

HARROW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE CONSTITUTION AND TERMS OF REFERENCE

1 Name and Origin

- a) The name of the committee shall be the Audit Committee (“the Committee”).
- b) The Committee is established in accordance with paragraph 5 of the Articles of Government of Harrow College Further Education Corporation.
- c) The Audit Committee is a sub-committee of the Harrow College Further Education Corporation and as such its actions are open to scrutiny and approval by the full Corporation. The delegation of functions does not absolve the Corporation from accountability for the conduct and decisions of its committees. The Corporation remains responsible for the proper conduct of the College for undertaking its duties under the instruments and articles of government and for complying with the other legislation to which it is subject.
- d) The Audit Committee is responsible for the provision of independent and authoritative advice to the Governing Body on the adequacy and effectiveness of the College’s internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money).

2 Membership and Quorum

- a) The membership shall be in accordance with the following:
 - 4 members of the Corporation, *excluding* the Chair of the Corporation, the Principal, members of the Resources Committee, and members of the Corporation who have significant interests in the College; and
 - if so decided by the Corporation, 1 co-opted member, being a person with relevant audit experience.
- b) Members shall be appointed by the Corporation at its first meeting after April 1st each year, at which time one of the members shall be appointed by the Corporation to be Chair of the Committee.

- c) 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.
- d) The Committee shall meet at least 3 times each year to consider matters arising naturally from the terms of reference below, or matters placed on the agenda at the request of the Corporation or any of its Committees, or matters placed on the agenda at the request of the Chair or any member of the Committee or the External or the Internal Auditors.
- e) The attendance of the Principal (see Conduct of Meetings paragraph c) and the Director of Finance shall be required at meetings of the Committee but they shall not have Observer status. A representative of the Internal Audit Service (IAS) shall be entitled to attend and speak (but not vote) at all meetings of the Committee, as shall representatives of the Financial Statements Auditor (FSA) and the Regularity Auditor (RA) where business relevant to them is being discussed. The Committee may invite the Corporation's advisers or other third parties to attend and speak at meetings of the Committee as appropriate.
- f) The quorum for meetings shall be 2 members who must be members of the Corporation

3 Clerk to the Audit Committee

- a) The Clerk to the Committee will be the Clerk to the Corporation, a person without financial responsibilities at senior level.

4 Terms of Reference

The terms of reference shall be as follows:

- a) To advise the corporation on the effectiveness of the college's whole system of internal control, including controls for securing economic, efficient and effective use of the corporation's resources (value for money);
- b) To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the FSA and the IAS not later than February of the year in which an existing contract finishes, and following the guidance given by the Learning and Skills Council ("LSC") Audit Code of Practice;
- c) To advise the Corporation on the scope and objectives of the work of the FSA and the IAS including the preparation of the necessary self-assessment checklist level of assurance required to support the college's funding claim;
 - a) to ensure co-ordination between the FSA and the IAS including whether the work should be relied upon for internal audit purposes;

- b) to consider and advise the Corporation on the audit needs assessment and strategic and annual internal audit plans for the IAS;
- c) to advise the Corporation on internal audit assignment reports and annual reports and on control issues included in the FSA's management letters, and management's response to these;
- d) To consider and advise the Corporation on reports (identified as relevant by auditors, Committee Chair, Principal or Clerk) by the NAO or the LSC or other funding bodies and, where appropriate, management's response to these;
- e) To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignments, internal audit annual reports, and the FSA's management letters and spot-check reports;
- f) To establish, in conjunction with College management, relevant performance measures and indicators to monitor the effectiveness of the IAS and the FSA through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate;
- g) To produce a report of the Committee's work, including any matters of significance arising from the Senior Management Team or the IAS's or the FSA's reports, for the next following meeting of the Corporation and an Annual Report, for the Corporation and the chief accounting officer/Principal, which includes the Committee's advice on the effectiveness of the College's system of internal control;
- h) To take any action required by the College's Policy Statement dealing with Financial Irregularities and to ensure that all allegations of fraud and irregularity are properly followed up;
- l) To monitor its own performance in accordance with the LSC Audit Code of Practice;
- m) To oversee the development of the College's risk assessment and management policy and liaise with the College's Risk Management Group, and to advise the Corporation on the College's arrangements for risk management, control and governance processes and to keep under review the College Disaster Recovery Plan;
- n) To consider the risk management annual report from college management;
- o) To consider the interim regularity audit opinion in terms of the regularity (if required) and propriety of all College spending;
- p) To be informed of all additional services undertaken by the IAS and the FSA .

- q) To ensure that all of the above are conducted in accordance with the minimum schedule of business for audit committees contained in Supplement A to the Audit Code of Practice.

5 Committee's Powers

- a) In order to exercise its role the Committee shall have power to:
- Investigate any activity within its terms of reference
 - Seek any information it requires from the IAS, the FSA, Governors, Committees and College employees, plus relevant information from sub-contractors and other third parties
 - Obtain external professional advice
- b) The Corporation shall not at any time add to these terms of reference responsibilities that require the Committee to adopt an executive role, or its members to offer professional advice to the Corporation.

6 Conduct of Meetings

- a) All meetings shall be conducted to timed agendas.
- b) The Agenda of each meeting shall be prepared by the Clerk in consultation with the Chair of the Committee, the Principal, the Director of Finance and the auditors, and circulated together with all relevant agenda papers to all members of the Committee at least seven days before each meeting. (Copies of agendas and papers shall also be circulated as directed from time to time by the Corporation).
- c) The Agenda of each meeting shall provide for the opportunity for the members of the Committee to meet with the Principal in the absence of the Auditors.
- d) The Agenda of each meeting shall provide for the opportunity for the members of the Committee to meet with the IAS and/or the FSA in the absence of the College Executives.
- e) Where matters of a sensitive or confidential nature are to be discussed at a meeting, the Clerk, in consultation with the Chair of the Committee, the Principal where appropriate, and, if necessary, the Chair of the Corporation shall reserve these matters to a confidential (Part II) agenda. Details and papers of such agenda shall not be circulated unless the circumstances which caused them to be considered sensitive or confidential no longer pertain.
- f) The rules for adoption of resolutions etc. shall be those directed from time to time in the Instrument of Government or Standing Orders for meetings of the Corporation.

7 Minutes and Reports of Meetings

- a) Draft Minutes of all meetings of the Committee shall be prepared by the Clerk in consultation with the Chair of the Committee and the Principal and circulated as soon as practicable after the meeting to all members of the Committee.
- b) The Minutes or draft Minutes of all meetings shall be presented by the Chair of the Committee to the next meeting of the Corporation and the Chair of the Committee shall give an oral report in support thereof as may be necessary.
- c) Minutes of the meetings, with the exception of those regarded as confidential in accordance with e) above, will be available in the office of the Clerk for inspection by any members of the public during the published office hours and on the College website for a minimum period of twelve months.

8 Openness and Transparency

- a) The Terms of Reference of the Audit Committee and the advice of the Committee to the Corporation will be available in the office of the Clerk for inspection by any members of the public during the published office hours and published on the College website.