

## **AUDIT COMMITTEE - Terms of Reference approved by the Corporation on 22/3/11**

### **1 CONSTITUTION**

The Audit Committee is formally constituted as a Committee of the Corporation of Northumberland College, in accordance with the Articles and Instrument of Government.

### **2 PURPOSE**

2.1 The Committee shall ensure that the internal control systems, including audit activities, of the Corporation and any of its subsidiaries is monitored actively, independently and objectively in order to

- improve the effectiveness of the College's internal controls
- reinforce the independence and effectiveness of the internal audit function
- provide a sounding board for College management on issues of concern in connection with the College's internal control systems
- advise on the reliability of the College's information systems
- underpin the objectivity and independence of the external auditors
- increase stakeholder confidence in the objectivity and fairness of the Corporation's financial reports and in the quality of the College's corporate governance.

2.2 To provide a medium of communication from the Corporation's auditors to the Corporation, which is seen to be independent of College management.

2.3 To ensure that financial transactions are undertaken in accordance with the college's financial regulations.

### **3 MEMBERSHIP**

3.1 Membership shall comprise four Corporation members (excluding members of the Corporation's Finance and Personnel Committee, the Chair of the Corporation, the Principal).

3.2 For a meeting to be quorate at least three members must be present.

3.3 The Chair of the Audit Committee shall be appointed by the Corporation.

3.4 In the absence of a Committee member from any meeting a Corporation member who is not also a member of the Finance and Personnel Committee or the Chair of

the Corporation or the Principal may be appointed as a nominee for that meeting and be eligible to count towards the quorum for that meeting.

#### **4 ATTENDANCE AT MEETINGS**

- 4.1 The Principal and Director of Finance and a representative of the internal auditors shall attend meetings at the invitation of the Committee, and the Committee shall have the power to invite such other persons to attend meetings in an advisory capacity as may be desirable and necessary.
- 4.2 Other Corporation members shall have a right of attendance, save that the Committee may, when they are satisfied that it is appropriate, meet with representatives of the internal and/or external auditors without the Principal or staff members being in attendance.
- 4.3 The Clerk to the Committee shall be someone who does not have financial responsibilities at senior management level within the College.

#### **5 FREQUENCY OF MEETINGS**

Meetings shall be held not less than 3 times a year, in accordance with a schedule of Corporation and Committee meetings to be agreed annually by the Corporation. Audit Committee meetings shall be timed to coincide with the internal and external audit planning and reporting cycles, with meetings held at times to allow consideration of the internal audit needs assessment, internal audit report and external audit management letter.

#### **6 AUTHORITY**

- 6.1 The Committee is authorised by the Corporation to investigate any activity within its terms of reference. It is authorised to seek any information it requires to discharge its duties from any other Committee of the Corporation or employee of the Corporation and employees of the College are directed to cooperate with any reasonable request made by the Committee.

#### **7 DUTIES**

The Duties of the Committee shall be

- 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)
- to advise the governing body on the appointment, reappointment, dismissal, and

remuneration of the financial statements auditor and the Internal Audit Service

- to advise the governing body on control issues included in the management letters of the financial statements auditor, including work on regularity.
- 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 auditor (where appointed)
- to ensure effective coordination between the Internal Audit Service, the funding auditor (where appointed) and the financial statements auditor including whether the work of the funding auditor should be relied upon for internal audit purposes
- to consider and advise the governing body on the audit strategy and annual internal audit plans for the Internal Audit Service
- 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 the funding auditor (where appointed), and managements responses to these
- to monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, the funding auditor's management letter and spot-check reports (where appointed) and the financial statements auditor's management letter
- to consider and advise the governing body on relevant reports by the National Audit Office, the Skills Funding Agency, and other funding 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 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
- to produce an annual report for the governing body and accounting officer, which should include the committee's advice on the effectiveness of the College's risk management, control and governance processes, and any significant matters arising from the work of the Internal Audit Service, the funding auditors and the financial statements auditor
- to ensure that all allegations of fraud and irregularity are properly followed up
- to be informed of all additional services undertaken for the College by the Internal Audit Service, the financial statements auditors and the funding auditors (where appointed),
- to recommend the annual financial statements to the governing body for approval.

## **8 REPORTING PROCEDURES**

The Clerk to the Committee shall circulate minutes of the meetings of the Committee to all Corporation members.

## **9 ADOPTION**

These terms of reference were agreed by the Corporation of Northumberland College at its meeting on 6<sup>th</sup> June 2006; subsequently amended by the Corporation 16 December 2008; and further amended by the Corporation on 22<sup>nd</sup> March 2011.