AUDIT COMMITTEE TERMS OF REFERENCE, 2017/18

1. INTRODUCTION
This document defines the authority, purpose, membership, function and general operation of the Audit Committee.

2. AUTHORITY
The Committee is established under the auspices of Article 4 (1), (2), 6, (1) (2) of the Articles of Government.

3. PURPOSE
The Audit Committee shall be responsible for advising on matters relating to the Corporation’s audit arrangements and systems of internal control and shall ensure that the internal control systems, including audit activities, of the corporation and any of its subsidiaries are monitored actively, independently and objectively in order to:

(a) Improve the effectiveness of the College’s internal controls

(b) Reinforce the independence and effectiveness of the internal audit function (where appointed)

(c) Provide a sounding board for College management on issues of concern in connection with the College’s internal control systems

(d) Advise on the reliability of the College’s information systems

(e) Underpin the objectivity and independence of the external auditors

(f) Increase public confidence in the objectivity and fairness of the Corporation’s financial reports and in the quality of the College’s corporate governance

4. MEMBERSHIP
4.1 The Committee shall comprise of a minimum of four members of the Corporation excluding: the Chair of the Corporation, the Chief Executive and any Co-opted members who are members of the College’s Senior Management Team.

4.2 The Audit Committee should include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively, Members of the Committee should have recent, relevant experience in Risk Management, finance and audit and assurance.

4.3 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).

4.4 If requested by the Committee, the Principal/Other will attend meetings of the Committee.
4.5 The Committee may invite the Corporation’s officers, advisers or other third parties to attend meetings of the Committee as appropriate, but such persons shall not have a vote but shall be entitled to speak at the meeting at the invitation of the Committee Chair.

4.6 The Committee may co-opt an external advisor/member where necessary.

4.7 The quorum for the Committee shall be 2.

4.8 The Clerk to the Corporation shall normally act as Clerk to the Committee.

4.9 The Committee will normally meet at least three times per year.

4.10 Where a vote is taken the vote shall be carried only where a majority of Governors are in favour; external members may not count towards a majority vote.

5. FUNCTIONS/AUTHORITY OF THE COMMITTEE

5.1 To advise the Corporation as to how best to determine for itself how to fulfil its obligations to secure the proper, economic, efficient and effective use of its resources and to safeguard the college’s assets.

5.2 To establish a mechanism to provide assurance to the Corporation (via the Audit Committee) that sound systems of internal control, risk management and corporate governance exist with the Audit Committee’s Annual Report to the Corporation being a key source of assurance.

5.3 To advise the governing body on the adequacy and effectiveness of the Corporation’s systems of internal control and it arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money).

5.4 To advise the governing body on the appointment, reappointment, dismissal and remuneration of the financial statements auditor and the IAS (where appointed).

5.5 To advise the governing body on the scope and objectives of the work of the IAS (where appointed), the financial statements auditor and the funding auditor (where appointed).

5.6 To ensure effective co-ordination between the IAS (where appointed), 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.

5.7 To consider and advise the governing body on the audit strategy and annual internal audit plans for the IAS (where appointed).

5.8 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 audit and the funding auditor (where appointed), and the management’s responses to these.

5.9 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.
5.10 To consider and advise the governing body on relevant reports by the NAO, the funding bodies, and where appropriate management’s responses to these.

5.11 To establish, in conjunction with college management, relevant annual performance measures and indicators, and to monitor the effectiveness of the IAS (where appointed) 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.

5.12 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 (where appointed), the funding auditors (where appointed) and the financial statements auditor.

5.13 To ensure that all allegations of fraud and irregularity are properly followed up.

5.14 To be informed of all additional services undertaken by the IAS (where appointed), the financial statements auditors and the funding auditors (where appointed).

5.15 To recommend the annual financial statements to the governing body for approval.

6. TERMS OF OFFICE

Members

6.1 Members of the Committee shall be appointed by the Corporation to serve for a period of 2 years.

6.2 Members retiring at the end of their term of office shall be eligible for re-appointment.

Chair/Vice Chair

6.3 The Chair and Vice Chair shall be elected at the last Committee meeting of every other academic year and shall serve as Chair/Vice-Chair for two years with effect from the first meeting of the new academic year. The Chair shall not be an employee of the College.

6.4 Where the Chair or Vice Chair resigns, retires or otherwise ceases to be Chair/Vice Chair during their Term of Office a member of the Committee shall be elected to serve for the remainder of the Term of Office.

6.5 A member retiring as Chair/Vice Chair at the end of a Term of Office shall be eligible for re-election.

6.6 If both the Chair and Vice-Chair are absent the members of the Committee who are present shall choose one of their number to act as Chair for the meeting.

Approved by the Corporation: 12 December 2016