

## AUDIT COMMITTEE - TERMS OF REFERENCE

### 1 General

- 1.1 The Financial Memorandum requires Colleges to establish an Audit Committee to determine or advise on such matters relating to audit as the Governing Body may remit to them. These terms of reference comply with, and include where appropriate, reference to the Joint Audit Code of Practice and Foundation Code together with the Audit and Accountability Annex to that Code.

### 2 Objectives

- 2.1 The Audit Committee is responsible for the provision of independent and authoritative advice to the Governing Body on the adequacy and effectiveness of the College's internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money).

### 3 Membership

- 3.1 Membership of the Audit Committee shall be drawn from the Governing Body and will be at least three members appointed annually. Up to two additional associate members with relevant experience may be appointed to the Committee.
- 3.2 The Principal and other senior post holders will not be members of the Committee but may be in attendance.
- 3.3 Other senior staff and the College's internal and financial statements auditors will be asked to attend when required.
- 3.4 The Committee shall not include within its membership the Chair of the Governing Body, any member of the Resources Committee, any staff or student member of the Governing Body or Governor with significant interests in the College.
- 3.5 Governors who are not members of the Committee have the right to attend meetings except where the Committee goes into confidential session.
- 3.6 The membership of the Committee will be agreed by the full governing body at the first meeting for each academic year.

### 4 Proceedings

- 4.1 The Chair and Vice Chair of the Committee shall be appointed bi-ennially by the members by the first meeting of the academic year and must be Governors of the College. On the expiry of their term of office, such Chair or Vice-Chair shall be eligible for re-appointment.
- 4.2 A quorum shall be two members, both of whom must be full Governors of the College.
- 4.3 The Committee shall meet at least once a term.
- 4.4 The Committee may recommend amendments to its terms of reference to the Governing Body at any time.

- 4.5 Only members of the Committee have the right to vote whether co-optee or full member.
- 4.6 The Committee shall be serviced by a person without financial responsibilities at senior level, normally the Clerk to the Governing Body.
- 4.7 The internal auditor, where appointed, shall be entitled to attend and speak at all meetings of the Committee as shall the financial statements auditors where business relevant to them is being discussed.
- 4.8 Senior managers should also be invited to attend meetings of the Committee, particularly where their area of responsibility is under discussion, and shall be entitled speak at such meetings.
- 4.9 The Committee may invite the Governing Body's advisers or other third parties to attend meetings of the Committee as appropriate.
- 4.10 The internal auditor or financial statements auditor may request a meeting of the Committee if they consider that one is necessary and the Committee will endeavour to comply with such requests.
- 4.11 The Committee shall be entitled to go into confidential session and exclude any, or all, participants and observers.
- 4.12 The Committee shall be granted rights of access to obtain all the information it considers necessary from whatever source to fulfil its remit.

## **5 Duties and functions**

- 5.1 To advise the Governing Body on the adequacy and effectiveness of the College's assurance framework; including assessing and providing an opinion on the adequacy and effectiveness of the College's:
  - Audit arrangements
  - Governance processes
  - Risk management and control
  - Processes for securing economy, efficiency and effectiveness (value for money).
- 5.2 To advise and support the Governing Body in fulfilling its roles and responsibilities, including its responsibility for providing the assurances required in the Statements of Corporate Governance and Internal Control in the annual accounts.
- 5.3 To consider and advise the Governing Body on the effectiveness of the College's Risk Management processes through the Risk Management policy, and termly reviews of the Risk Register.
- 5.4 To make recommendations to the Governing Body on the appointment, reappointment, dismissal and remuneration of the financial statements auditor and internal auditor.
- 5.5 To advise the Governing Body on the scope and objectives of the work of the financial statements auditor (who is also the regularity auditor) and to review and monitor their independence and objectivity and the effectiveness of the audit process. This review will take into consideration relevant UK professional and regulatory requirements and the College's own KPIs; and, based on this review the outcome will be used to decide whether a competition for price, value for money, and the quality of the audit service is appropriate.

- 5.6 To ensure effective co-ordination between the internal auditor and financial statements auditor.
- 5.7 To consider and advise the Governing Body on the audit strategy and annual internal audit plans for the internal auditor.
- 5.8 To advise the Governing Body on any internal audit assignment reports and annual reports and on control issues included in the management letters of the financial statements auditor and management's response to these.
- 5.9 To consider and advise the Governing Body on relevant reports by the National Audit Office( NAO), BIS, Education and Skills Funding Agency (ESFA) – the merged Agency, April 2017, of the Employment Funding Agency (EFA) and the Skills Funding Agency (SFA)) [and any successor body], and where appropriate, management's responses to these.
- 5.10 To monitor, within an agreed timescale, the implementation of agreed recommendations relating to any internal audit assignment reports, any internal audit annual reports, funding audits, the financial statements auditor's management letters, and spot check reports from any other providers of audit and assurance.
- 5.11 To establish, in conjunction with College management, relevant performance measures and indicators, to monitor the effectiveness of the internal auditor.  
A review of this performance will consider whether a competition for price, value for money, and quality of the audit service is appropriate.
- 5.12 To produce a written annual report for the Governing Body that outlines the activities of the Audit Committee as they relate to the year under review. This report will include the Committee's opinion on the adequacy and effectiveness of the College's systems and arrangements for risk management, control and governance processes for securing economy, efficiency and effectiveness. The report will also include any significant matters arising from the work of the internal auditors, funding auditors, and financial statements auditor.
- 5.13 To review arrangements by which staff of the College may, in confidence, raise concerns about possible improprieties in matters of financial reporting, fraud or other matters [whistleblowing]. The Committee's objective should be to ensure that arrangements are in place for the proportionate an independent investigation of such matters and for appropriate follow-up action.
- 5.14 To ensure the College has in place robust policies covering Whistleblowing, Fraud, and Bribery.
- 5.15 To review the business of the meeting to ensure that any emerging risks have been identified for inclusion on the risk register
- 5.16 To review its own effectiveness and carrying out its own self-assessment.
- 5.17 To ensure the proper, proportionate and independent investigation, reporting and follow-up of all allegations and instances of suspected or actual fraud, and irregularity.
- 5.18 To develop and implement policy on the provision of any additional services by any assurance providers appointed and to explain how independence and objectivity have been safeguarded, taking into account relevant ethical guidance.

- 5.19 To consider and recommend, together with the Resources Committee, the annual Financial statements and related paperwork to the Governing Body for approval (within appropriate guidelines).
- 5.20 To ensure that all of the above are conducted in accordance with the minimum schedule of business stated in the JACOP.

## **6. Reporting Procedures**

- 6.1 The minutes of each meeting shall be agreed by the Chairman and the draft minutes placed on Boardpacks for signing at the Committee's next meeting.
- 6.2 The Committee Chair shall report on the Committee's business at the next full Governing Body meeting.

## **7. Powers**

- 7.1 The Committee has the right to investigate any activity within its terms of reference.
- 7.2 The Committee may obtain external professional advice to be limited to expenditure level contained in the College's limit of authority.

## Key Performance Indicators for Internal & External Audit

Satisfaction Survey Internal Audit				
	Agree completely	Agree slightly	Disagree slightly	Disagree completely
Sufficient notice of the audit				
Able to contribute to the scope of the review				
Scope, objectives and agreed timings were appropriate and adhered to.				
Audit Planning Memorandum was received in advance of the on-site work				
On-going updates during the course of the audit				
Consultation on findings and recommendations				
Fair presentation of findings in report				
Report addressed the agreed scope and objectives.				
Recommendations were constructive, practical and logical				
Draft and final reports received in a timely manner against targets set.				
Audit team were professional and courteous				
Timelines and achievement of milestones Time in days from completion of field work to submission of draft report (15 days). Time in days from submission of draft report to management feedback being provided to the auditors(15 days). Time in days from the auditors receiving management feedback to submission of final report (5 Days).				
Overall conclusion				