

STFC AUDIT COMMITTEE – TERMS OF REFERENCE

Purpose

STFC Council has established this Audit Committee as a committee of Council to support them in their responsibilities for issues of risk, control and governance. To support the Council's and Chief Executive's assurance requirements Audit Committee will review the:

- comprehensiveness of assurances available; and
- reliability and integrity of the assurances provided.

Membership

The members of the Audit Committee are made up as follows:

- Non-executive Council members - 2 representatives who will assume the roles of Chair and Deputy Chair of the Audit Committee
- Independent External members – at 2 least members.

The identity of these members will be published on the STFC web pages and reported on within the STFC Annual Report and Accounts.

Council will appoint Members to the Committee on the recommendation of the Audit Committee Chair and Executive Director Finance. Members are appointed for an initial period of 3 years with scope for one extension of up to 3 years. The Audit Committee Chair is responsible for maintaining a succession plan.

Specific terms of appointment are managed outside these terms of reference.

The Audit Committee will be provided with a secretariat function by the Governance team within the STFC Executive Director Finance.

Reporting

The Audit Committee will formally report in writing to the Council and Chief Executive after each meeting. The emphasis of this report will be agreed by the membership at the conclusion of each meeting.

The Audit Committee will provide the Council and Chief Executive with an 'Annual Report', timed to support the finalisation of the Annual Report and Accounts, including the Annual Governance Statement. The report will summarise its conclusions from the work it has carried out during the year.

Responsibilities

The Audit Committee will form a view on the output from both management and independent assurance activities and advise on:

- The strategic process for risk, control and governance and the Annual Governance Statement;
- The accounting policies and the 'Annual Report and Accounts';
- The planned activity and results of both internal and external audit;
- The adequacy of management response to issues identified by audit and other review activities, including external audit's management letter. In particular the implementation of 'High' risk recommendations;
- Assurances relating to the corporate governance requirements for the organisation;

- Anti-fraud policies, whistle-blowing processes, arrangements for special investigations and receive reports on any proven or suspected frauds;
- Review and maintain an oversight on assurance arrangements for key Partner Organisations and Arms Length Bodies in particular:
 - To monitor the working relationship and performance of UKSBS Ltd as it relates to STFC;
 - To monitor the performance of Diamond Light Source Ltd as it relates to STFC; and
 - To monitor performance at ILL, other major International collaborations and shareholdings as far as they impact on STFC accounts and performance.
- Review its own effectiveness, at least every 3 years, and report the results of that review to Council.
- Council are ultimately responsible for recommending to the Chief Executive/Accounting Officer acceptance of the Annual Report and Accounts. Audit Committee will review the Annual Report and Accounts and advise Council on this matter.
- The Committee's work may from time to time overlap with that of the STFC Finance Committee. Should that be the case, any potential conflicts or duplication will be resolved by the respective Chairs of the Audit and Finance Committees, advised by the Executive Director, Finance.

Audit Committee will ensure that its business is conducted in accordance with the STFC Ethics Policy, and have regard to any ethical principles set by the STFC Ethics Committee and endorsed by Council.

Rights

The Audit Committee may:

- Co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience;
- Procure specialist and ad-hoc advice or commission reviews at the expense of the organisation, subject to budgets agreed by STFC;
- Summon members of the executive, audit or other parties to provide a report on activities as deemed appropriate in the fulfilment of its business.

Access

The Director of AASG and representatives of the NAO will have free and confidential access to the Chair of Audit Committee.

Meetings

The Audit Committee will meet at least four times per annum and meetings should be held so as to allow the timely consideration of financial reporting by Council to external parties. The Chairman of the Audit Committee is responsible for convening such meetings and may convene additional meetings, as deemed necessary.

Council or the Chief Executive may ask the Audit Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

Audit Committee meetings will normally be attended by the Chief Executive as Accounting Officer, the Executive Director Finance, the Director of Internal Audit, and a representative of External Audit. In accordance with the Financial Memorandum, the Audit Committee may require any other officials of the Council to attend to assist it with its discussions on any particular matter.

In the ordinary course of its meetings, the Audit Committee may ask any or all of those who normally attend but who are not members to withdraw at any time to facilitate open and frank discussion of particular matters.

A quorum shall consist of at least 2 members, one of which must be a Council member.

Information requirements

In formulating the agenda for each meeting the Audit Committee will consider:

- A report summarising progress on corporate governance issues, including risk, project management, liability claims and health & safety processes;
- A report on the ongoing relationship between the Council and the Diamond Light Source Ltd;
- The working relationship and performance of SSC Ltd as it relates to STFC;
- Performance at ILL and other major International collaborations as far as they impact on STFC accounts and performance;
- Activities at any arms length body in which it has an interest, particularly where it is a major shareholder (e.g. HSIC, DSIC)
- A copy of all Internal Audit reports issued in their final form since the last Committee meeting (executive summaries only where a Full or Substantial Assurance has been offered, or the complete report where a Limited or No Assurance has resulted);
- A progress report from the Director of Internal Audit summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from Internal Audit work;
 - management response to audit recommendations;
 - changes to the agreed Audit Programme;
 - any resourcing issues affecting the delivery of Internal Audit objectives.

As and when appropriate the Committee will also be provided with:

- Any proposals to amend the Terms of Reference of the AASG and RCUK Funding Assurance;
- The Internal Audit Strategy and RCUK Funding Assurances plan (i.e. Audit Plans);
- A note on the agreed fees for audit services;
- The Director of Internal Audit's Annual Assurance and Report and RCUK Funding Assurance Annual Report;
- Quality Assurance reports on the Internal Audit function;
- The draft and final accounts of the Council and its Subsidiary Bodies;
- The Letter of Representation relating to the Council's Accounts;
- The draft Annual Governance Statement;
- A report on any changes to accounting policies;
- External Audit's Management Letter;
- A report on any proposals to tender for audit services;
- A report on co-operation between Internal and External Audit;
- Annual reports on significant changes to risk, control and governance procedures, including but not limited to SHE, Information Systems and Financial systems.

Agreed by Council – January 2016