

CONSTITUTION: AUDIT COMMITTEE

1. COMPOSITION

- 1.1 Five members of the Corporation.
- 1.2 Up to two non-Corporation members with specialist audit-related expertise identified by the Chairman and Principal and co-opted by the committee for specified periods.
- 1.3 The following shall not be eligible for appointment to the committee: -
 - the Chairman of the Corporation
 - members of the Finance and General Purposes Committee
 - Corporation members with significant interests in the College
 - the Principal
 - staff members with significant executive, management, financial or budgetary responsibilities
 - employees, partners or those with a significant interest in any of the College's professional advisers or suppliers of other significant goods or services
- 1.4 In appointing members of the committee, the Corporation shall ensure that at least one member has relevant skills and experience in: -
 - delivering internal audit services or managing the results of internal audit
 - delivering a sound framework of internal control in a business as complex as the College

2. OBJECTIVES

- 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, risk management and governance processes;
 - 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 financial statements auditors;
 - increase public 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, which is not controlled by College management.

3. FUNCTIONS

- 3.1 To advise the Corporation on the 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)
- 3.2 To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the financial statements auditor and the internal audit service.
- 3.3 To advise the Corporation on the scope and objectives of the work of the internal audit service, the financial statements auditor and the funding auditor.
- 3.4 To ensure effective co-ordination between the internal audit service, the funding auditor and the financial statements auditor including whether the work of the funding auditor should be relied upon for internal audit purposes.
- 3.5 To consider and advise the Corporation on the audit strategy and annual internal audit plans for the internal audit service.
- 3.6 To advise the Corporation 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, and management's response to these.
- 3.7 To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, the funding auditors' management letter and spot-check reports and the financial statements auditor's management letter.
- 3.8 To consider and advise the Corporation on relevant reports by the NAO, LSC and other funding bodies and where appropriate, management's response to these.
- 3.9 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.
- 3.10 To produce an annual report for the Corporation and accounting officer incorporating any significant matters arising from the work of the internal audit service, the funding auditors and financial statements auditor, and the committee's advice on the effectiveness of the College's risk management, control and governance processes.
- 3.11 To ensure that all allegations of fraud and irregularity are properly followed up.
- 3.12 To be informed of all additional services undertaken by the internal audit service, the financial statements auditors and the funding auditor.

4. AUTHORITY

- 4.1 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 directly from the internal audit service, the financial statements auditor, the funding auditor, any Corporation member, committee of the Corporation or employee of the College plus any relevant information from subcontractors and other third parties. All Corporation members and employees of the College are directed to co-operate with any request made by the Committee.
- 4.2 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.

5. CONDUCT OF MEETINGS

- 5.1 The committee shall appoint a Chairman at its first meeting in each academic year. If the Chairman is unable to attend a meeting, he / she may nominate a deputy to take the chair in his / her place. In the absence of the Chairman and a nominee, the committee members present at a meeting may appoint a member to act as Chairman of the meeting.
- 5.2 The committee shall appoint a suitable person to act as its clerk.
- 5.3 The committee shall meet at least twice in each academic year at intervals determined by the Chairman in consultation with the auditors and Principal. Additional meetings may be called at the request of a majority of the committee's members or by others legally empowered to require the committee to meet. The internal auditor, funding auditor or 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.
- 5.4 The notice and agenda for a meeting of the committee shall be circulated by the clerk to all members of the committee not less than seven days before the meeting. Any items, motions or reports for the agenda must be submitted by members at least two weeks before the meeting at which they are to be considered. Items so submitted should be accompanied by a short explanatory note. Items which are submitted late may be included on the agenda at the discretion of the Chairman of the committee. Where the Chairman so directs on the ground that there are matters demanding urgent consideration, it shall be sufficient if the notice and agenda are given within such period, being less than seven days, as he / she specifies.
- 5.5 A special meeting of the committee may be summoned by the written request to the clerk of the Chairman or others entitled to make such a request as defined under paragraph 5.3 and the clerk shall give not less than three clear working days notice of such a meeting. The agenda for the meeting shall state the purpose for which it is to be convened and it shall consider no other business.
- 5.6 The quorum for any meeting of the committee shall be three members.
- 5.7 If the number of members of the committee assembled for a meeting of the Committee does not constitute a quorum, the meeting shall not be held.
- If in the course of a meeting of the committee the number of members present ceases to constitute a quorum, the meeting shall be terminated forthwith.
- 5.8 If for lack of a quorum a meeting cannot be held or as the case might be cannot continue, the Chairman shall call a special meeting to be summoned as soon as conveniently possible.
- 5.9 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 of quoracy set out above) to exclude any, or all, participants and observers except the Clerk to the Committee.
- 5.10 The committee shall consider as a minimum each year those items of business set out in the table enclosed within supplement A to the Interim Audit Code of Practice.
- 5.11 Decisions taken by the committee shall be by a show of hands unless a resolution be passed that a secret ballot take place. In the event of equality of votes on any issue the person presiding at the meeting shall have a second or casting vote.

- 5.12 No resolution of the committee may be rescinded or varied at a subsequent meeting unless consideration of the rescission or variation is a substantive item of business on the agenda for that meeting.
- 5.13 The validity of any proceedings of the committee shall not be affected by any vacancy amongst the members of the committee or by any defect in the nomination, election or appointment of a member.
- 5.14 The committee may establish such sub-committees as it sees fit and determine their membership and functions. Such sub-committees may include persons who are not members of the Corporation.
- 5.15 The clerk to the committee shall keep a record of all meetings and shall submit copies of the committee's minutes to the Corporation.
- 5.16 The Chairman of any meeting of the committee shall, if he / she agrees the minutes to be an accurate record, sign them as a true record.
- 5.17 In considering any matter in which a member of the committee has or has had a personal interest, he / she shall declare the interest and shall, if the committee so determines, take no further part in the debate or any vote which may follow it..

6. TERMS OF OFFICE

- 6.1 Members of the committee appointed by the Corporation shall hold office until: -
 - a) he / she ceases to be a member of the Corporation if appointed to the committee in that capacity;
 - b) he / she gives notice in writing to the Clerk of his / her resignation from membership of the committee;
 - c) his / her membership of the committee is terminated by the Corporation;
 - d) he / she ceases to be eligible to serve on the committee;
 - e) he / she is replaced by the Corporation as a member of the committee.

7. ADMISSION TO MEETINGS

The arrangements for admitting non-members to meetings of the committee shall be in accordance with the Corporation's policy on such admissions as determined from time to time.

College Governors who are not members of the Audit Committee have the right of attendance at the committee's meetings. Senior Managers of the College from any part of the college whose internal control systems are subject to examination may be invited to attend meetings of the committee to provide information and give their views. The Principal, Director of Corporate Services and Finance Manager will normally attend all meetings of the committee.

The committee may, when it feels it appropriate to do so, go into confidential session and exclude any or all participants and observers.

8. PUBLICATION OF PAPERS

Papers of the committee shall be withheld from publication on the same basis as papers of the Corporation.

AUDIT COMMITTEE - STANDING ORDERS

- 1 The committee shall act at all times in accordance with its constitution and within the powers vested in it by the Corporation.
- 2 In carrying out its functions, the committee shall comply with the Audit Code of Practice.
- 3 The committee shall ensure that the internal and external audit services comply with the Audit Code of Practice.
- 4 The committee shall review the financial statements of the Corporation in view of the recommendations made in the external audit management letters only and shall not be involved in reviewing and advising on the financial statements nor in commenting on the accounting policies of the Corporation.
- 5 The committee shall examine the soundness of, and compliance with, the College's financial regulations. The Finance and General Purposes committee shall be responsible for reviewing and providing advice to the Corporation on the approval of the College's financial regulations and procedures.
- 6 The committee shall assess its own performance and that of the internal and external audit services annually.
- 7 The annual committee report to the Corporation shall be made by the time the annual financial statements are signed and shall contain (as appropriate) the following: -
 - a) an introduction (period covered etc)
 - b) membership of the committee, highlighting changes
 - c) summary of when meetings were held
 - d) terms of reference of the committee, highlighting changes
 - e) review of reports of the internal audit service
 - f) review of management letter of external auditor
 - g) review of other work done, eg VFM work
 - h) any other relevant matters
 - i) the committee's opinion to the Corporation on the adequacy and effectiveness of the College's internal control system and the extent to which it can be relied upon.

REVIEWED FOR COMPLIANCE WITH EQUALITY AND DIVERSITY PRINCIPLES

**JANET HEMMANT,
CLERK TO THE CORPORATION**

DATE

24 OCTOBER 2007