

NORTHBROOK COLLEGE SUSSEX

MEMBERSHIP AND TERMS OF REFERENCE

AUDIT COMMITTEE

CONSTITUTION

1. In accordance with the Terms of the Revised Financial Memorandum with the FEFC (as adopted by the Learning & Skills Council (LSC)) determined by the Corporate Governing Body at their meeting 30 November 1998, the LSC Interim Audit Code of Practice January 2003, the LSC Audit Code of Practice Circular 04/07 December 2004, and guidance to colleges contained in Association of Colleges Governance Briefing 4/03 dated 28 February 2003.

Revisions: November 2001 - adopted by the Corporate Governing Body at its meeting on 22nd November 2001. March/April 2003 - adopted by the Corporate Governing Body at its meeting on 17 June 2003. June 2005 - adopted by the Corporate Governing Body at its meeting on 5 July 2005. June 2007 – adopted by the Corporate Governing Body at its meeting on 17 July 2007. June 2008 – adopted by the Corporate Governing Body at its meeting on 15 July 2008

2. TERMS OF REFERENCE

- 2.1 To advise the governing body on the adequacy and effectiveness of the Corporation's systems of internal control and its arrangements for risk management controls and governance processes, and securing economy, efficiency and effectiveness (value for money).
- 2.2 To advise the governing body on the appointment, reappointment, dismissal and remuneration of the financial statements auditor and the internal audit service (IAS).
- 2.3 To advise the governing body on the scope and objectives of the work of the IAS, the financial statements auditor and the funding auditor.
- 2.4 To ensure effective co-ordination between the IAS, the financial statements auditor and the funding auditor including whether the work of the funding auditor should be relied upon for internal audit purposes.
- 2.5 To consider and advise the governing body on the audit strategy and annual internal audit plans for the IAS.
- 2.6 To advise the governing body 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 the funding auditor, and management's responses to these.

- 2.7 To consider and advise the governing body on relevant reports by the NAO the LSC, other funding bodies, and where appropriate, management's response to these.
- 2.8 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 and the financial statements auditor's management letters.
- 2.9 To establish, in conjunction with college management, relevant annual performance measures and indicators, and to monitor the effectiveness of the IAS 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.
- 2.10 To produce an annual report for the governing body and accounting officer, which should include the committee's advice on the effectiveness of the college's risk management, control and governance processes, and any significant matters arising from the work of the IAS, the funding auditors and the financial statements auditor.
- 2.11 To ensure that all allegations of fraud and irregularity are properly followed up; and
- 2.12 To be informed of all additional services undertaken by the IAS, the funding auditors and the financial statements auditor
3. In order to exercise its role the audit committee shall have the power to:
 - 3.1 Investigate any activity within its terms of reference.
 - 3.2 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
 - 3.3 Exercise rights of access to obtain all the information it considers necessary from members of the staff and governors of the Corporation, and to consult the internal audit service (IAS), financial statements auditor and funding auditor directly.
 - 3.4 Obtain external professional advice.

MEMBERSHIP

4. The Audit Committee shall comprise six members as follows:-

- 4.1 No fewer than five members appointed under paragraphs 2.(1), excluding (d)-The Principal, of the College's Instruments of Government.
- 4.2 One co-opted external member with specialist expertise relevant to the work of the Committee
- 4.3 Any vacancy arising in the membership shall be filled by decision at a meeting of the Corporate Governing Body as appropriate.
- 4.4 The internal audit service (IAS) shall be entitled to attend and speak at all meetings of the Committee (but not to vote) as shall the financial statements auditor and funding auditor where business relevant to them is being discussed. Senior management should also be invited to attend meetings of the Committee, particularly where their area of responsibility is under discussion, and shall be entitled to attend and speak at such meetings but not to vote.
- 4.5 The Principal and other senior postholders may not be members of the Committee but other members of staff may sit on the Committee provided they do not have significant executive, management, financial or budgetary responsibilities.
- 4.6 In order to maximise the Committee's independence and objectivity, the following people shall not be eligible to sit on the Committee:
 - 4.6.1 Those with executive responsibility at senior level in the College
 - 4.6.2 Members of the college finance committee or equivalent
 - 4.6.3 The Chair of the Corporation
 - 4.6.4 Governors who have significant interests in the college

PERIOD OF OFFICE

5. The members of the Committee shall serve whilst they continue in office as members of the Corporate Governing Body (with the exception of any external co-opted member who shall not be a member of the Corporate Governing Body) or for such period as is determined by the Corporate Governing Body from time to time.

CHAIRMAN

6. The Chairman of the committee shall be nominated by the Corporate Governing Body on an annual basis. In the absence of the Chairman of the Committee the Committee shall appoint a Chairman for the meeting.

QUORUM

7. There shall be a quorum when three members are present.

MEETINGS

8. The Committee shall meet at least once a term. The IAS, 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. In any event, the Committee must consider a minimum number of items of business each year for it to be able to function effectively, and those items of business are currently set out in the table attached to Supplement A to the Interim Audit Code of Practice.

PROCEDURE

9. The provisions of the Instrument of Government of the College shall apply, with any appropriate changes approved by the Corporate Governing Body to the conduct of the Committee's proceedings.

TERMINATION OF MEMBERSHIP

10. Any member of the Committee absent for three consecutive meetings shall cease to be a member of the Committee unless the reason for absence is approved by the Chairman or if the member ceases to be a member of the Corporate Governing Body within the definitions and procedures as contained in the Instrument of Government (9).

RECORD OF MEETINGS

11. The Clerk to the Corporate Governing Body shall act as Clerk to the Committee and shall keep appropriate records of their proceedings.