



NORTH SHROPSHIRE COLLEGE

TERMS OF REFERENCE AND STANDING ORDERS

AUDIT & RISK MANAGEMENT COMMITTEE

1. The Audit & Risk Management Committee is established under the Audit Code of Practice.

2. **COMPOSITION**

The Audit & Risk Management Committee shall consist of up to eight members of which at least three must be Governors. In order to preserve the independence of the Committee, membership is not to include the Chair of the Board, senior postholders, other staff with significant executive responsibilities or persons with a significant interest in the College or any of its professional advisers or suppliers. The Committee must include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively, members of the committee should have recent, relevant experience in risk management, finance and audit and assurance

The Board of Governors (Board) may appoint non-Governors to serve as co-opted members of the Committee. Co-opted members will have the same duties, obligations and rights as Governor members as regards to the conduct of the Committee's business.

In addition the Committee may require the attendance of members of the Senior Leadership Team to provide information and/or give views.

A representative of the internal audit service will normally be in attendance at meetings.

The Governance Advisor will act as Clerk to the Committee.

3. **OVERALL PURPOSE**

The role of the Audit & Risk Management Committee is to provide independent and authoritative advice to the Board on the effectiveness of the College's internal control and management system.

4. **KEY TASKS**

In carrying out its tasks the Audit & Risk Management Committee has the authority to investigate any activity within its terms of reference and it has the right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit. The Committee must not adopt an executive role.

- a) To advise the Board on the adequacy and effectiveness of the College's audit 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
- b) To make recommendations to the Board on the appointment, reappointment and dismissal and to approve the remuneration and terms of engagement of the financial statements auditor and regularity auditors and other assurance providers, including internal auditors, and establish that all such assurance providers adhere to relevant professional standards.
- c) To inform the Board of any additional services provided by the external auditor, reporting accountant and other assurance providers (if applicable) and explain how independence and objectivity were safeguarded
- d) To advise the Board of the scope and objectives of the work of the internal audit service, the financial statements auditor and the funding auditor
- e) 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
- f) To consider and advise the Board on the audit strategy and annual internal audit plans for the internal audit service
- g) 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 and the funding auditor, and management's responses to these
- h) To monitor, within a agreed timescales, 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 and the financial statements auditor's management letter
- i) To consider and advise the Board on relevant reports by the National Audit Office, the Skills Funding Agency and other funding bodies, and where appropriate, management's response to these
- j) 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. To decide, based on this review, whether a competition for price and quality of the audit service is appropriate
- k) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements
- l) To receive and consider termly the Risk Register and Monitoring Report and advise the Board thereon
- m) To produce a written annual report for the Board and accounting officer, that summarises the activities of the Committee as they relate to the financial year under review and to the terms of reference of the Committee, including any significant issues arising up to the date of preparation of the report, and any significant matters of internal control included in the management letters and reports from auditors or other assurance providers. It must include the Committee's view of its own effectiveness and how it has fulfilled its

terms of reference. The report must include the audit 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. The report must be submitted to the Board before the statement of corporate governance and internal control in the annual accounts is signed.

- n) To 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; that investigation outcomes are reported to the audit committee; that the external auditors (and internal auditors where appointed) have been informed and that appropriate follow-up action has been planned / actioned, and that all significant cases of fraud or suspected fraud or irregularity are reported to the chief executive of the appropriate funding body.
- o) To develop and implement policy on the engagement of the external auditor to supply services other than financial statements, audit and regularity audit, taking into account relevant ethical guidance. Report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken (where services other than financial statements, audit and regularity audit are provided), the Board should explain in its Annual Report and Financial Statements how auditor objectivity and independence is nonetheless safeguarded
- p) To recommend the annual financial statements to the Board for approval.

5. MEETINGS

The Committee shall meet at least termly. The timing is to reflect, as far as possible, the planning and reporting cycles of internal and external audit.

Other Governors shall have the right of attendance except where the Committee determines it appropriate to go into confidential session.

6. TERM OF OFFICE

- a) The Board shall decide the membership of the Committee.
- b) The Chair shall be appointed by the Board and shall serve for two years. He/she will be eligible for a second and subsequent terms.
- c) The Vice Chair shall be appointed by the Board (after consultation with the Chair) and shall serve for two years. He/she will be eligible for a second and subsequent terms.
- d) Membership of the Committee shall be for up to four years. Retiring members will be eligible for re-appointment for a second term, but a person shall normally be ineligible for re-appointment if he/she has already served for eight years on the Committee
- e) A member may at any time, by notice to the Governance Advisor, resign his or her membership.

7. **VACANCIES**

Upon the occurrence of a vacancy or expected vacancy amongst members it shall be for the Board to select and appoint a person to fill the vacancy.

8. **APPOINTMENT OF CHAIR & VICE CHAIR**

- a) The Chair shall be appointed by the Board from amongst the Members of the Corporation serving on the Committee and shall serve for two years. He/she will be eligible for second and subsequent terms.
- b) The Vice Chair shall be appointed by the Board (after consultation with the Chair) from amongst the Members of the Corporation serving on the Committee and shall serve for two years. He/she will be eligible for second and subsequent terms
- b) The Chair may at any time, by notice to the Governance Advisor, resign his or her Chairmanship.
- c) If the Chair is absent from any meeting of the Committee, the Vice Chair will assume the role. If the Vice Chair is also not available, those members present shall choose one of their number to act as Chair for that meeting.

9. **QUORUM**

- a) Meetings of the Committee shall be quorate if **three** members are present of whom at least two must be Governors (i.e. not co-optees)
- b) If the number of members assembled for a meeting of the Committee does not constitute a quorum therefore, the meeting shall not be held and a new meeting date set.
- c) If during the course of a meeting the number of members thereof present cease to constitute a quorum, the meeting shall be terminated forthwith.

10 **AUTHORITY**

- a) The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee of the College and all employees are directed to co-operate with any request made by the Committee.
- b) The Committee is authorised by the Board 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.

11. **REPORTING PROCEDURE**

The Governance Advisor shall circulate minutes of the meetings of the Committee to Members of the Board and place them on the College website.