



BOARD OF GOVERNORS

AUDIT COMMITTEE

TERMS OF REFERENCE

1.0 PURPOSE

- 1.1 To advise the Board of Governors on the effectiveness of the College's whole system of internal control, including controls for securing economy, efficiency and effectiveness (value for money) and its arrangements for risk management, control and governance processes.
- 1.2 To advise the Board of Governors on the appointment, reappointment, dismissal and remuneration of the financial statements auditor and the internal audit service.
- 1.3 To advise the Board of Governors on the scope and objectives of the work of the financial statements auditor, funding auditor, internal auditor and other audit service providers.
- 1.4 To ensure effective co-ordination between the internal audit service, funding auditor and financial statements auditor, funding auditor and the internal audit service
- 1.5 To consider and advise the Board of Governors on the audit needs assessment and strategic and annual internal audit plans for the internal audit service.
- 1.6 To advise the Board of Governors on internal audit assignment reports and annual reports and on control issues included in the financial statements auditor's and funding auditor's management letters, and management's response to these.
- 1.7 To consider and advise the Board of Governors on relevant reports by the National Audit Office (NAO) and Funding Agencies, and where appropriate, management's response to these.
- 1.8 To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, funding auditors and financial statements auditors' management letters.
- 1.9 To establish, in conjunction with College management, relevant performance measures and indicators and to monitor the effectiveness of the internal audit service, 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.
- 1.10 To produce an annual report for the Board of Governors which includes the committee's advice on (a) the effectiveness of the College's system of risk management, internal control and governance processes; (b) any significant matters arising from the work of the internal audit service, funding auditor, financial statements auditor and other audit service providers.

- 1.11 To provide Annual Assurance to the Board to be included in the Financial Statements.
- 1.1.12 To ensure that the internal audit service is adequately resourced and has appropriate standing within the Corporation.
- 1.1.13 To ensure that all allegations of fraud and irregularity are properly followed up.
- 1.14 To be informed of all additional services undertaken by the internal audit service, the funding auditors, the financial statements auditors and other audit service providers.
- 1.15 To have oversight of the Whistleblowing Procedure.
- 1.16 To monitor the work of any other Consultant Services.

2.0 POWERS AND DUTIES

- 2.1 The Corporation is required to have an Audit Committee by the Articles of Government (Article 5(5)).
- 2.2 In order to exercise its role, the Audit Committee will have authority to:
 - 2.2.1 Investigate any activity within its terms of reference.
 - 2.2.2 Seek any information it requires from the internal audit service, the financial statements auditor, governors, committees and College employees, plus relevant information from subcontractors and other third parties.
 - 2.2.3 Obtain external professional advice and to secure the attendance of outsiders with the relevant experience and expertise if it considers it necessary.

3.0 MEMBERSHIP

- 3.1 The Committee shall consist of five members at least three of whom should be members of the Corporation.
- 3.2 At least one member should have relevant skills and experience in:
 - a) delivering internal audit services
 - b) managing the results of internal audit
 - c) delivering a sound framework of internal control in a business as complex as a college
- 3.3 The Corporation may co-opt persons to the Audit Committee who are not Governors.
- 3.4 The following persons may not be members of the Audit Committee:
 - 3.4.1 Governors with significant interests in the College as determined by the Corporation.
 - 3.4.2 The Principal, senior postholders and staff who have significant executive, management, financial or budgetary responsibilities.

- 3.4.3 Employees or partners or those with a significant interest in any of the College's professional advisers or suppliers of other significant goods or services.
- 3.4.4 The Chair of the Corporation and members of the Policy & Resources Committee or any sub-committee of the Policy & Resources Committee.
- 3.5 The Board of Governors will determine the membership of the Committee.
- 3.6 The appointed members will hold office for one year and will be eligible for re-appointment thereafter.

4.0 CHAIR AND VICE-CHAIR

- 4.1 The Chair of the Committee will normally be a member, appointed by the Corporation. However, if suitable and effective reporting procedures can be devised, a co-opted member may chair the Committee.
- 4.2 At the first meeting of the yearly Committee cycle, the Committee will appoint a Chair and a Vice-Chair from amongst their number, subject to the approval of the Corporation.
- 4.3 The Chair and the Vice-Chair shall each hold office for one year, but shall be eligible for re-appointment thereafter.

5.0 QUORUM

- 5.1 Meetings of the Committee will be quorate if two members are present, being members of the Corporation.

6.0 PROCEEDINGS OF MEETINGS

- 6.1 The Principal and/or other senior manager who is responsible for the College's internal control procedures will normally attend meetings at the invitation of the Committee, and the Committee will have the power to invite such other persons to attend meetings as may be desirable and necessary. Attendance will include senior managers from any part of the College's system of internal control under examination.
- 6.2 Governors who are not members of the Committee have the right to attend meetings, save that the Committee may, when it is satisfied that it is appropriate, go into confidential session and exclude any, or all participants and observers.
- 6.3 The head of internal audit should normally attend, as a minimum, all meetings where internal audit plans and reports are to be discussed. The financial statements audit partner should normally attend any meetings where the management letter or other report is being considered. If the head of internal audit or financial statements audit partner is unable to attend, a suitable representative should attend with prior agreement from the Chair of the Committee.
- 6.4 The Committee will meet at least three times in each College year; the frequency and timing of meetings will also to be determined by the Committee business and the planning and reporting cycle of the internal and financial statements audit.

- 6.5 The Clerk to the Corporation or designated deputy will be Clerk to the Committee.
- 6.6 The Chair may determine urgent matters within the terms of reference of the Committee, providing such action is specifically approved in advance by the Corporation and/or Committee, and is reported to the next meeting of the Committee.
- 6.7 The Committee will meet in the absence of the financial statements and internal auditors when the appointment and remuneration of the auditor is being discussed.
- 6.8 Every question to be decided at a meeting will be determined by a majority of votes of the members present and voting on the question. Where there is equal division of votes the Chair of the meeting shall have a second or casting vote.
- 6.8 The attendance of observers at Audit Committee meetings except as provided in these terms of reference is not permitted.
- 6.10 A representative of the internal audit team or external audit team will have a right of access to the Chair of the Committee, and have a right to ask the Principal or Chair, as appropriate, through the Clerk, to convene a meeting and vice versa.

7.0 MINUTES

- 7.1 The Clerk to the Corporation will circulate minutes of the meetings of the Committee to all Corporation members.
- 7.2 The internal audit annual report should be received by the Audit Committee in time to allow the Audit Committee to report formally to the Board of Governors on the state of the whole system of internal control within the College, before the Board of Governors approves the College's financial statements.
- 7.3 The Audit Committee's annual report to the Board of Governors should include its advice on the effectiveness of the College's whole system of internal control and be based on the internal audit annual report and financial statements audit management letter. The report should incorporate any significant matters arising from the work of the internal audit service, the financial statements auditor and other audit service providers.

8.0 TERMS OF REFERENCE

- 8.1 The Review of the Terms of Reference will be every 2 years or earlier as required.