

## **Terms of Reference for Audit Committee**

### **Constitution and Membership**

The Governing Body will be responsible for establishing a Committee of the Governing Body to be known as the Audit Committee.

The Committee and its Chair will be appointed by the Governing Body. A co-opted member of the Committee must not be appointed as its Chair since the Chair has to be able to attend, as of right, all meetings of the Governing Body.

Membership of the Audit Committee must not include the Chair of Governors, the Principal, students (including student governors) or any other member of the Governing Body with financial responsibilities for the College (i.e. be a member of the Finance & Estates Committee) in order to ensure independence and objectivity. Employees (excluding senior post-holders) are permitted to be members of the Committee.

There shall be not less than 3 members and no more than 5 members. A quorum shall be a minimum of 3 members. At least one member should have a background in finance, accounting or auditing, but membership should not be drawn exclusively from people with such a background. The Committee may, if it considers it necessary or desirable, co-opt members with particular expertise. The Principal may be invited to attend meetings where the Committee deems that this is appropriate.

### **Authority**

The Committee is authorised by the Corporation:

- (a) to investigate any activity within its terms of reference;
- (b) to seek any information it required from any members of staff, who are directed to co-operate with any such request made by the Committee and provide any information about the College and its affairs as the Committee requires;
- (c) to receive the College management accounts and financial report to inform its other work; and
- (d) to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary.

## **Proceedings**

The Committee must meet at least three times per academic year. The Vice-Principal (Resources) (or equivalent) and the internal auditors should normally attend Audit Committee meetings, together with other staff invited to attend. The external auditor should normally attend any meetings where business relevant to them is being discussed. Once each year the Committee will meet with the institution's internal and external auditors without any College officers present.

## **Duties**

The main duties of the Committee are:

- (a) ensuring the institution complies with the mandatory requirements of the Further Education Audit Code of Practice issued by the Welsh Government;
- (b) reviewing the institution's mechanisms for the assessment and management of risk;
- (c) reviewing the assurance mechanisms for ensuring compliance with the institution's corporate governance requirements;
- (d) advising the Governing Body on the appointment and terms of engagement of the internal auditors, the audit fee, the provision of non-audit services by the internal auditors and any question of resignation or dismissal of the internal auditors;
- (e) advising the Governing Body on whether the institution has adequate systems and procedures in place to promote economy, efficiency and effectiveness;
- (f) advising the Governing Body on the appointment and remuneration of the external auditors and the scope of their work, including any non-audit services provided and any question of resignation or dismissal, monitoring the rotation of the assignment partner in compliance with applicable United Kingdom ethical guidance and making a recommendation on annual reappointment of the external auditors to the Governing Body;
- (g) agreeing the nature and scope of audit work;
- (h) discussing findings and conclusions arising from audits, including a review of the external auditor's Management Letter and Communication with Those Charged with Governance incorporating management responses;

- (i) considering the institution's draft annual financial statements, after review by the Finance & Estates Committee and prior to submission to the Governing Body for formal approval. The review should include specific consideration of significant accounting policies and any changes in those policies, members' responsibilities and any corporate governance statement. The Committee's view on any statement of the effectiveness of the internal control system will be provided to the Governing Body as part of the Committee's Annual Report;
- (j) reviewing the effectiveness of internal control systems and, in particular, to review the external auditors' Management Letter and Communication with Those charged with Governance, the internal auditors' annual report and management responses;
- (k) reviewing and recommending to the Governing Body the internal auditor's audit strategy and the audit plan, including any changes made during the year;
- (l) considering major findings of internal audit investigations and management's response;
- (m) promoting co-ordination between internal and external auditors;
- (n) ensuring that the resources made available for internal audit are sufficient to meet the institution's needs;
- (o) monitoring the implementation of agreed audit recommendations;
- (p) reviewing relevant reports from PAGS, WAO and other organisations and monitoring the implementation of relevant recommendations;
- (q) monitoring the performance and effectiveness of external and internal audit as the basis for recommendations to the Governing Body concerning their reappointment;
- (r) overseeing the institution's policy on fraud and irregularity, including any action taken under that policy as detailed in a yearly report received by the Committee;
- (s) reviewing the institution's whistleblowing arrangements, i.e. the process by which staff or Governors of the institution may, in confidence, formally raise concerns and receiving a yearly report detailing any action taken in this area;

- (t) ensuring that all significant losses have been properly investigated and that the internal and external auditors and the PAGS have been fully informed of the matter;
- (u) monitoring the implementation of audit related letter and guidance;
- (v) receiving and considering value for money reports;
- (w) receiving and considering procurement savings reports.

### **Reporting Procedures**

The Committee will circulate the minutes of its meetings to the Governing Body and there should be an opportunity at meetings of the Governing Body to discuss matters raised by the minutes.

The Committee will produce an annual report which it will submit to the Governing Body, accompanied by the internal auditors' annual report, summarising the activity for the year. It will give the Committee's opinion, based on the work of the internal and external audit and any other work conducted during the year, on the effectiveness of the internal control system, including risk management and governance arrangements. The report should be submitted in time to be taken into account by the Governing Body in its consideration of the members' responsibility statement in the annual financial statements.

### **Clerking Arrangements**

The Clerk to the Governing Body should be the Clerk to the Audit Committee.

**Nicola Eyre**

**REVISED: September 2016**

**APPROVED: December 2016**

**NEXT REVIEW: September 2018**