

AUDIT COMMITTEE: (Must not be members of the Resources Committee)

- Membership: 4 (may not contain Finance Committee, Senior Post Holders or student members) - (Quorum 2) can co-opt as deemed necessary
- Frequency: 4 meetings per annum
- Rationale: Handles statutory internal and external audit requirements and reporting, plus overall risk monitoring
- Reporting: Sharon Bowker, Matt Nash

A routine informal session (which is not minuted) will take place at least once per year at the beginning (or end) of each meeting between Auditors and Audit Committee members, without management present. The purpose of these discussions will be to facilitate any areas of concern or general enquiry of interest to Governors, or indeed any concerns that auditors may wish to bring to the attention of Audit Committee members, other than might ordinarily appear on the Audit Committee agenda.

DRAFT TERMS OF REFERENCE**Constitution:**

The Corporation hereby resolves to adopt the following terms of reference for the Audit Committee.

Objectives:

The Audit Committee shall ensure that the internal control systems, including audit activities, of the Corporation and any of its subsidiaries is monitored actively, independently and objectively in order to:

- a. Improve the effectiveness of the Grŵp's internal control
- b. Reinforce the independence and effectiveness of the internal audit function
- c. Provide a sounding board for Grŵp management of issues of concern in connection with the College's internal control systems.
- d. Advise on the reliability of the Grŵp's information systems
- e. Underpin the objectivity and independence of the external auditors
- f. Increase public confidence in the objectivity and fairness of the Corporation's financial reports and in the quality of the Grŵp's corporate governance.
- g. To provide a medium of communication from the Corporation's auditors, which Grŵp management does not control.

Authority:

- a. The Audit Committee is authorised by the Corporation Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
- b. The Audit Committee is authorised by the Corporation Board to obtain independent professional advice and to secure the attendance of non-Governors with relevant experience and expertise if it considers this necessary.

1 Duties:

Executive responsibilities:

The Audit Committee shall have the following executive responsibilities:

- Ensuring the institution complies with the mandatory requirements of the relevant Audit Code of Practice
- Agreeing the nature and scope of audit work
- Promoting co-ordination between the internal and external auditors.

2 Risk Management:

Assurance over risk management is a key element underpinning the work of the Audit Committee. To this end, the Committee will review and assess the effective development and operation of risk management in the Grŵp. In particular, it will:

- a. Oversee the Grŵp's risk management policy and strategy, and their implementation in practice
- b. Oversee the integration of risk management into the governance and decision making processes of the organisation
- c. Review the arrangements to co-ordinate and lead risk management, including the process and reporting lines
- d. Review the risk profile, keep up to date with significant areas of strategic risks and major operational and project risks
- e. Review the risk management assurances available for managing partnership risks, including the risk profile of the Grŵp as part of the partnership
- f. Review the corporate risk register and seek assurance that management appropriately own and manage risks effectively
- g. Seek assurance that adequate risk assessments support strategies and policies and risks are actively being managed and monitored
- h. Follow up and monitor risks identified by auditors and inspectors to ensure that they are integrated into the risk management process
- i. Support the development and embedding of good practice in the field of risk management practice.

3 Monitoring responsibilities:

The Audit Committee shall have the following monitoring responsibilities:

Internal Audit:

- a. Reviewing the internal auditors' audit needs assessment and the audit plan
- b. Considering major findings of internal audit investigations and management's response
- c. Ensuring that the resources made available for internal audit are sufficient to meet the Grŵp's needs.

External Audit:

- d. Considering the Grŵp's draft annual financial statements, after review by Tim Strategol and the Finance Committee and prior to submission to the Corporation Board for formal approval. This review should include specific consideration of Governors' responsibilities and the corporate governance statement. The Audit Committee's view on any statement of the effectiveness of the internal control system will be provided to the Corporation Board as part of the Audit Committee's annual report.
- e. To discuss with the external auditors, before the audit commences, the nature and scope of the audit.

4 General:

- a. To discuss findings and conclusions arising from audits, including a review of the external auditor's Management Letter incorporating management responses, and any other matters the internal or external auditors may wish to discuss (in the absence of Grŵp management where necessary)
- b. Reviewing the effectiveness of internal control systems, and in particular to review the external auditor's management letter, the internal auditor's annual report and management responses.
- c. Monitoring the performance and effectiveness of external and internal audit as the basis for recommendations to the Corporation Board concerning their reappointment.
- d. Overseeing the institution's policy on fraud and irregularity, including any action taken under that policy.
- e. Reviewing relevant reports from the Welsh Government and other organisations, and monitoring the implementation of relevant recommendations as necessary.
- f. Ensuring that all significant losses have been properly investigated and that the internal and external auditors and MEDR Audit have been fully informed of the matter.
- g. To review the assurance mechanisms for ensuring compliance with the Grŵp's Corporate Governance requirements.

5 Advisory responsibilities:

The Audit Committee shall consider and advise the Corporation Board on:

Internal Audit:

- a. To advise the Corporation Board on the appointment and terms of engagement of the internal auditors, the audit fee, the provision of non-audit services by the internal auditors and any question of resignation or dismissal of the internal auditors
- b. To consider and advise the Corporation on internal audit reports and management letters
- c. To consider and advise the Corporation on the audit needs assessment and strategic and short term audit plans for the internal audit service.

External Audit:

- d. To advise the Corporation on the appointment and remuneration of the external auditors, and the scope of their work including any non-audit services provided and of resignation or dismissal.
- e. To consider and advise the Corporation on external audit reports and management letters.

6 General:

- a. To advise the Corporation on whether the Grŵp has adequate systems and procedures in place to promote economy, efficiency and effectiveness.
- b. To receive and advise the Corporation on any relevant reports from the ONS, MEDR, the Welsh Government and other appropriate organisations.

7 Other responsibilities:

- a. The Audit Committee will ensure co-ordination between the internal and external auditors.
- b. The Audit Committee will consider the Grŵp's annual financial statements after review by the Strategic Policy and Finance Committee and prior to submission to the Corporation Board.
- c. To consider and, if appropriate, investigate, or commission investigations into, any complaints relating to alleged fraud or other financial irregularity or malpractice at the Grŵp in accordance with the Grŵp's code of practice and procedures.
- d. The Audit Committee shall be responsible for any other matters referred to the Audit Committee by the Corporation Board.

8 Reporting Procedures:

- The Audit Committee will circulate the minutes of its meetings to the Corporation Board and there shall be an opportunity at meetings of the Corporation Board to discuss matters raised by the Minutes.
- The Audit Committee will produce an annual report which it will submit to the Corporation Board, accompanied by the internal auditor's annual report, summarising the activity for the year. It will give the Audit Committee's opinion, based on the work of the internal and external audit and any other work conducted during the year, on the effectiveness of the internal control system. The report should be submitted in time to be taken into account by the Corporation Board in its consideration of the Governors' responsibility statement in the annual financial statement.