



## AUDIT COMMITTEE - TERMS OF REFERENCE

### Terms of Reference

- To advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money).
- To advise the Corporation on the appointment, re-appointment, dismissal and remuneration of the financial statements auditor and the Internal Audit Service (IAS).
- To advise the Corporation on the scope and objectives of the work of the internal audit service, the financial statements auditor and the funding auditor.
- To ensure effective co-ordination between the internal audit service, the funding auditor and the financial statements auditor including whether the work of the funding auditor should be relied upon for internal audit purposes.
- To consider and advise the Corporation on the audit strategy, needs assessment and annual internal audit plans for the internal audit service.
- To advise the Corporation on internal audit assignment reports and annual reports and on control issues included in the management letters of the financial statements auditor, and the funding auditor and management's responses to these.
- To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, the funding auditor's management letter and spot check reports and the financial statements auditors' management letter.
- To consider and advise the Corporation on relevant reports by the National Audit Office (NAO), the SFA and other funding bodies and where appropriate management's response to these.
- To establish in conjunction with College 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 decide based on this review, whether a competition for price and quality of the audit service is appropriate.
- To advise the Corporation on the adequacy and effectiveness of the College's cybersecurity arrangements.
- To produce an annual report for the Corporation and Accounting Officer, which should include the Committee's advice on the effectiveness of the College's risk management, control and governance processes, and any significant matters arising from the work of the IAS, the funding auditors and the financial statements auditor.
- To ensure that all allegations of fraud and irregularity are properly followed up.
- To be informed of all additional services undertaken by the IAS, the financial statements auditors and the funding auditors.
- The Audit Committee have sight of the Whistleblowing Procedure.
- The Audit Committee provide an annual assurance to be included with the Financial Statements and be sent with the Accounts to the SFA.

### Types of Audit:

#### Internal Audit

To provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.

It is neither a legal requirement nor a condition of funding to employ an internal audit service.

## **Funding Audit**

The examination of the student records and returns of an educational establishment to determine the accuracy of the data upon which funding has been calculated. Funding audits are usually commissioned by either the Department for Education (DfE) or the Office for Students (OfS).

## **Financial Statements Audit**

The independent examination of the financial records prepared by an organisation. The main objective of an external audit is to verify that the accounting records for an organisation provide a true and accurate picture of the organisation's finances and that statements are prepared in accordance to the set laws and accounting standards.

This is a legal requirement and a condition of funding for all FE colleges.

### **In order to exercise its role, the Audit Committee has the power to:**

- Investigate any activity within its terms of reference. Seek any information it requires direct from the governors, committees and college employees, plus relevant information from subcontractors and other third parties and consult the internal audit service, the financial statement auditor and the funding auditors.
- Obtain external professional advice.
- To go into confidential session and (subject to the rules on quorum) to exclude any, or all, participants and observers, except the Clerk to the Committee.

## **Membership**

The Committee to consist of 4 members of whom at least 3 shall be Members of the Corporation. The Chair of the committee to be elected annually, by the committee, at a meeting in the Autumn Term. The committee may elect an External Chair who is not a member of the Corporation. At least 1 member of the Committee shall have experience in:

- Delivering internal audit services, or managing the results of internal audit
- Delivering a sound framework of internal control in a business as complex as a college.

Members of the Committee must not have executive authority in the College, nor be Members of the College Finance and Standards Committee or equivalent. The Chair of the Corporation and Governors who have significant interests in the College shall not be Members of the Committee.

Additional Members may be co-opted on to the Committee from time to time to enhance the skills and expertise on the Committee.

Staff Governors should not be members of the Audit Committee. (*Noted from the Post 16 Audit Code of Practice 2017/2018 – March 2018*)

Voting: Only Members/Governors in the main membership of the Committee are entitled to vote.

## **Quorum**

2 Governors shall constitute a quorum provided they are not Co-opted Members of the Committee.

## **Terms on which Members hold and vacate office**

Members of the Committee shall be appointed by the Corporation for a period of 1 year, with eligibility for re-appointment. A Corporation Member shall cease to be a Member of the Committee upon his/her resignation from the Board, unless otherwise determined by the Board.

## **Chair and Vice Chair**

Members will be appointed to the office of Chair and Vice Chair of the Committee at the start of the academic year or as required.

## **Meetings**

The Committee shall normally meet at least once per term and not less than twice per year. The internal, funding and financial statements auditors may request a meeting of the Committee if they consider one is necessary and the Committee will endeavour to comply with such requests.

## **Clerking**

The meetings of the Committee shall normally be serviced by the Clerk to the Corporation.

## **In attendance as appropriate**

Principal

Finance Director

Finance Manager

Representatives of Internal, Funding and Financial Statement Auditors

## ***Access to meetings by Members of the Public***

*Requests for Attendance by the Public at Corporation and Committee meetings must be submitted to the Chair, or in his absence the Vice Chair, at a minimum of 4 working days prior to the date of the meeting. The attendance of such personnel shall be at the discretion of the Chair or Vice Chair as appropriate.*