

TERMS OF REFERENCE FOR AUDIT COMMITTEE

1 CONSTITUTION

The Governing Body resolves to adopt the following terms of reference for the Audit Committee

2 AIM

To advise the Governing Body on the adequacy and effectiveness of the Governing Body's systems of 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 The Committee shall consist of four members appointed by the Governing Body (excluding members of the Governing Body's Property and Finance Committee, the Chair of the Governing Body, the Principal, and Student Governor). At least two of the members should be Foundation Governors. The appointed people may or may not be members of the Governing Body
- 3.2 The internal auditor shall be entitled to attend and speak at all meetings of the Committee (but not to vote) as shall the financial statements auditor and funding auditor where business relevant to them is being discussed. Senior management should also be invited to attend meetings of the Committee, particularly where their area of responsibility is under discussion, and shall be entitled to attend and speak at such meetings but not to vote.
- 3.3 The Committee may invite the Corporation's advisers or other third parties to attend meetings of the Committee as appropriate (such persons shall not have a vote but shall be entitled to speak at the meeting).
- 3.4 The Principal and other senior post holders may not be members of the Committee but other members of staff may sit on the Committee provided they do not have significant executive, management, financial or budgetary responsibilities.
- 3.5 In order to maximise the Committee's independence and objectivity, the following people shall not be eligible to sit on the Committee:
 - 3.5.1 those with executive responsibilities at senior level;
 - 3.5.2 members of the college Property and Finance Committee;
 - 3.5.3 the Chair of the Governing Body; and
 - 3.5.4 governors who have significant interests in the college.
- 3.6 Meetings of the Committee shall be quorate when at least two members are present, at least one of the members should be a Foundation Governor. In the absence of the Chair of the Committee the Foundation Governor will Chair the Committee for that meeting.
- 3.7 The Chair of the Committee shall be appointed by the Governing Body on an annual basis.
- 3.8 The Finance Director shall be in attendance at each meeting.

4 MEETINGS

4.1 Attendance

All members are expected to attend meetings, and the Committee shall have the power to invite such other persons to attend meetings as may be desirable and necessary

The Clerk to Governors shall be Clerk to the Committee

4.2 Frequency

4.3 Meetings will be held once per term, and otherwise as required. The internal auditor, funding 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. In any event, the Committee must consider a minimum number of items of business each year for it to be able to function effectively, and those items of business are currently set out in the Table attached to Supplement A to the Interim Audit Code of Practice.

4.4 The Committee shall be entitled, whenever it is satisfied that it is appropriate to do so, to go into confidential session and (subject to the rules as to quoracy set out above) to exclude any, or all, participants and observers, except the Clerk to the Committee.

4.5 Minutes

The Clerk to the Governing Body shall be responsible for ensuring that minutes of the meeting are taken. These will be circulated to members of the Governing Body after approval by the Chair of the Committee

4.6 Agenda

The Clerk shall agree the agenda with the Chair of the Committee at least two weeks prior to the meeting

The Agenda and the papers shall be sent out by the Clerk at least one week prior to the meeting

5 DUTIES

The duties of the Committee shall be:

- 5.1 To advise the Governing Body on the adequacy and effectiveness of the Corporation's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money);
- 5.2 To advise the Governing Body on the appointment, reappointment, dismissal and remuneration of the financial statements auditor and the IAS;
- 5.3 Advise the Governing Body on the scope and objectives of the work of the IAS, the financial statements auditor and the funding auditor (*where appointed*);
- 5.4 To ensure effective co-ordination 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;
- 5.5 To consider and advise the Governing Body on the audit strategy and annual internal audit plans for the IAS;
- 5.6 To advise the Governing Body on internal audit assignment reports and annual reports and on control issues included in the management letters of the financial

statements auditor (*including their work on regularity*) and the funding auditor (*where appointed*), and management's responses to these;

- 5.7 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 (*where appropriate*) and the financial statements auditor's management letter;
- 5.8 To consider and advise the Governing Body on relevant reports by the National Audit Office (NAO), the Learning and Skills Council (LSC), other funding bodies and where appropriate, management's response to these;
- 5.9 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;
- 5.10 To produce an annual report for the Governing Body 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 (*where appointed*) and the financial statements auditor;
- 5.11 To ensure that all allegations of fraud and irregularity are properly followed up; and
- 5.12 To be informed of all additional services undertaken by the IAS, the financial statements auditors and the funding auditors (*where appointed*).
- 5.13 To recommend the annual financial statements to the Governing Body for approval.

6 AUTHORITY

- 6.1 The Committee is authorised by the Governing Body to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any Governing Body member or employee of the College, and to consult the internal audit service (IAS), financial statements auditor and funding auditor directly. All Governing Body members and employees are directed to co-operate with any request made by the Committee
- 6.2 The Committee is authorised by the Governing Body to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. Where this involves direct expenditure of above £ 5000 then the prior approval of the Governing Body is required.