

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### Membership

The Audit Committee shall comprise of five members, up to two of whom may be external members with appropriate financial or audit experience. The quorum of the Committee shall be three, providing that at least one of those present is a governor.

### Terms of Reference

- (a) To ensure that the College adheres to the Audit Code of Practice and responds to the changes that are made to it from time to time.
- (b) To advise the Governing Body on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes and securing economy, efficiency and effectiveness (value for money).
- (c) To advise the Governing Body on the appointment, reappointment, dismissal and contract remuneration of the financial statements auditor and the internal audit service and to review their respective letters of engagement.
- (d) To advise the Governing Body on the scope and objectives of the work of the internal audit service and the financial statements auditor.
- (e) To ensure effective co-ordination between the internal audit service and the financial statements auditor.
- (f) To consider and advise the Governing Body on the audit strategy and annual internal audit plans for the internal audit service.
- (g) 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 and management's response to these.
- (h) 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 auditors' management letters.
- (i) To consider and advise the Governing Body on relevant reports by the NAO, the LSC (or successor bodies), other funding and auditing bodies and where appropriate, management's responses to these.
- (j) To establish, in conjunction with the College's management, relevant annual performance measures and indicators and to monitor the effectiveness of the internal audit service 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.

- (k) To produce an annual report for the Governing Body and the Accounting Officer which should include the Committee's advice on the effectiveness of the FE College's risk management, control and governance processes and any significant matters arising from the work of the internal audit service and the financial statements auditor.
- (l) To ensure that all allegations of fraud and irregularity are properly followed up.
- (m) To review the effectiveness of the Corporation's financial procedures and regulations and recommend changes to the Governing Body.
- (n) To review the Committee's clerking arrangements on an annual basis.
- (o) To be informed of all additional services undertaken by the internal audit service and the financial statements auditors.
- (p) To receive reports of an audit nature submitted to the College by other external bodies, e.g. Her Majesty's Revenue and Customs, the LSC (or successor bodies) and the Health & Safety Executive.
- (q) To consider and advise the Finance & General Purposes Committee on any items raised in the management letter relating to the audited accounts of the College's Students' Union.
- (r) To review the risk register and make such recommendations as it considers appropriate to the Governing Body.
- (s) To review the risk management action plan and to advise the Governing Body as to whether it believes that the plan and the underlying system of controls are adequate.
- (t) To review the annual report of the Risk Management Group, including the business continuity and disaster recovery plan.
- (u) To monitor health and safety matters on behalf of the Governing Body and to review the Annual Report and Health and Safety Management Plan prepared by the College's Health and Safety Officer.
- (v) To review of the annual insurance claims report.
- (w) To review the Committee operations and effectiveness biennially, together with the Committee's Terms of Reference and Annual Business Plan and make recommendations for changes to the Governing Body.