



**HSDC CORPORATION
AUDIT COMMITTEE
TERMS OF REFERENCE
(APPROVED 3RD JULY 2017/ LAST REVIEW JUNE 2021)**

1. Purpose

The purpose of the Audit Committee is to 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 effective and efficient use of resources, solvency, and the safeguarding of assets in accordance with the Articles of Government, the Audit Code of Practice and any other agreed best practice within the FE sector.

2. Membership

Membership will comprise 5 members (minimum requirement is 3) at least one of whom has the relevant financial and/or audit experience to enable the committee to discharge its duties effectively. Membership may include up to 2 co-opted members who are not Governors but have relevant skills or experience.

Members of the Audit Committee may not serve on the Finance & Estates Committee or the Estates Strategy Group or have any related interests.

The Chair of the Corporation, the Principal and Staff Governors **may not** serve on the Audit Committee, but the Principal, as Accounting Officer, will normally be required to be in attendance at meetings.

The Committee must not adopt an Executive role.

3. Development of Members

The Committee will consider the development of members and put in place appropriate training to ensure their skills and knowledge are up to date. Where the Committee identifies a gap in its existing skillset, training and development will be provided to address this in the first instance.

4. Quorum

The quorum shall comprise 2 members of the Committee, one of whom must be a Governor of the College.

5. Appointment of Chair and Vice-Chair

The Committee will elect a Chair and Vice-Chair from among Governor Members. Student Members and external co-options shall not be eligible to serve as Chair.

5. Officers in Attendance

Officers normally in attendance at meetings will be:

- The Principal
- Deputy Principal, Finance & Estates
- Clerk to the Corporation
- Internal Auditors
- Financial Statements Auditors
- Funding Auditors (where appointed)

The Committee has the right to invite any other person to attend for a part of or for the whole of a meeting.

All persons In Attendance shall have no voting rights.

6. Meetings

- i) The Committee shall meet as and when necessary for the proper discharge of its responsibilities but shall meet at least once per term.
- ii) The Clerk to the Corporation shall act as Clerk to the Committee.
- iii) The Committee may, when it is satisfied that it is appropriate to do so, meet with representatives of the Internal Audit Service, Financial Statements Auditor, or Funding Auditor (where appointed) without the Principal or Officers in Attendance being present.
- iv) All responsibilities of the Committee will be subject to the Corporation's approved Scheme of Delegation. Consequently, all decisions of the Committee shall be referred to the Corporation for confirmation, except those specifically delegated, which shall be reported to the Corporation.
- v) There will be an annual schedule of business to enable Governors to identify when they will receive key items of business – **see Appendix 1.**

7. Terms of Reference

Activity	How
i) To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.	<ul style="list-style-type: none"> • Scrutiny of reports from Internal and external auditors and consideration of adequacy of management responses. • Review of reports from the College on the Risk Management framework. • Consideration of specific reports on Value for Money.
ii) To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the Financial Statements and Regularity Auditors and other assurance providers, including Internal Auditors, and establish that all such assurance providers adhere to relevant professional standards.	<ul style="list-style-type: none"> • Review of the performance of auditors against agreed performance indicators. • Consideration of tenders for audit services. • Review of planned audit work and related fees.
iii) To advise the Corporation on the scope and objectives of the work of the IAS, the FSA and the funding auditor (FA) (where appropriate)	<ul style="list-style-type: none"> • Scrutiny of audit strategies and plans in the light of College needs and priorities.
iv) To ensure effective co-ordination between the IAS, the FA (where appropriate) and the FSA including whether the work of the FA should be relied upon for internal audit purposes.	<ul style="list-style-type: none"> • Scrutiny of audit plans • Reports from auditors detailing how work will be co-ordinated effectively.
v) To consider and advise the governing body on the audit strategy and annual internal audit plans for the IAS	<ul style="list-style-type: none"> • Scrutiny of all IAS plans. • Scrutiny of reports and consideration of the adequacy of management responses. • Review of outcomes of plans and consideration of how far outcomes match plans via IAS Annual Report.
vi) To advise the governing body on internal audit assignment reports and annual reports and on control issues included in the management letters of the FSA and the FA, and management's responses to these	<ul style="list-style-type: none"> • Scrutiny of all IAS assignment reports and key outcomes. • Scrutiny of IAS Annual Report and all key outcomes. • Scrutiny of the Management Letters of FSA (and FA where applicable) to advise the Governing Body on the issues arising from the audit of annual Financial Statements. • Consideration of management responses to all issues and how far they meet the criteria to achieve effective control.
vii) To monitor, within an agreed time-scale, the implementation of agreed recommendations	<ul style="list-style-type: none"> • Regular review of rolling log of outstanding audit items at each meeting.

Activity	How
relating to internal audit assignment reports, internal audit annual reports, the FA's management letter and spot-check reports, where appropriate, and the FSA's management letter.	<ul style="list-style-type: none"> • Consideration of those issues which are deemed high and medium risk. • Review of management responses to address these issues and consideration of how far they will be effective.
viii) To consider and advise the governing body on relevant reports by the NAO, the funding bodies, and where appropriate, management's response to these	<ul style="list-style-type: none"> • Receipt of <i>ad-hoc</i> reports and advice to the Board on key issues of high risk to the College.
ix) To establish, in conjunction with College management, relevant annual performance measures and indicators and to monitor the effectiveness of the IAS and 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	<ul style="list-style-type: none"> • Agreement to standard performance indicators for all auditors. • Formal consideration of performance through review of performance against agreed indicators. •
x) Seek any information it requires from the Internal Audit Service, the Financial Statements Auditor, the Funding Auditor, Corporation Members, Committees and College employees, or from third parties.	<ul style="list-style-type: none"> • As required
xi) 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 FAs and the FSA	<ul style="list-style-type: none"> • Production of an annual report scrutinised by the Committee and formally approved for submission to the Board.
xii) To oversee the College's policies on fraud, irregularity and whistleblowing and ensure the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity.	<ul style="list-style-type: none"> • Inclusion of a specific item on fraud on agenda for each meeting.
xiii) To inform the Corporation of any additional services provided by the financial statements, regularity and other audit and assurance providers and explain how independence and objectivity has been safeguarded.	<ul style="list-style-type: none"> • Formal note of any additional services, as required.
xiv) To adhere to the "Minimum Cycle of Audit Committee Business" as recommended in the sector.	<ul style="list-style-type: none"> • Formal annual review of annual cycle of business

8. Powers of the committee

In order to exercise its role the Audit Committee shall have the power to:

- i) Investigate any activity within its terms of reference;
- ii) The right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit;
- iii) Obtain external professional advice;
- iv) The Committee shall make recommendations to the Corporation on the resources needed to conduct an effective and efficient audit process.

9. Review of Terms of Reference

These Terms of Reference shall be subject to a formal **annual** review.

AUDIT COMMITTEE – ANNUAL SCHEDULE OF BUSINESS

AGENDA ITEM
AUTUMN TERM
Election of Chair & Vice-Chair
Audit Committee Annual Report (to include an independent assurance report on subcontracting arrangements)
Annual Report on Risk Management
Financial Statements Audit for the previous year and Management Report from External Auditors, including Regularity Audit
Internal Audit Annual Report
Latest Internal Audit Report and updates
Notification of incidents of actual or attempted fraud and/or Whistleblowing
Rolling log of Audit items to inform Summary of Internal Controls Assurance (SICA) Report
Update on GDPR
SPRING TERM
Review of Performance of Financial Statements Auditors
Appt/reappointment of Financial Statements Auditors and remuneration
Latest Internal Audit Report and updates
Update on Risk Management
Notification of incidents of actual or attempted fraud and/or Whistleblowing
Update on GDPR
Rolling log of Audit items to inform Summary of Internal Controls Assurance (SICA) Report
SUMMER TERM
Annual Review and Evaluation which includes: <ul style="list-style-type: none"> • Annual review of Committee Terms of Reference; • Annual review of Schedule of Business; • Review of the Committee's performance in respect of the Code of Good Governance: to ensure effective control and due diligence; • Annual Self-Assessment of the Effectiveness of the Audit Committee; • Annual review of the operation of the Committee.
Annual Review of Fraud, Whistleblowing and Anti-Bribery policies
Review of Performance of Internal Audit Service Provider
Appt/Reappointment of Internal Audit Service Provider including fees
Internal Audit Needs Assessment, Strategic and Annual Plan for the following year
Financial Statements Audit Plan
Latest Internal Audit Report and updates
Notification of incidents of actual or attempted fraud and/or Whistleblowing
Update on GDPR
Rolling log of Audit items to inform Summary of Internal Controls Assurance (SICA) Report.