providing advice in addition to assurance over core controls. Consultancy work may take the form of analysis, benchmarking or research. IAS will provide advice on this basis, providing:
  - (a) Internal Audit's involvement contributes to the overall opinion which it provides;
  - (b) the work aims to improve risk management, control, governance, quality of data or achieving value for money;
  - (c) the request is supported by senior management;
  - (d) Internal Audit is considered to have, or can acquire, the appropriate skills/ experience required;
  - (e) Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance and Internal Audit will not assume a management role in providing this advice;
  - (g) there is sufficient time within the Internal Audit plan to meet the request, or it is more important than something currently on the plan.
14. The DIAS is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for the final decision. The role which IAS will assume on any particular advisory assignment will be formally agreed.

### Independence

15. IAS has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control and governance, value for money and related matters, subject to resource constraints. For day-to-day administrative purposes only, the DIAS will report to the University Secretary. The DIAS shall have right of access to the Vice-Chancellor.
16. Within the University, responsibility for risk management, control, governance arrangements and quality of data, and the achievement of value for money rests with the Council and management, who should ensure that appropriate and adequate

arrangements exist without reliance on the University's IAS. To preserve the objectivity of the Internal Auditors' professional judgement, it is for management to determine whether or not to accept audit recommendations, to recognise and accept the risk of not taking action, and to implement recommendations.

17. IAS will perform fraud and irregularity related investigations where it has the appropriate skills as directed by the Fraud Response Group. The primary responsibility for preventing and detecting irregularities, fraud and corruption remains with management. Within the University the DIAS shall also act as the Whistleblowing Officer. In the interests of maintaining IAS independence the related policies and procedures remain under ownership of the Office of the Chief Strategy Officer and University Secretary, and approved by Council.
18. The DIAS will confirm at least annually to the Council and Vice-Chancellor, through the Audit Committee, the organisational independence of the IAS.

#### Access

19. IAS has rights of access to all of the University's records, information and assets which it considers necessary to fulfil its responsibilities. Rights of access to other bodies funded by the University should be set out in the conditions of funding. The IAS has a right of direct access to the President of the Council, the Chair of the Audit Committee and the Vice-Chancellor. In turn, IAS agrees to comply with any requests from the external auditors and HEFCE Assurance Service for access to any information, files or working papers obtained or prepared during audit work that they need to discharge their responsibilities.

#### Reporting

20. The DIAS will submit an annual report to the Council and the Vice-Chancellor through the Audit Committee. The report will relate to the University's financial year, and include any significant issues up to the date of preparing the report which affect the opinion. The report will give an opinion on the adequacy and effectiveness of the University's arrangements for:
  - risk management, control and governance;
  - economy, efficiency and effectiveness; and
  - management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE and other bodies and the extent to which the Council can rely on them.
21. The DIAS will also prepare, before the beginning of the year, a plan of work based on a risk assessment supported by an assessment of resource needs. These will be submitted to the Council for approval following consultation with relevant managers and the Vice-Chancellor, and after consideration by the Audit Committee.
22. The DIAS is accountable to the Vice-Chancellor and the Council through the Audit Committee for the performance of the service. The DIAS will also report audit findings to relevant managers (including the Vice-Chancellor) and draw the attention of the Audit Committee to key issues and recommendations. This may be done by providing the committee with copies of all reports, or by reporting on an exception basis, or by providing a summary of key issues.

23. IAS will aim to produce its reports, in writing, within four weeks of completing each audit, giving an opinion on the subject reviewed and making recommendations to improve controls and mitigate risk where appropriate. Such reports will be copied to appropriate Senior Management and summarised for the Audit Committee and may be provided to the external auditor. Managers will be required to respond to each audit report, usually within four weeks of issue, stating the person responsible, and their proposed action with a timetable for implementing agreed recommendations. Material recommendations will usually be followed up in advance of each Audit Committee. In addition the Vice-Chancellor, the Chief Operating Officer and the Audit Committee, will monitor the implementation of audit recommendations.
24. The DIAS will report to the Vice-Chancellor any serious weaknesses, significant fraud or major accounting breakdown discovered during the normal course of audit work. If the Vice-Chancellor refuses to report the matter to the HEFCE Accounting Officer, the Chairman of the Audit Committee and the President of the Council, then the auditor must report to them directly.

#### Liaison

25. IAS will liaise with the external auditors to optimise the audit services provided to the University.

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