



## Northern College

# Terms of Reference - The Audit Committee

- 1 Membership**
- 1.1. At least five members, the majority of whom should be members of the Board of Governors, at least one of whom must have relevant financial/audit expertise.
- 1.2. The internal and financial statements auditors shall be entitled to attend and speak at all meetings of the committee where business relevant to them is being discussed, but not vote.
- 1.3. Senior management shall be invited to attend meetings, particularly when their area of responsibility is under discussion and shall be entitled to speak at such meetings, but not vote.
- 1.4. The committee may invite third parties to attend their meetings as appropriate. Such persons shall not have a vote, but shall be entitled to speak at the meeting.
- 1.5. College staff may not be members of the committee.
- 1.6. In order to maximise the committee's independence and objectivity, the following people shall not be eligible to be members:
- members of the Policy and Finance Committee
  - the chair of the Board of Governors
  - governors who have a significant interest in the College.
- 1.7. The committee shall be entitled, whenever it is satisfied that it is appropriate to do so, to go into confidential session and (subject to the rules as to quoracy set out below) to exclude any, or all, participants and observers, except the Clerk to the Governors.
- 1.8. The committee is responsible for maintaining its independence in appointing members; the terms of reference shall be approved annually by the Board of Governors.
- 2 Authority**
- 2.1 The committee shall have the authority to investigate any activity within its terms of reference and be granted rights of access to obtain all the information that it considers necessary from members of the staff and governors and to consult the IAS, financial statements auditor and the funding auditor directly.
- 3 Quorum**
- 3.1 The quorum for meetings of the committee shall be three, two of which shall be members of the board.
- 4 Frequency of Meetings**
- 4.1 The committee will meet at least three times per annum. The internal auditor where appointed, funding auditor and financial statements auditor may request a meeting of the committee if they consider that one is

necessary and the committee will endeavour to comply with such requests.

4.2 The committee will meet with the auditors without management present at least annually.

**5 Responsibilities of the Committee**

5.1 Assess and provide the Corporation with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.

5.2 Advise the Corporation on how best it can fulfil its obligations to secure the proper, economic, efficient and effective use of resources and to safeguard the College's assets.

5.3 Monitor, within agreed timescales, the implementation of recommendations arising from the management letters and reports of the financial statements and regularity auditor, and of any reports submitted by other providers of audit and assurance services to the College.

5.4 Oversee the College's policies on fraud and irregularity and whistleblowing, and ensure the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity.

5.5 To consider and recommend the annual financial statements to the Board of Governors for approval.

5.6 Advise the Corporation on the appointment, reappointment, dismissal and remuneration of the financial statements and regularity auditors and other assurance providers, including internal auditors where appropriate, and establish that all such assurance providers adhere to relevant professional standards.

5.7 Inform the Corporation of any additional services provided by the financial statements, regularity and other audit and assurance providers and explain how independence and objectivity were safeguarded.

5.8 To establish, in conjunction with College management, relevant annual performance measures and indicators and to monitor the effectiveness of the financial statements auditors and IAS where appointed through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.

5.9 Advise the Corporation on the adequacy and effectiveness of the College's assurance framework.

5.10 Consider whether there is a need for an internal audit service (IAS) and make a recommendation to the Corporation.

5.11 Where there is no IAS ensure there is sufficient and objective assurance to enable an opinion on the adequacy and effectiveness of the College's audit arrangements.

5.12 Where an IAS is appointed review and advise the Board on the scope and objectives of its work, ensuring it has necessary resources and access to information to enable it to fulfil its mandate and monitor and review its effectiveness.

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|           | 5.13                                       | Ensure the effective coordination between the IAS (where appointed), the funding auditor and the financial statements auditor, including whether the work of the funding auditor should be relied upon for internal audit purposes.   |
|           | 5.14                                       | Keep under review the effectiveness of the College's approach to risk management and assurance and receive reports from management on the effectiveness of the systems.   |
|           | 5.15                                       | Consider any risks allocated to the committee for oversight.  |
|           | 5.16                                       | To consider and advise the Board on relevant reports by the National Audit Office, the Education and Skills Funding Agency and any other funding bodies and where appropriate management's response to these.   |
| <b>6</b>  | <b>Election of Chair</b>                   | 6.1 The chair of the committee will be selected by the Board of Governors from the board members other than those listed at 1.6 above.  |
| <b>7</b>  | <b>Clerking the Committee</b>              | 7.1 The Clerk to the Governors shall act as clerk to the committee.   |
| <b>8</b>  | <b>Reporting to the Board of Governors</b> | 8.1 A summary of each meeting of the committee will be presented to the next available board Meeting.<br><br>8.2 The committee will produce an annual report for the Corporation which will include: <ul style="list-style-type: none"> <li>• the committee's view of its own effectiveness and how it has fulfilled its terms of reference;</li> <li>• the committee's opinion on the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness.</li> </ul> |
| <b>9</b>  | <b>Effectiveness</b>                       | 9.1 The committee shall review its effectiveness annually.  |
| <b>10</b> | <b>Date of Approval</b>                    | 13 December 2018 – Board of Governors.  |
| <b>11</b> | <b>Date of Next Review</b>                 | July 2025   |