



## **Audit Committee**

### **Terms of Reference**

#### **1. MEMBERSHIP**

The Committee shall be appointed by the Board and shall comprise:

- 1.1 Up to four members (or such other number as the Board may from time to time determine), at least 2 of whom should be Board members.
- 1.2 Membership will include at least one person (whether a member of the Board or not) with relevant risk management, financial or audit experience.
- 1.3 In order to maximise the Committee's independence and objectivity, membership will exclude members of the Resources Committee, the Chair of the Board, the Principal, any Board or co-opted member who is a member of the College's senior management and any Board or co-opted member who has a significant interest in the College.
- 1.4 Staff and student members should not serve on the Committee.
- 1.5 Members of the Committee who are members of the Board shall, at the Board's discretion, serve for the same term of office as their appointment as a member of the Board.
- 1.6 The appointment of co-opted members will be approved by the University Board and they will serve for a period of up to four years (the first 12 months of which will be a probationary period), after which time their membership will be reviewed.

#### **2. QUORUM**

- 2.1 A quorum for meetings of the Committee shall be three (3) members of which two must be external Board / co-opted members.

#### **3. FREQUENCY OF MEETINGS**

Meetings shall be held not less than three (3) times a year. The internal, external or funding auditors (where appointed) may request a meeting if they consider that one is necessary and the Committee will endeavour to comply with any such request.

#### **4. ATTENDANCE AT MEETINGS**

- 4.1 The Finance Director and a representative of the internal auditors shall normally attend meetings and the Committee may invite other persons to attend meetings as deemed appropriate. The Principal, senior staff and other members of staff may attend meetings as observers or to present reports as determined by the Chair of the Committee and the Clerk.

- 4.2 The internal auditors are entitled to attend and speak at all meetings of the Committee, as are the external auditors and (where appointed) funding auditors, particularly where their area of responsibility is under discussion.

## **5. ROLE OF THE COMMITTEE**

The Committee shall:

- 5.1 ensure that the internal control and risk management systems of the Board are adequate and monitored actively, independently and objectively in order to improve the effectiveness of internal controls and risk management arrangements;
- 5.2 reinforce the independence and effectiveness of the internal, external and (where appointed) funding audit functions;
- 5.3 provide a sounding board for College management on issues of concern in connection with the College's internal control and risk management systems;
- 5.4 advise on the reliability of the College's information systems;
- 5.5 increase public confidence in the objectivity and fairness of the Board's financial reports and in the quality of corporate governance;
- 5.6 provide a medium of communication from the Board's auditors which is not controlled by College management.

## **6. AUTHORITY**

- 6.1 The Committee is authorised to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any Board member, Committee of the Board or employee of the College and all Board or Committee members and employees of the College are required to co-operate with any request made by the Committee.
- 6.2 The Committee shall be entitled, whenever it is satisfied that it is appropriate to do so, to go into a confidential session and (subject to 2.1 above regarding quoracy) to exclude any, or all, participants and observers except the Clerk.
- 6.3 The Committee is authorised to consult the internal audit service, external auditors and funding auditors (where appointed) directly and to obtain outside legal or other independent professional advice and to secure the attendance of non-members with the relevant experience and expertise if it considers this necessary, in consultation with the Principal and/or Chair of the Board, provided that the Committee does not incur direct expenditure without the prior approval of the Board.

## **7. RESPONSIBILITIES OF THE COMMITTEE**

- 7.1 To assess and provide the Board with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.

- 7.2 To advise the Board on the appointment, reappointment, dismissal and remuneration of the auditors and other assurance providers, including external and internal auditors, and establish that all such assurance providers adhere to relevant professional standards.
- 7.3 To advise the Board on the scope and objectives of the work of the internal and external audit service and the funding auditor (where appointed) and inform the Board of any additional services provided by the external and other audit and assurance providers and explain how independence and objectivity were safeguarded.
- 7.4 To ensure effective co-ordination between the internal audit service, external auditors and funding auditor (where appointed) including whether there should be reliance placed on the work of the funding auditor (where appointed) for internal audit purposes.
- 7.5 To consider and advise the Board on the audit strategy and annual internal audit plans for the internal audit service.
- 7.6 To advise the Board on internal and external audit assignment reports and annual reports and on control issues included in the management letters of the auditors (including their work on external audit) and funding auditors (where appointed) and management's responses to these.
- 7.7 To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, financial statements and external auditors' management letters and (where appointed) funding auditor's management letters and spot check reports.
- 7.8 To discuss with internal, external and funding auditors (where appointed) any issue they may wish to raise with the Committee, in the absence of management where appropriate in the Committee's view.
- 7.9 To establish, in conjunction with College management, relevant performance measures and indicators and to monitor the effectiveness of the internal and external audit service through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.
- 7.10 To consider and advise the Board on relevant reports by the National Audit Office, the ESFA (or their successors) and, other bodies and, where appropriate, management's response to these.
- 7.11 To ensure that all allegations of fraud and irregularity are properly followed up and, where the Committee feel it appropriate, to undertake or commission investigations into any such allegations.
- 7.12 To be informed of all additional services to be undertaken by the internal audit service, the external auditors and the funding auditors.
- 7.13 To recommend (together with the Resources Committee) the annual financial statements to the Board for approval, with specific regard to statements about corporate governance and management, governors' responsibilities, the system of internal control and the report of the external auditors.
- 7.14 To ensure that the foregoing duties are conducted in accordance with the minimum schedule determined by the Committee.

- 7.15 To monitor and ensure compliance with the Bribery Act 2010.
- 7.16 To ensure the effective management of conflicts of interest.
- 7.17 To oversee the College's policies on fraud, impropriety, irregularity and whistleblowing, and ensure the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity; that investigation outcomes are reported to the audit committee; that the external auditors (and internal auditors where appointed) have been informed, and that appropriate follow-up action has been planned/actioned, and that all significant cases of fraud or suspected fraud or irregularity are reported to the appropriate funding body.
- 7.18 Significant fraud is usually where one or more of the following factors are involved:
- the sums of money are in excess of £10,000;
  - there is likely to be great public interest because of the nature of the fraud or the people involved;
  - the particulars of the fraud are novel or complex;
  - the fraud is systematic or unusual in nature.
- 7.19 To monitor and ensure (together with the Resources Committee) compliance with HM Treasury's guidance following the ONS reclassification.
- 7.20 To consider and advise the Board on other matters appropriate to the Committee's remit.

## **8. ELECTION OF CHAIR**

- 8.1 The Chair of the Committee shall be elected at the first meeting of the Committee in each College year

## **9. CLERKING OF THE COMMITTEE**

- 9.1 The Clerk to the Board shall be Clerk to the Committee.

### **9.2 Agendas and Papers**

The agenda and meeting papers will be sent to members at least seven (7) days prior to the meeting. Members should forward any items for inclusion on the agenda to the Clerk to the Committee.

## **10. REPORTING TO THE BOARD**

- 10.1 Minutes will be subject to approval at the following meeting. Once approved, minutes, other than those recording items of 'reserved business' will be placed on the College internet Governance page.
- 10.2 The Clerk shall circulate minutes of the meeting to the Committee and to all Board members.
- 10.3 The Committee shall produce an annual report for the Board and accounting officer which includes the Committee's opinion on the adequacy and effectiveness of the College's risk management, control and governance processes and any significant

matters arising from the work of the internal audit service, the external auditors and the funding auditors (where appointed).

## **11. REVIEW OF THE TERMS OF REFERENCE**

- 11.1 The terms of reference may be amended, modified or replaced by resolution of the College and University Board.
- 11.2 The terms of reference should be reviewed by the College Board at least every three (3) years.