

APPENDIX A – Audit Committee Constitution, Membership, Terms of Reference and Details of Meetings.

A. **Constitution of the Audit Committee**

The Constitution of the Audit Committee is set out in [Special Ordinance A \(iv\)](#) and [Chapter XIII](#) of the *Statutes and Ordinances of the University of Cambridge*, as follows:

1. There shall be a standing committee of the Council, called the Audit Committee, which shall consist of:
 - (a) A member of the Council in class (e) (as referred to in Statute A IV 2(e)) appointed by the Council to serve as Chair of the Committee,
 - (b) Two members of the Council appointed by the Council from among its members who are members of the Regent House, provided that neither the Vice-Chancellor, a Pro-Vice-Chancellor, nor the Head of a School shall be eligible to serve,
 - (c) Four persons, not being members of the Regent House or employees of the University, appointed by the Council with regard to their professional expertise and experience in comparable roles in corporate life, including at least two members with experience of finance, accounting or auditing,
 - (d) Not more than three persons co-opted by the Committee, provided that it shall not be obligatory for the Committee to co-opt any person or persons. If there are co-opted members, at least one shall be a member of the Regent House who is not a member of the Council, and, if there is more than one, there shall be either one further member of the Regent House who is not a member of the Council and/or one external members, or two external members, provided that only one of the external membrs may be a member of the Council in class (e) (as referred to in Statute A IV 2(e)).
2. Members in classes (a), (b) and (c) shall be appointed in the Michaelmas Term to serve for four years from 1 January next following their appointment. In the event that Council membership ceases, Audit Committee membership will expire simultaneously. No member may serve for more than eight consecutive years. Co-opted members shall serve for such period as the Committee shall determine at the time of their co-optation.
3. No person may be a member of the Audit Committee who is a member of the Finance Committee. If a member of the Audit Committee becomes a member of the Finance Committee, her or his place shall thereupon become vacant.
4. No decision of the Audit Committee shall have any binding effect unless there are at least five members, three at least of these being external members, present at a meeting of the Audit Committee. If a decision is the subject of a vote and there is an equality of votes cast, the Chair, or Acting Chair, as the case may be, shall be entitled to give a second or casting vote.

In the absence of the Chair of the Committee, the Audit Committee shall elect an acting Chair from the external members present.

B. Terms of Reference

The Audit Committee's Terms of Reference are set out in [Section 1, Chapter XIII Finance and Property](#) of the *Statutes and Ordinances of the University of Cambridge*.

1. The Audit Committee shall meet at least once per term in each financial year. It shall be the duty of the Committee:

- (a) to keep under review the University's risk management strategy and implementation;
- (b) to keep under review the effectiveness of the University's systems of financial and other internal control;
- (c) to satisfy itself that satisfactory arrangements are adopted throughout the University for promoting economy, efficiency and effectiveness;
- (d) to advise the Council on matters relating to the external auditors, including their appointment, their services, their remuneration, and any questions relating to the resignation or dismissal of auditors;
- (e) to review annually with the external auditors the nature and scope of the external audit;
- (f) to consider, in consultation with the external auditors, (i) any statements annexed to the annual accounts of the University, including the auditors' report, and (ii) any statement provided by the Council on the governance of the University;
- (g) to approve the approach to internal audit;
- (h) to approve proposals for the programme of internal audit work put forward by the internal auditors and to ensure that sufficient resources are made available to implement the internal audit programme effectively;
- (i) to consider any reports submitted by the auditors and to monitor the implementation of any recommendations made by the auditors, both external and internal;
- (j) to monitor annually the performance and effectiveness of the external and internal auditors;
- (k) to oversee the University's policy on fraud and irregularity, and to ensure that the Committee is informed of any action taken under that policy;
- (l) to ensure that all significant losses are properly investigated and that the internal and external auditors, and where appropriate, other authorities and regulators, are informed;
- (m) to make an annual report to the Council, other authorities and regulators as required;
- (n) to receive reports from authorities and regulators, and to advise the Council thereon;
- (o) to forward minutes of their meetings to the Council.

C. Membership 2018/19

Chair:	Mr Mark Lewisohn (until 31 December 2018) Professor Sir David Greenaway (from 1 January 2019)
Secretary:	Ms Emma Rampton, Registry
Assistant Secretary:	Dr Clara East, Audit and Regulatory Compliance Officer

There were four changes in membership over the course of the year which are noted in the table below.

Table 1: Membership of the Committee, 2018-19

Class of Membership	Name of member	Limit of Tenure
(a) Chair and External Member of the Council	Mr Mark Lewisohn (until 31 December 2018)	31 December 2020
	Professor Sir David Greenaway (from 1 January 2019)	
(b) Members of Council	Dr Ruth Charles	31 December 2019
	Dr Nick Holmes (until 31 December 2018)	31 December 2018
	Professor Richard Penty (from 1 January 2019)	31 December 2022
(c) External Members	Mr Peter Doyle	31 December 2020
	Ms Janet Legrand	30 June 2021
	Ms Catherine Spitzer	31 December 2019
	Mr John Aston	31 December 2019
(d) Co-opted Members	Dr Keith Carne (until 31 December 2018)	31 December 2018
	Mr Robert Gardiner (from 1 January 2019)	31 December 2020
	Professor John Dennis (until 31 December 2018)	31 December 2019
	Professor Tony Green (from 1 January 2019)	31 December 2020

a. Process of Appointment

Members are appointed to the Audit Committee by the Council of the University. Membership nominations are made to the University's Council's Advisory Committee of Committee Memberships and External Nominations, except in the case of class (d) members who are co-opted by the Committee on the basis of recommendations received.

b. University Officers and Auditors

The Audit Committee invites certain senior University officers and the University's external and internal auditors to attend unreserved meetings. It also invites other colleagues and external speakers to attend for specific agenda items or to present on a particular area of operation or risk.

The Audit Committee also invites the Chair of the Press and Assessment Board ("PAB") Audit Committee to attend all meetings and to make biannual reports. The Chair of the PAB Audit Committee is Mr Nick Temple, who represents the PAB Audit Committee on the University Audit Committee.

The Vice-Chancellor is invited to address the Audit Committee annually.

Table 2: Senior Officers, Auditors and other colleagues invited to attend meetings during 2018-19

Position	Name
Vice-Chancellor	Professor Stephen Toope
Chief Financial Officer	Mr Anthony Odgers
Director of Finance	Mr David Hughes
Senior Pro-Vice-Chancellor	Professor Graham Virgo
Head of the Registry's Office	Dr Regina Sachers
Internal Auditor – Deloitte LLP	Ms Kirsty Searles Mr Richard Neal Mr Bryan Hurcombe Mr Callum Irvine
External Auditor – PricewaterhouseCoopers LLP	Mr Stuart Newman Mr David Wildey Ms Ali Elsley
Director of Estate Strategy	Dr Jason Matthews
Director of Estate Operations	Mr Forbes Macpherson
Head of Reporting, Finance Division	Ms Helen Turner
Head of the University Research Office	Dr Peter Hedges
Chief Executive of Cambridge Assessment	Mr Saul Nassé,
Chief Executive of Cambridge University Press	Mr Peter Phillips
Director of University Information Services	Professor Ian Leslie
Chief Information Security Officer	Mr Vijay Samtani
Acting Head of Student Operations	Ms Catherine Fage
Chair of the Press and Assessment Board Audit Committee	Mr Nick Temple

D. Meetings

The table below provides information on meeting dates and attendance.

Table 3: Attendance at meetings, FY2018-19

Date	Members and associated Class					Senior Officers & Guests	Auditors	Apologies ¹	Quorate
	(a)	(b)	(c)	(d)	Total				
04/10/18	1	2	4	2	9	7	Internal: 2	1 (Chief Financial Officer)	Yes
15/11/18	1	2	3	2	6	8	Internal: 3 External: 3	2 (Mr Peter Doyle and Chief Financial Officer)	Yes
17/01/19	1	2	4	1	8	8	Internal: 2	1 (Professor Tony Green)	Yes
07/03/19	1	2	3	2	8	7	Internal: 2 External: 2	2 (Ms Janet Legrand QC and Chair, Press and Assessment Audit Committee)	Yes
09/05/19	1	2	4	2	9	6	Internal: 2	1 (Senior Pro-Vice-Chancellor)	Yes
04/07/19	1	2	3	1	7	7	Internal: 2 External: 1	3 (Mr John Aston, Professor Tony Green and Chair, Press and Assessment Audit Committee)	Yes

¹ Figures refer to Committee members, senior officers and the Chair of the Press and Assessment Board Audit Committee.

Deloitte

Internal Audit Annual Report 2018–19 for the University of Cambridge

November 2019

[Not reproduced]

Corporate governance

1. The following statement is provided by the Council to enable readers of the financial statements to obtain a better understanding of the arrangements in the University for the management of its resources and for audit.

2. The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty, and leadership) and within the general principles of the Higher Education Code of Governance, which has been provided by the Committee of University Chairs. Further information is given at paragraph 9 below.

Under the Statutes, the Governing Body of the University is the Regent House, which comprises some resident senior members of the University and the Colleges, together with the Chancellor, the High Steward, the Deputy High Steward, the Commissary, and the external members of the Council. The approval of the Regent House is required for changes to the University's Statutes and Ordinances and for any other matter for which in Statute or Ordinance the University's approval must be obtained; the Council and the General Board may also decide to seek the Regent House's approval on questions of policy which are considered likely to be controversial. The Council of the University is the principal executive and policy-making body of the University, with general responsibility for the administration of the University, for the planning of its work, and for the management of its resources. The membership of the Council includes four external members, one of whom chairs the Audit Committee (see paragraph 4 and 7 below). The Statutes provide

for the appointment of a Deputy Chair of the Council, normally one of the external members, to take the chair as necessary or when it would be inappropriate for the Vice-Chancellor to do so, in particular in relation to the Vice-Chancellor's own accountability. The General Board of the Faculties is responsible for the academic and educational policy of the University.

3. The University is an exempt charity and is subject to regulation by the Office for Students (OfS). The members of the University Council are the charity trustees and are responsible for ensuring compliance with charity law.

4. The Council is advised in carrying out its duties by a number of committees, including the Finance Committee, the Audit Committee, the Planning and Resources Committee and the Remuneration Committee. The Finance Committee is chaired by the Vice-Chancellor and advises the Council on the management of the University's assets, including real property, monies, and securities. The Audit Committee, which has a majority of external members, governs the work of the Internal and External Auditors, reporting on these matters directly to the Council. As part of a review of the University's risk management processes, in January 2019, the Council approved the transfer of the principal responsibilities relating to risk management from the Risk Steering Committee to the Audit Committee and to dissolve the Risk Steering Committee with immediate effect. In addition, the Audit Committee reviews the University's risk management processes to ensure that they are adequate and effective. The Planning and Resources Committee is a joint committee

of the Council and the General Board. Its responsibilities include the preparation of the University's budget. The Remuneration Committee is chaired by an external member of the Council and advises the Council on the remuneration of senior staff in the University. The West and North West Cambridge Estates Board reports to the Council on its oversight of the development of two key University sites. The Press and Assessment Board advises the Council on matters concerning Cambridge University Press and Cambridge Assessment.

5. Under the terms of the OfS' Terms and Conditions of funding for higher education institutions and the Terms and Conditions of the Research England grant between the University and the OfS, the Vice-Chancellor is the Accountable Officer of the University.

6. Under the Statutes, it is the duty of the Council to exercise general supervision over the finances of all institutions in the University; to keep under review the University's financial position and to make a report thereon to the University at least once in each year; to recommend bankers for appointment by the Regent House; and to prepare and publish the annual accounts of the University in accordance with UK-applicable accounting standards such that the accounts give a true and fair view of the state of affairs of the University.

7. It is the duty of the Audit Committee to keep under review the University's risk management strategy and implementation; to keep under review the effectiveness of the University's internal systems of financial and other controls and governance; to advise the Council on the appointment of external and internal auditors; to consider

reports submitted by the auditors, both external and internal; to monitor the implementation of recommendations made by the internal auditors; to satisfy itself that satisfactory arrangements are adopted throughout the University for promoting Value for Money (economy, efficiency, and effectiveness); to monitor the University's management and quality assurance of data submitted to the OfS and other bodies; to establish appropriate performance measures and to monitor the effectiveness of external and internal audit; to make an annual report to the Council, the Vice-Chancellor, and to the OfS; to receive reports from the OfS and other authorities. Membership of the Audit Committee includes as a majority five external members (including the chair of the Committee), appointed by the Council with regard to their professional expertise and experience.

8. There are Registers of Interests of Members of the Council, the General Board, the Finance Committee, and the Audit Committee, and of the senior administrative officers. Declarations of interest are made systematically at meetings. All members of the Council were routinely asked to self-certify against the OfS indicators of a 'fit and proper person' at the beginning of their tenure as trustees.

9. The University is a self-governing community whose members act in accordance with the seven principles of public life (see paragraph 2 above) and in pursuit of the objectives and purposes of the University as set out in its Statutes. The University complies with most but not all of the voluntary Higher Education Code of Governance published in December 2014 and revised in June 2018 by the Committee of University Chairs. In particular the Vice-Chancellor is chair of the Council, which does not have a majority of external members, and the Council is subject to the statutory authority of the Regent House.

Statement of internal control

1. The Council is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims, and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the Statutes and Ordinances and the Office for Students' (OfS) Terms and Conditions of funding for higher education institutions and the Terms and Conditions of the Research England grant.

2. The system of internal control is designed to identify the principal risks to the achievement of policies, aims, and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively, and economically on an ongoing basis. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims, and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.

3. During the year ended 31 July 2019, the Council approved and implemented a new risk management framework and Policy, designed to improve the identification and management of risks and strengthen the links with University objectives. This process was in place for the year ended 31 July 2019 and up to the date of approval for the financial statements. The process is in accordance with OfS guidance.

4. The Council is responsible for ensuring that a sound system of internal control is maintained. The following principles of internal control have been established and applied as described below.

(a) The Council receives periodic reports from the Chair of the Audit Committee concerning internal control and risk management, together with the minutes of all meetings of the Audit Committee.

(b) The Audit Committee reviews the University's policy against bribery and corruption on an annual basis.

(c) The Audit Committee receives regular reports from the University's internal auditors, Deloitte LLP, which include the internal auditors' independent opinion on the adequacy and effectiveness of the University's system of internal control and risk management, together with recommendations for improvement.

(d) The Council has delegated to the Audit Committee the responsibility for reviewing the University's risk management processes to ensure that they are adequate and effective. Risk management is a standing item on the Audit Committee agenda and is the driving element in the design of the annual internal audit programme of work.

(e) The Audit Committee's annual report (which is submitted to Council) sets out how risks are identified and evaluated, how risk management is embedded in ongoing operations and reviews the effectiveness of the risk management framework. The annual report also considers the University's arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities.

(f) The University's senior leadership team is responsible for identifying and managing risks across the University's activities, within the context of the University's priorities and objectives. The review of risks encompasses business, operational, compliance, financial and reputational risks.

(g) All identified risks are evaluated using a common framework for scoring that considers both the likelihood and impact of risks becoming a reality. The scoring guidance for evaluating risks prompts risk owners to consider the following categories of impact: finance, compliance, safety, service delivery (operational), reputation and people.

(h) The risk management framework applies across the University's institutions, with further guidance and information provided to those who own or manage University, School, Faculty or Departmental risks (primarily through web-based resources and training). Risk assessment underpins the University's programme of internal audit work and is embedded as part of the University's annual planning processes.

(i) The University's Risk Register identifies those risks that are considered to have a fundamental impact on the University's ability to deliver its mission or to operate effectively. The risk register is considered and formally approved by the Council at least annually, enabling it to receive direct updates on the evaluation and management of risks.

5. The Council is also responsible for reviewing the effectiveness of the system of internal control. The Council's review of the effectiveness of the system of internal control is informed by:

(a) the work of the University's internal auditors, Deloitte LLP, as reported to the Council through the Chairman of the Audit Committee, the Audit Committee's annual report and the minutes of all meetings of the Audit Committee;

(b) the work of the senior officers and the risk owners within the University, who have responsibility for the development and maintenance of the internal control framework; and

(c) comments made by the external auditors in their management letter and other reports.

6. No significant control weaknesses or failures were identified during the 2018/19 financial year, or up to the date of approval of the financial statements.

University of Cambridge Audit Committee

Assurance on Colleges' use of funds for educational purposes

Note of a meeting on Friday 13 September 2019 in the Old Schools.

Present: Chair of the Audit Committee, Sir David Greenaway (Chair of meeting)
 Chair of the Colleges' Committee, Professor Mike Proctor
 Chair of the General Purchasing Sub-committee to the Bursars' Committee,
 Mr Andrew Powell
 Director of Finance, Mr David Hughes
 Head of Registry's Office, Dr Regina Sachers

Apologies: Chair of the Bursars' Committee, Mr Paul Warren; Registry and Secretary
 of the Audit Committee, Ms Emma Rampton

Secretary: Assistant Secretary of the Audit Committee, Dr Clara East

1. The Chair of the Audit Committee explained the background to this annual meeting. Following a recommendation from HEFCE¹ in 2008, the University annually sought assurance from the Colleges that the expenditure of public funds received by the University from the Student Loans Company and transferred to the Colleges for educational purposes was applied for the proper purposes. Assurance was obtained through an analysis of College accounts.
2. The Director of Finance described the analysis of the accounts which followed the same format as previous years. The table of figures showed the total undergraduate fees plus other educational income minus the expenditure on education. In all cases there was a net deficit. This demonstrated that external sources of income were more than absorbed by the costs of providing educational support. This result was strengthened by the fact that a deficit remained when the calculation excluded expenditure of endowment sources of income restricted to educational purposes. The only exception was St Edmund's College which showed a minor surplus. However, this could be explained by the College's conservative allocation of non-direct costs to education expenditure.
3. The methodology applied in the analysis was relatively simple and involved some degree of judgement. However, the group agreed that the outcome was reliable. Accordingly, the Chair of the Audit Committee **agreed** that sufficient assurance had been received from the Colleges that the public funds received by the University and transferred to the Colleges were used for the direct purposes of education.
4. The Group had also received the Colleges' annual Value for Money report from the General Purchasing sub-Committee (GPSC) to the Bursars' Committee. The Report described 1) how the Colleges worked together to maximise value for money through information sharing and collective purchasing arrangements and 2) collaborative projects between the University and Colleges.

¹ The recommendation came out of HEFCE's 2008 Quinquennial Assurance Review of the University.

The Chair of the GPSC highlighted the following points in the report:

- There was cross-representation on University and College procurement groups: the University's Head of Procurement Services attended the GPSC and the Chair of the GPSC attended the University's Purchasing Strategy Group;
 - In line with the University, the Colleges had adopted the Higher Education Purchasing Association's (HEPA) Procurement Performance Indicators;
 - Savings were reported in accordance with guidance from HEPA, for example, 32.8% of discretionary spending (the Colleges' nearest equivalent to HEPA's "impactable spend") was influenced by College procurement activity;
 - Collectively managed purchasing arrangements were in place for catering, energy, insurance and business rates among other areas;
 - Colleges shared information derived from annual surveys on College costs such as assistant staff salaries to help inform individual College decisions;
 - The Colleges and University worked collaboratively in areas such as waste management, IT and student counselling.
5. The Director of Finance noted that the University was currently undertaking a Procurement Strategy Review which included looking at how to improve collaborative procurement activity across the University's institutions. The University would share the outcomes of the Review with the Colleges. The University was also reviewing its value for money (VfM) reporting. He suggested that the current arrangement for Colleges VfM reporting could be looked at as part of this wider VfM review. The Chair noted that the Audit Committee would ask the auditors to provide input into the VfM review.
6. The Secretary would provide a note of the meeting to the Audit Committee at its meeting on 3 October 2019. The Committee would be asked to note the papers and to provide any comments. The note of the meeting would also be included in the Audit Committee's Annual Report, which would be included in the University's annual assurance return to the Office for Students in December.

[Not reproduced: Report by the General Purchasing sub-Committee to the Bursars' Committee: Value for Money for the financial year 2017–18 (including updates on initiatives in 2018–19)]

Deloitte LLP - fees for internal audit work 2018–19

	Number of Days	Cost (excluding VAT)	Cost (including VAT)
Completion of 2017–18	95.0	£101,467.00	£121,760.40
Audit Work in 2018–19	341.5	£323,876.00	£388,651.20
Total	436.5	£425,343.00	£510,411.60

External audit fees and non - audit fees analysis for year to 31 July 2019

Entity and service	Fees (excluding VAT)
PricewaterhouseCoopers LLP and overseas network firms – fees for 2018/2019 audit work (External audit work for the University, Cambridge Assessment, Cambridge University Press, subsidiaries and the standalone CUEF financial statements)	£828,420
PricewaterhouseCoopers LLP and overseas network firms –non-audit services provided in 2018/2019 Audit related: <ul style="list-style-type: none"> • Cambridge Investment Management Limited – FCA client asset work • Cambridge India Research Foundation – Statement of Creditors (statutory) Other assurance: <ul style="list-style-type: none"> • Cambridge University Press South Africa (Pty) Limited – Trademark and TV Licence agreed upon procedures for year to 30 April 2019 	£3,250 £271 £525
PricewaterhouseCoopers LLP – non audit fees in respect of participation in external projects/events administered by departments in 2018/2019 <ul style="list-style-type: none"> • ClimateWise review – Cambridge Institute for Sustainability Leadership (£145,000 for 2018 and 2019) 	£61,620
TOTAL NON AUDIT FEES	£65,666
TOTAL AUDIT FEES	£828,420
TOTAL PwC FEES	£894,086