

## **Colchester Institute Corporation**

### **AUDIT AND COMPLIANCE COMMITTEE**

#### **Constitution and Terms of Reference**

#### **1. Membership**

- 1.1. The Committee shall comprise a minimum of three members appointed by the Corporation (who may or may not be members of the Corporation), the majority of whom must be governors.
- 1.2. In appointing members to the Committee the Corporation will ensure that it includes individuals with an appropriate mix of skills and experience to discharge its duties effectively. Collectively members of the Committee should have recent, relevant experience in risk management, finance and assurance.
- 1.3. In order to maintain the Committee's independence and objectivity; the following people shall not be eligible to sit on the committee:
  - the Principal
  - those with executive responsibilities at senior level
  - members of the Resources and Finance Committee
  - the Chair of the Corporation
  - staff governors
  - members of staff
  - governors who have recorded in the Register of Interests any significant interests in the college.
  - Co-opted external members who are from the College's audit providers, bankers or insurers.

#### **2. Chair**

- 2.1. The Chair of the Committee shall be appointed by the Corporation Board, on the recommendation of the Remuneration and Search Committee.
- 2.2. If the Chair is unable to be present for all or part of a meeting, the Committee shall elect an acting Chair from among its members for that meeting.
- 2.3. A co-opted external member of the audit committee should not normally be appointed as its Chair, since the Chair has to be able to attend, as of right, all meetings of the corporation. If the Chair of the Committee is not a full Member of the Corporation, the Corporation must ensure that he/she has an automatic right to attend all meetings of the Corporation and contribute to the same.

#### **3. Terms of Office**

Members shall be appointed by the Board for a term of office not exceeding four years, and shall be eligible for re-appointment at the end of their term.

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

- 4.1. The Principal, Executive Vice Principal: Finance and Corporate Development and the Internal Auditor shall normally attend meetings at the invitation of the Committee. A representative of the External Auditors shall normally attend meetings where the financial statements are discussed.

- 4.2. The Committee may invite the Corporation's advisers or other third parties to attend meetings of the Committee as appropriate (such persons shall not have a vote but shall be entitled to speak at the meeting).
- 4.3. Other Corporation members shall have a right of attendance, save that the Committee may, when they are satisfied that it is appropriate, meet in confidential session and exclude any or all persons except the Clerk.
- 4.4. The Internal Auditor External Auditor shall have an opportunity to speak to Members without non Members (excluding the Clerk.) in attendance.

5. **Quorum**

The quorum shall be three members.

6. **Secretary**

The Clerk to the Governors shall be Clerk to the Committee, and will attend or be represented at every meeting of the Committee.

7. **Meetings**

- 7.1. The Committee shall meet at least three times each academic year.
- 7.2. The Internal or External auditors may request a meeting if they consider that one is necessary and the Committee will endeavour to comply with such requests.

8. **Reporting Procedures**

- 8.1. The minutes of meetings of the Committee shall be reported to the next meeting of the Board.
- 8.2. The Committee shall produce an annual report for the Corporation, summarising the Committee's activities relating to the financial year under review, including:
  - a summary of the work undertaken by the committee during the year
  - any significant issues arising up to the date of preparation of the report
  - any significant matters of internal control included in the reports of audit and assurance providers
  - the committee's view of its own effectiveness and how it has fulfilled its terms of reference
  - the committee's opinion on the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets

The report shall be submitted to the Corporation before the statement of corporate governance and internal control in the annual accounts is signed.

9. **Responsibilities of the Committee**

**Internal Audit Service**

- 9.1. To consider and advise the Corporation on:
  - 9.1.1. the appointment, remuneration, re-appointment or dismissal of the internal auditors (and head of internal audit, if applicable), the scope and objectives of their work and their other terms of engagement. The appointed internal auditors shall not provide Financial Statement audit services.

- 9.1.2. the adequacy and effectiveness of the College's internal control systems, and its arrangements for risk management, control and governance processes, and controls for securing economy, efficiency and effectiveness (value for money).
- 9.1.3. internal audit assignment reports and annual reports and management's responses to these;
- 9.1.4. the audit needs assessment, and strategic and short term audit plans for the internal audit service;
- 9.2. To monitor within an agreed timescale and at appropriate intervals after finalisation, the implementation of agreed recommendations relating to the internal audit assignment reports.
- 9.3. To discuss problems and reservations arising from the internal audit reports and any matters which the internal auditors may wish to discuss (in the absence of management where necessary).
- 9.4. To ensure that the internal audit service is adequately resourced and has appropriate standing within the College.

#### **External Audit**

- 9.5. To consider and advise the Corporation on:
  - 9.5.1. the appointment, re-appointment, dismissal and remuneration of the external auditor and reporting accountant, the scope and objectives of their work and their other terms of engagement. The appointed external auditor shall not provide internal audit services.
  - 9.5.2. reports of the external auditors and management letters arising from the audit of financial statements and regularity audit and on management's response to these.
  - 9.5.3. the Regularity Audit opinion.
- 9.6. To monitor within agreed timescales the implementation of approved recommendations relating to external auditor reports and management letters;
- 9.7. When appropriate to discuss with the auditors external before the audit commences the nature and scope of the audit.
- 9.8. To discuss with the external auditors any problems and reservations arising from the Financial Statement audit and such other matters as external auditors may wish to discuss (in the absence of management where necessary);

#### **Learner Number Audit**

- 9.9. To advise the Corporation on the nature, timing and extent of the assurances required over the integrity of the learner number system and the data.

#### **Other Audit Responsibilities**

- 9.10. To establish that all assurance providers adhere to relevant professional standards.
- 9.11. To ensure cooperation and effective co-ordination between the internal audit service and the external auditors; including whether the work of the regularity auditor should be relied upon for internal audit purposes.
- 9.12. To receive, and advise the Corporation on, any relevant reports from the National Audit Office, the College's Funding Bodies, or other external bodies and, where appropriate, Management's response to these.

- 9.13. To provide advice on such financial issues as the Corporation may request from time to time.
- 9.14. To consider and advise the Corporation on the audit strategy and annual internal audit plans for the Internal Audit Service.
- 9.15. To oversee the corporation's policies on and processes around fraud, irregularity, impropriety 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 auditor (and internal auditor if applicable) has been informed, and that appropriate follow-up action has been planned/actioned
  - that all significant cases of fraud or suspected fraud or irregularity are reported to the ESFA
  - risks around fraud have been identified and controls put in place to mitigate them
- 9.16. To consider other related topics, as determined from time to time by the Corporation.
- 9.17. The responsibilities of the committee shall not extend to an executive role and shall not require the members of the committee to offer the Corporation professional advice.
- 9.18. To establish in conjunction with the college management, relevant annual performance measures and indicators, and to monitor the effectiveness of the Internal Audit Service, and external Auditor through these measures and indicators and to decide, based on this review, whether a competition for price and quality of the audit service is appropriate.
- 9.19. To inform the Corporation of any additional services provided by the external auditor, reporting accountant and other assurance providers and explain how independence and objectivity was safeguarded.
- 9.20. To recommend the annual financial statements to the Governing Body (in conjunction with the Resources Committee), including regularity audit opinion.
- 9.21. To receive and consider reports from the Risk Management Committee and to review termly the Corporate Risk Register.

#### **Other Matters**

- 9.22. To consider and recommend to the Board:
- 9.22.1. the College's Policy on Equality and Diversity and to monitor and annually report to the Board on its implementation including the specific requirements of legislation.
- 9.22.2. the College's Health and Safety Policy and to monitor and annually report to the Board on its implementation.

#### **10. Authority**

The Committee is authorised by the Corporation to:

- 10.1. investigate any activity within its terms of reference.
- 10.2. access all the information and explanations it considers necessary, from whatever source, to fulfil its remit, and all Corporation members and employees of the College are directed to co-operate with any request made by the Committee.
- 10.3. 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.