

## **Audit Committee**

### **Purpose**

In accordance with the Instrument and Articles of Government and Post-16 Audit Code of Practice to advise on matters relating to the Corporation's audit arrangements and systems of internal control and to provide reports to the Corporation on the adequacy and effectiveness of the College's systems of Internal Control.

### **Membership and Clerking**

1. The Committee shall have a membership of between three and five members, of whom no fewer than three should be Corporation Members.
2. Membership may include up to two Co-opted Members, with relevant audit and financial experience, who are not members of the Board of the Corporation.
3. Corporation members must constitute the majority of the membership of the Audit Committee.
4. Collectively, the members of the committee should
  - include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively
  - have recent, relevant experience in risk management, finance and audit and assurance.
5. Membership may **not** include
  - the Chief Executive, senior post-holders, staff or co-opted Board members with executive, management, financial or budgetary responsibilities;
  - the Corporation Chair;
  - members with significant financial and personal interests in the College;
  - employees, partners or those with a significant interest in any of the college's professional advisers (such as internal and external auditors, solicitors, bankers, insurers and property advisers) or suppliers of other significant goods or services;
6. The Committee is clerked by the Clerk to the Corporation or his/her designated substitute.
7. The Chair of the Committee should be a Corporation member.

### **Operation**

1. The Committee meets at least three times a year; at least once in each academic term.
2. The Board has determined a quorum of two, one of whom must be the Chair or Vice-Chair of the Committee, both of whom must be Corporation Members.
3. Membership and Chairing of the Committee is reviewed at least every two years and approved by the Corporation.
4. The Corporation shall appoint the Chair of the Committee.
5. The Chair of the Committee will provide a verbal report on Audit Committee matters at the first available Board following the meeting of the Audit Committee, and is supported in this by the Clerk; Minutes of Committee meetings are made available to members of the Corporation..

6. The Committee has the right, whenever it is satisfied that it is appropriate to do so, to go into confidential session and exclude any, or all, participants and observers, except the Clerk. In so doing, it must remain quorate.
7. The internal auditor and the financial statements auditor must be invited to attend all meetings where business relevant to them is being discussed.
8. Senior management should be invited to attend meetings particularly where their area of responsibility is under discussion.
9. The Committee must consider all significant audit findings or recommendations. Detailed findings should not normally be discussed unless members agree that the Audit Committee needs to be satisfied of the findings or internal controls in this area.
10. The Corporation, advised by the Committee, is ultimately responsible for ensuring that management take appropriate action on those reports that call for it, or for recognising and accepting the risks of management not taking action.
11. The Committee is authorised by the Corporation to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise if it considers this necessary.

### **Terms of Reference**

1. To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.
2. To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the financial statements and regularity auditors and other assurance providers, including internal auditors, and establish that all such assurance providers adhere to relevant professional standards.
3. To advise the governing body on the scope and objectives of the work of the internal audit service (IAS), the financial statements auditor and the funding auditor where appointed.
4. To consider and advise the governing body on the audit strategy and annual internal audit plans for the internal audit service.
5. To ensure effective coordination between the IAS, the funding auditor (where appointed) and the financial statements auditor, including whether the work of the funding auditor should be relied upon for internal audit purposes.
6. To establish, in conjunction with the College's management, relevant annual performance measures and indicators, and to monitor the effectiveness of the IAS and financial statements auditor through these measures and indicators and to decide, based on this review, whether a competition for price and quality of the audit service is appropriate.
7. To inform the Corporation of any additional services provided by the financial statements, regularity and other audit and assurance providers, and explain how independence and objectivity were safeguarded.
8. To advise the Corporation on matters of internal control and other issues included in the management letters and reports of the financial statements and regularity auditor, and of any reports submitted by other providers of audit and assurance services to the College, and management's responses to these.

9. To monitor, within agreed timescales, the implementation of recommendations arising from the management letters and reports of the financial statements and regularity auditor, and of any reports submitted by other providers of audit and assurance services to the College.
10. To oversee the College's policies on fraud and irregularity and whistleblowing, and in this connection, ensure:
  - the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity
  - that investigation outcomes are reported to the committee
  - that the external auditors, and internal auditors where appointed, have been informed
  - that appropriate follow-up action has been planned/actioned
  - that all significant cases of fraud or suspected fraud or irregularity are reported to the chief executive of the appropriate funding body.
11. To consider and advise the governing body on relevant reports by the National Audit Office (NAO), the Skills Funding Agency (SFA) and other funding bodies and where appropriate, management's response to these
12. To produce an annual report for the Corporation summarising the committee's activities relating to the financial year under review, including:
  - any significant issues arising up to the date of preparation of the report
  - any significant matters of internal control included in the management letters and reports from auditors and other assurance providers
  - the committee's view of its own effectiveness and how it has fulfilled its terms of reference
  - the committee's opinion on the adequacy and effectiveness of the college's audit arrangements, its framework of governance, risk management and control and its processes for securing economy, efficiency and effectiveness

Additionally, the Committee will on behalf of the Board:

13. Review annual estimates of income and expenditure and recommend their approval by the Corporation
14. Receive reports on and scrutinise the College's funding position advising management and the Corporation accordingly.