

# **THE CORPORATION OF EAST SURREY COLLEGE**

## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE AND STANDING ORDERS: 2016/2017**

#### **1 INTRODUCTION**

- 1.1 The Terms of Reference and Standing Orders of the Audit Committee may be varied at any time by the Corporation Board.
- 1.2 The Terms of Reference and Standing Orders of the Audit Committee are subject at all times to the provisions of the Instrument and Articles of Government of the Corporation.
- 1.3 Members are required to make known if they or a person with whom they have a close connection (e.g. spouse/partner, child, or business associate) has a personal interest (be it financial or otherwise) in a matter before the Committee.

#### **2 PURPOSE OF THE AUDIT COMMITTEE**

The purpose of the Audit Committee is to advise the Corporation 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, in accordance with the Articles of Government, the Joint Audit Code of Practice, the Code of Good Governance for English Colleges and any other agreed best practice within the FE sector.

#### **3 TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

- 3.1 To advise the Corporation Board on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes, for ensuring the solvency of the college and the safeguarding of its assets, and securing economy, efficiency and effectiveness (value for money)
- 3.2 to advise the Board on the appointment, reappointment, resignation, dismissal and remuneration of the Financial Statements Auditor and the Internal Audit Service
- 3.3 to advise the Board on the scope and objectives of the work of the Financial Statements Auditor, Funding Auditor (where appointed) and the Internal Audit Service
- 3.4 to ensure effective co-ordination between the Internal Audit Service, Funding Auditor (where appointed) and the Financial Statements Auditor including whether the Funding Auditor should be relied upon for internal audit purposes
- 3.5 to discuss with the Financial Statements Auditor problems and reservations arising from the interim and final audits, including a review of the management letter incorporating management responses, and any other matters the Financial Statements Auditor may wish to discuss (in the absence of College management where necessary)
- 3.6 to consider and advise the Board on the audit strategy and annual internal audit plans for the Internal Audit Service

- 3.7 to advise the Board on internal audit assignment reports and annual reports and on control issues included in the management letters of the Financial Statements Auditor (including their work on regularity) and Funding Auditor (where appointed) and management's response to these
- 3.8 to consider and advise the Board on relevant reports by the National Audit Office and relevant funding bodies, and where appropriate, management's response to these
- 3.9 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
- 3.10 to oversee the College's policies on fraud and irregularity and whistleblowing and make recommendations to the Corporation Board as and when required for changes to those policies; to ensure the proper, proportionate and independent investigation of all instances or allegations of fraud or irregularity; to ensure that investigation outcomes are reported to the Audit Committee; that the external and internal auditors have been informed of those investigations; that appropriate follow-up action is taken and that all significant cases of fraud or suspected fraud or irregularity are reported to the chief executive of the appropriate funding body.
- 3.11 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
- 3.12 to be informed of all relevant additional services undertaken by the Internal Audit Service, the Financial Statements Auditor and the Funding Auditors to review the manner in which independence and objectivity of such services were safeguarded and to report on these matters to the Corporation Board
- 3.13 to produce an annual report for the Board and the Accounting Officer (Principal), which must include the Committee's opinion on the effectiveness of the College's risk management, control and governance processes, and of the Audit Committee itself, and draw attention to any significant matters arising from the work of the Internal Audit Service, the Funding Auditors and the Financial Statement Auditor
- 3.14 to undertake such other related responsibilities as the Board may remit. Such responsibilities must not require the Audit Committee to adopt an executive role or its members to offer professional advice to the Corporation, except in their capacity as members of the Corporation and within the terms of reference of the Committee

#### **4 POWERS OF THE AUDIT COMMITTEE**

In order to exercise the role provided for under the Terms of Reference, the Audit Committee shall have the power to:

- investigate any activity within its terms of reference

- seek any information it requires from the Internal Audit Service, the Financial Statements Auditor, the Funding Auditor, Corporation members, committees and College employees, or from third parties
- obtain external professional advice
- make recommendations to the Corporation on the resources needed to conduct an effective and efficient audit process

## **5 MEMBERSHIP OF THE AUDIT COMMITTEE**

- 5.1 The membership of the Committee will be reviewed and determined as and when appropriate by the Board.
- 5.2 The Audit Committee shall comprise a minimum of 5 members, of whom at least 3 will normally be Independent members of the Board.
- 5.3 In accordance with the provisions of the Articles of Government and the views of the relevant funding bodies, the following will not be eligible to serve as members of the Committee:
- the Chair of the Corporation
  - members of the Finance and Resources Committee
  - the Principal and Chief Executive and any other senior post-holders designated by the Corporation
- 5.4 The Board may appoint one External Co-opted Member, an individual who shall have relevant skills and experience, to be included in the total membership of the Committee.
- 5.5 When determining the membership of the Audit Committee, the Board will have regard to the need to include at least one person with relevant financial/audit expertise.
- 5.6 Subject to paragraph 5.3, where it is known in advance of a meeting that a member with specific expertise will not be in attendance at the meeting, the Chair of the Committee, through the Clerk, may seek to identify one or more appropriate members of the Corporation who might be available, at short notice, to attend the meeting and to provide the relevant expertise. Individuals appointed to attend a meeting on this basis shall be counted in the quorum for the meeting.

## **6 TERM OF OFFICE**

- 6.1 The term of office of members of the Audit Committee will normally be four years unless determined otherwise by the Board.
- 6.2 A member of the Audit Committee may resign from membership of the Committee by giving notice in writing to the Clerk to the Corporation.
- 6.3 A vacancy which arises during the period of office of the Committee will be filled by the appointment of a new member by the Board.
- 6.4 Members retiring at the end of the period of office shall be eligible for reappointment by the Board.

## **7 APPOINTMENT OF CHAIR OF THE AUDIT COMMITTEE**

- 7.1 The Chair of the Audit Committee shall be appointed by the Board from among the Independent members of the Committee.
- 7.2 Staff and Student members and any External Co-opted Member shall not be eligible to serve as Chair.
- 7.3 The Chair will hold office for two years or for a longer period if this is considered to be appropriate. Normally the period of office will commence at the first meeting of the academic session.
- 7.4 If the Chair is absent from any meeting of the Committee the members of the Committee present shall choose one of their number to act as Chair for that meeting having regard to the provisions of paragraph 7.2.
- 7.5 The Chair may at any time resign from office by giving notice in writing to the Clerk to the Corporation.
- 7.6 The retiring Chair shall normally be eligible for re-appointment.

## **8 QUORUM**

- 8.1 Meetings of the Audit Committee shall be quorate if at least three members are present.
- 8.2 If the number of members of the Audit 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.
- 8.3 If for the lack of a quorum a meeting cannot be held or, as the case may be, cannot continue, the Chair shall, if he or she thinks fit, cause a special meeting to be summoned as soon as practicable.

## **9 FREQUENCY OF MEETINGS OF THE AUDIT COMMITTEE**

- 9.1 The Audit Committee will meet as and when necessary for the proper discharge of its responsibilities, but shall meet at least once per term.
- 9.2 All meetings of the Committee will be summoned by the Clerk who shall send to the members written notice of the meeting and a copy of the agenda at least seven days in advance of the meeting.
- 9.3 A special meeting of the Committee may be called by the Chair and if necessary the arrangements detailed in paragraph 9.2 may be varied.

## **10 PROCEEDINGS OF MEETINGS OF THE AUDIT COMMITTEE**

- 10.1 Every question to be decided at a meeting of the Audit Committee shall be determined by a majority of the votes of the members present and voting on the question. Where there is an equal division of votes the Chair of the meeting shall have a second or casting vote.
- 10.2 No resolution of the Committee may be rescinded or varied at a subsequent meeting of the Committee unless consideration of the rescission or variation is a specific item of business on the agenda for that meeting.
- 10.3 The proceedings of meetings of the Committee will be recorded in the minutes prepared by the Clerk to the Committee. Minutes of meetings

(regardless of whether or not they have been confirmed as being a true record) will be presented to the subsequent scheduled meeting of the Board.

- 10.4 Separate minutes will be taken of any issues which are regarded by the Principal and by the Committee to be confidential, in accordance with the requirements of the Instrument and Articles of Government and the Freedom of Information Act 2000 and as such the subsequent publication will be restricted.
- 10.5 Members who have an interest in an item before the Committee may be required to withdraw from the meeting. The provisions of the Instrument and Articles of Government will be applied to determine the extent and the relevance of an interest.
- 10.6 The Audit Committee may, if it wishes, discuss issues of interest with the representatives of the College's Internal Audit Service and/or the Financial Statements Auditor without the presence of the Principal, Vice Principal or any other officer of the College's being present.

#### **11 CLERK TO THE AUDIT COMMITTEE**

- 11.1 The Clerk to the Audit Committee will be the Clerk to the Corporation.
- 11.2 The Clerk will be supported in her/his work by her/his designated representatives.

#### **12 ACCESS TO MEETINGS OF THE AUDIT COMMITTEE**

- 12.1 Access to meetings of the Audit Committee will be limited to members of the Committee, the Clerk to the Committee and any persons expressly invited to attend all or part of a meeting by the members of the Committee.
- 12.2 Representatives of the College's Internal Audit Service and the Financial Statements Auditor will normally be invited to attend all meetings of the Audit Committee unless there is good reason that they should not be present.
- 12.3 Any member of the Board, or External Co-opted Member of a committee, who wishes to attend a meeting of the Audit Committee may do so with the approval of the Chair of the Committee.

#### **13 REVIEW OF TERMS OF REFERENCE AND STANDING ORDERS**

The Terms of Reference and Standing Orders of the Audit Committee shall normally be subject to formal annual review.

Reviewed and approved by the Audit Committee: 16 June 2016

Approved by the Corporation: 14 July 2016