

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

PURPOSE AND ROLE

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 the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets. This advice is primarily formed through a consideration of the work of the College's financial statements auditors, the College's assurance framework and the College's internal audit arrangements.

MEMBERSHIP

- i. The Audit and Risk Committee shall be appointed by the Corporation and consist of:
 - a minimum of three independent members of the Corporation, at least one of whom shall have relevant skills and financial/audit experience.
 - if deemed necessary, 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. In order to maximise its independence, the following are excluded from membership of the Audit and Risk Committee, but may attend meetings with the permission of the Chair of the Committee:
 - Chair of the Corporation
 - Members of the Finance and Resources Committee

- The Principal, staff governors, 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 financial statements auditors 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. Internal auditors may also be invited to attend meetings where appropriate.
- 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 financial statements auditors 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, which may involve engaging a third party to assist.
- ii. The Committee shall have the power to seek any information it requires from internal auditors, the financial statements auditor, 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.

- v. 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.
- vi. The Chair of the Audit and Risk Committee must be informed where any significant instance of fraud, irregularity or major weakness or breakdown in the accounting or other control framework is suspected or discovered.

TASKS

The tasks of the Committee are:

- i. To safeguard the independence of the governing body and to monitor, at least annually, the independence, objectivity and effectiveness of the College's auditors, taking into consideration relevant UK professional and regulatory requirements.
- ii. To advise the governing body on the appointment, re-appointment, dismissal and remuneration of the financial statements auditor and internal auditor (where appointed) and to establish that all such assurance providers adhere to relevant professional standards.
- iii. To advise the governing body on the scope and objectives of the work of the financial statements auditor and the internal auditor (where appointed).
- iv. To recommend to the governing body an internal audit strategy, including an annual internal audit plan based on the College's assurance framework.
- v. 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 management's response to these.
- vi. 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.
- vii. To recommend the annual financial statements to the Corporation for approval.
- viii. To consider and advise the governing body on relevant reports by the National Audit Office (NAO), the Educational Skills Funding Agency (ESFA) and other funding or external bodies, and where appropriate, management's response to these.
- ix. To establish, in conjunction with college management, relevant annual performance measures and indicators and to monitor the effectiveness of the internal audit arrangements 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.
- x. To monitor and review the College's risk management and assurance mapping processes.
- xi. To produce an annual report for the governing body and accounting officer which includes the Committee's advice on the adequacy and effectiveness of the College's assurance arrangements, assurance over subcontracting, framework of governance, risk

management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.

- xii. To develop and implement policy on the engagement of the financial statements auditor and internal auditors to supply any additional services, taking into account relevant ethical guidance.
- xiii. To oversee the Corporation's policies on fraud, irregularity and whistleblowing and ensure the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity in accordance with the College's procedures; that investigation outcomes are reported to the Audit and Risk Committee; that the external auditor(s) have been informed and that appropriate follow-up action has been planned/actions; and that appropriate external bodies have been informed.
- xiv. To oversee the College's data protection policy and receive regular reports on data breaches.
- xv. To ensure that the College's internal audit arrangements are adequately resourced and have appropriate standing within the Corporation.
- xvi. To review the Committee's Terms of Reference on an annual basis for recommendation to Corporation.
- xvii. To assess the Committee's performance at the end of each academic year.