

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

The role of the Audit and Risk Committee is to consider and advise on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes including controls for securing economy, efficiency and effectiveness (value for money). This advice is primarily formed through a consideration of the work of the College's internal audit service and financial statements auditors.

MEMBERSHIP

- i. The Audit and Risk Committee shall be appointed by the Corporation and consist of:
 - Three members of the Corporation, at least one of whom shall have relevant skills and financial/audit experience.
 - One co-opted external member with appropriate background experience in delivering internal audit services, or managing the results of internal auditor experience as well as experience in delivering a sound framework of internal control in a business as complex as the College. A co-opted external member shall not normally be appointed Chair, as s/he will not be able to attend meetings of the full governing body.
- ii. A quorum shall be two members of the Corporation.
- iii. The Chair of the Committee shall be appointed by the Corporation. Members present will decide who will act as Chair of the Committee at any meeting, which the appointed Chair is unable to attend.
- iv. The following are excluded from membership of the Audit and Risk Committee:
 - Chair of the Corporation
 - Members of the Finance and Resources Committee

- The Principal, senior post holders, staff with significant management responsibility and the student governor. Senior post holders are able to attend and speak at meetings but do not have a vote
 - Also excluded are:
 - Co-opted members from the College’s audit providers, bankers or insurers.
 - Governors who have significant interests in the College.
- v. The College’s internal and financial statements auditors and funding methodology consultant should be invited to attend meetings of the Audit and Risk Committee as appropriate, and will have an opportunity to speak to Committee members without any College staff (excluding the Clerk) in attendance. Auditors may not vote.
- vi. The Clerk to the Corporation shall act as Clerk to the Committee.

FREQUENCY OF MEETINGS

- i. Meetings shall be held not less than three times a year.
- ii. The internal or financial statements auditors or funding methodology consultant may request a meeting of the Committee if they consider that one is necessary and the Committee will endeavour to comply with such requests.
- iii. Agenda and papers for meetings are made available to Committee members a week prior to the scheduled meetings.

AUTHORITY

- i. The Audit and Risk Committee is authorised by the Corporation to investigate any activity within its terms of reference.
- ii. The Committee shall have the power to seek any information it requires from the internal audit service, the financial statements auditor, the funding methodology consultant, Corporation members, committees and College employees, plus relevant information from subcontractors and other third parties.
- iii. The Committee is authorised by the Corporation to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise if it considers this necessary.

- iv. The Committee is entitled when deemed necessary to go into confidential session and exclude all participants and observers except the Clerk. When the Committee exercises this right, the rules relating to quoracy must be observed.

TASKS

The tasks of the Committee are:

- To safeguard the independence of the governing body and to monitor, at least annually, the effectiveness of the College's auditors.
- To advise the governing body on the appointment, re-appointment, dismissal and remuneration of the financial statements auditor and internal audit service.
- To advise the governing body on the scope and objectives of the work of the internal audit service, the financial statements auditor and the funding methodology consultant.
- To ensure effective co-ordination between the internal audit service, the financial statements auditor and the funding methodology consultant, including whether the work of the consultant should be relied upon for internal audit purposes.
- To consider and advise the governing body on the audit strategy and the annual internal audit plans for the internal audit service.
- To consider and 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 the year-end regularity audit) and the funding methodology consultant and management's response to these.
- To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports and the financial statements auditor's management letter.
- To recommend the annual financial statements to the Corporation for approval.
- To consider and advise the governing body on relevant reports by the National Audit Office (NAO), the Learning Skills Council (LSC) and other funding or external 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 internal audit service and the financial statements auditor through these measures and indicators and to decide, based on this review, whether a competition for price and quality of the audit service is appropriate.

- To produce an annual report for the governing body and accounting officer which includes the Committee's advice on the effectiveness of the College's risk management, control and governance processes, and systems of internal control. The report should incorporate any significant matters arising from the work of the internal audit service, the financial statements auditor and the funding methodology consultant.
- To be informed of all additional services undertaken by the internal audit service, the financial statements auditor and the funding methodology consultant.
- To discuss, as appropriate, with the financial statements auditor and the funding consultant before their audit commences the nature and scope of their audit.
- To consider and, if appropriate, investigate or commission investigations into any complaints relating to alleged fraud or other financial irregularity or malpractice at the College in accordance at all times with any relevant guidelines and policies; to ensure that all allegations of fraud and irregularity are properly followed up and that the Corporation is kept fully informed of the progress of investigations and this progress to be minuted.
- To ensure that the internal audit service is adequately resourced and has appropriate standing within the Corporation.
- The responsibilities of the Committee shall not extend to an executive role and shall not require the members of the Committee to offer the Corporation professional advice or cause the Committee to lose its primary focus on the adequacy and effectiveness of the College's audit arrangements and risk management, control and governance processes.
- To review the Committee's Terms of Reference as part of the development of their annual work plan.
- To assess the Committee's performance at the end of each academic year.

Note

Following the introduction of plan-led funding, it is not a statutory requirement for the College to have a funding audit. However, the College having followed the advice of the FE Audit Code of Practice to manage its own risk over LSC income continues to appoint its funding methodology consultant to review all controls and sources of assurance available.