



## AUDIT COMMITTEE TERMS OF REFERENCE

### 1. Constitution

- 1.1 The Hopwood Hall College Further Education Corporation hereby resolves to adopt the following terms of reference for the Audit Committee which is established under Clause 6 of the Articles of Government of the College.
- 1.2 The Audit Committee will fulfil the requirements for the Corporation to establish an Audit Committee in accordance with the terms of:
- The Instrument & Articles of Government of the College;
  - The most recent Post 16 Audit Code of Practice;
  - The Financial Memorandum with the Funding Agencies.

### 2. Objective

- 2.1 The Audit Committee shall assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the efficient and effective use of resources, solvency of the College and the safeguarding of its assets.
- 2.2 The Audit Committee shall ensure that the internal control systems and processes including audit activities, of the Corporation and any of its subsidiaries are monitored actively, independently and objectively in order to:
- improve the effectiveness of the College's internal controls;
  - maintain 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 and regularity auditors;
  - increase public confidence in the objectivity and fairness of the Corporation's financial reports and in the quality of College systems for risk management and corporate governance;
  - provide a medium of communication from the Corporation's auditors that is not controlled by College management.

### **3. Membership**

- 3.1 The Committee shall be appointed by the Corporation and shall comprise a minimum of four Members of which no more than two Members shall be co-opted external Members.
- 3.2 Membership shall include individuals with an appropriate mix of skills and experience to allow the Committee to discharge its duties effectively. Collectively, Members of the Audit Committee should have recent, relevant experience in risk management, finance and assurance.
- 3.3 Members of the Corporation's Employment & Finance Committee, the Chair of the Corporation and the Principal & Chief Executive, shall be ineligible for membership of the Audit Committee. The Staff Governors and any other College employee shall also be ineligible to serve on the Audit Committee if they have a significant financial, budgetary or risk management responsibility.
- 3.4 A quorum for meetings shall be three Members of the Audit Committee.
- 3.5 The Chair of the Audit Committee shall be appointed by, and be an Independent Member of, the College Corporation Board.
- 3.6 If the Chair is absent from any meeting of the Committee, the Members present shall choose one of their number to act as Chair for that meeting.
- 3.7 The terms of office of Members of the Audit Committee shall be determined by the Corporation except that the individual term of office of any Member of the Committee shall not exceed four years.
- 3.8 Any Member who reaches the end of their term of office shall be eligible for re-appointment to the Committee.

### **4. Attendance at Meetings**

- 4.1 Members of College Management shall normally attend meetings at the invitation of the Committee, particularly where their area of responsibility is the subject of an audit report. The Committee shall also have the power to invite such other persons to attend meetings as may be desirable and necessary.
- 4.2 The Clerk to the Corporation shall be the Clerk to the Audit Committee.
- 4.3 The Internal Auditor must be invited to attend all meetings, as must the Financial Statements and Regularity Auditor where business relevant to them is being discussed.
- 4.4 Other Corporation Members shall have a right of attendance as observers.
- 4.5 The Audit Committee has the right, whenever it is satisfied that it is appropriate to do so, to go into confidential session and exclude any, or all, participants and observers, except the Clerk to the Audit Committee. When the Committee exercises this right, the rules relating to quoracy must be observed.

### **5. Frequency of Meetings**

- 5.1 Meetings shall be held not less than once in each term (i.e. a minimum of three meetings in each academic year). The Internal Audit Service provider and Financial Statements and Regularity Auditor may request a meeting if they consider that one is necessary.

5.2 In accordance with the provisions of the Instrument & Articles of Government of the College, “meeting” includes a virtual meeting at which the members attending are in more than one room, provided that by the use of video or telephone conferencing facilities and/or electronic communication, it is possible for every person present at the meeting to communicate with each other.

## **6. Authority**

6.1 The Audit Committee is authorised by the Corporation to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any Corporation Member, Committee of the Corporation or employee of the College and all Corporation Members and employees of the College are directed to co-operate with any request made by the Audit Committee.

6.2 The Audit Committee has the right to consult the Internal Audit Service provider and the Financial Statements and Regularity Auditor directly.

## **7. Duties**

The Audit Committee must:

- 7.1 Present an Annual Report to the Corporation Board and the Principal as Accounting Officer on the activities of the Committee throughout the year and incorporating a statement on adequacy of the College’s governance, risk management and processes of internal control;
- 7.2 assess and provide the Corporation with an opinion on the adequacy and effectiveness of its assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the College and the safeguarding of its assets;
- 7.3 oversee and monitor the development and application of College arrangements for identifying and managing risk, including those designed to minimise risk of fraud, bribery, corruption, financial irregularities and whistleblowing and advise the Corporation on the adequacy and effectiveness of these arrangements;
- 7.4 advise the Corporation on the appointment, re-appointment, dismissal and remuneration of the Financial Statements and Regularity Auditor and the Internal Audit Service;
- 7.5 Inform the Corporation of any additional services provided by the external auditor; reporting accountant; internal audit service provider and other assurance providers and explain how independence and objectivity were safeguarded;
- 7.6 advise the Corporation on the scope and objectives of the work of the Internal Audit Service, the Financial Statements and Regularity Auditor;
- 7.7 ensure effective co-ordination between the Internal Audit Service and the Financial Statements and Regularity Auditor;
- 7.8 consider and advise the Corporation on the internal audit strategy and annual audit plans;
- 7.9 advise the Corporation on internal audit assignment reports and annual reports and on control issues included in the management letters of the Financial Statements and Regularity Auditor and management’s response to these;
- 7.10 make recommendations to the Corporation on the approval of the College’s annual financial statements following the Committee’s review of the management letter of the Financial Statements and Regularity Auditor and consideration of the statements on Corporate Governance, Responsibilities of Members of the Corporation and the System of Internal Control;

- 7.11 consider and advise the Corporation on relevant reports by the National Audit Office (NAO), the Funding Agencies and other funding bodies, and where appropriate, management's response to these;
- 7.12 monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, the Financial Statements and Regularity Auditor's management letters and reports resulting from audits undertaken by any other agency/organisation;
- 7.13 establish, in conjunction with College management, relevant annual performance measures and indicators;
- 7.14 monitor the effectiveness of the Internal Audit Service and the Financial Statements and Regularity Auditor and decide, based on this assessment of performance, whether a competition for price and quality of the audit service is appropriate;
- 7.15 oversee the Corporation's Policies on Fraud, Irregularity & Whistleblowing and ensure that all reports of allegations of fraud (including allegations of bribery and / or corruption) and irregularity are properly followed up and actioned in accordance with the requirements of the Post-16 Audit Code of Practice;
- 7.16 conduct an annual review of the College's Anti-Fraud Policy & Procedures

## **8. Reporting Procedures**

- 8.1 Minutes of the meetings of the Audit Committee shall be circulated to all Corporation Members and, for information, to the Internal Audit Service provider and the Financial Statements & Regularity Auditor.
- 8.2 The Audit Committee must provide the Corporation, and the Principal as Accounting Officer, with an annual report which includes the Committee's opinion on the effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, the solvency of the College and the safeguarding of its assets, and any significant matters arising from the work of the Internal Audit Service and the Financial Statements and Regularity Auditor.