

**STAFFORD COLLEGE**

**STANDING ORDERS FOR THE  
AUDIT COMMITTEE**

*of the*

**STAFFORD COLLEGE CORPORATION**

*Approved by the Corporation on 14 December 2000*

*Latest update approved by the Corporation October 2010*

# AUDIT COMMITTEE

## 1. Purpose

- 1.1 To advise the Corporation on the adequacy and effectiveness of the College's systems for internal control, risk management and governance processes.
- 1.2 In accordance with the Audit Code of Practice of the Chief Executive of Skills Funding (CESF), 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 outside their role as governors.

## 2. Composition

- 2.1 The Committee shall comprise eight members of whom:-
  - (a) not less than four members shall be drawn from the membership of the Corporation;
  - (b) at least one, but no more than three, members shall be externally co-opted members or Associate Governors with appropriate skills and expertise to support the work of the Committee.
- 2.2 Members of the Committee drawn from the membership of the Corporation shall not include:-
  - (a) the Chair of the Corporation;
  - (b) the Principal;
  - (c) any student members of the Corporation;
  - (d) any members of the Resources Committee of the Corporation;
  - (e) any member with a significant interest in the College.
- 2.3 Members of the Committee who are not members of the Corporation shall be persons with relevant knowledge and experience of arrangements for ensuring internal control in organisations as complex as a college. Such persons shall not include:-
  - (a) any person who would be ineligible to be a member of the Corporation by virtue of Clause 8 of the Instrument of Government;
  - (b) any person with a significant interest in the College;
  - (c) an employee, partner or other person with a significant interest in any of the College's professional advisers or suppliers of other significant goods or services.
  - (d) College staff with executive responsibilities at senior level, although other members of staff may sit on the Committee provided they do not have significant executive, management, financial or budgetary responsibilities.

The Corporation shall decide whether an interest is significant.

### **3. Appointments, Chair, Term of Office**

- 3.1 All appointments to the Committee shall be made by the Corporation.
- 3.2 The Chair of the Committee shall be a member of the Corporation and shall be appointed by the Corporation for a term of office not exceeding four years. Neither the Principal nor any externally co-opted or Associate Governor shall be eligible to be appointed Chair.
- 3.3 The Vice Chair of the Committee shall be a member of the Corporation and shall be appointed by the Corporation for a term of office not exceeding two years.
- 3.4 The Clerk to the Corporation shall act as Clerk to the Committee.
- 3.5 If the Chair is absent from any meeting of the Committee, the Vice Chair of the Committee shall chair the meeting. In the absence of both the Chair and Vice Chair from any meeting of the Committee, the members present shall choose one of their number to act as Chair for that meeting, provided that the member chosen shall not be the Principal, an externally co-opted member or Associate Governor.
- 3.6 Appointments shall be reviewed by the Corporation annually in October. Members of the Committee shall be eligible for reappointment.
- 3.7 If at any time the Corporation are satisfied that any member of the Committee:-
  - (a) has been absent from meetings of the Committee for a period longer than six consecutive months without the permission of the Corporation; or
  - (b) is unable or unfit to discharge the functions of a member,the Corporation may by notice in writing to that member remove him from office, and thereupon the office shall become vacant.
- 3.8 The term of office for an externally co-opted member or an Associate Governor of the Committee shall not exceed four years.

### **4. Meetings**

- 4.1 The Committee shall meet at least once in every term and shall hold such other meetings as may be necessary.
- 4.2 A special meeting may be called at any time by the Chair or at the request in writing of two members of the Committee.
- 4.3 The internal auditor shall be entitled to attend and speak at all meetings of the Committee (but not to vote), as shall the Financial Statements auditor where business relevant to them is being discussed. Senior managers shall 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.
- 4.4 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).

- 4.5 Both the internal and Financial Statements auditors have the right of access to the Chair of the Audit Committee and may ask the Chair to convene a meeting of the Committee if necessary.
- 4.6 The Audit Committee must consider a minimum number of items of business each year for it to be able to function effectively which include those items of business set out in the table in Annex A of the Audit Code of Practice of the CESF and attached hereto as Appendix 1.
- 4.7 Meetings of the Committee shall be quorate if at least 40% of members are present (i.e. at least 4 members). Externally co-opted members and Associate Governors shall count towards the quorum, providing Corporation members are not in the minority.
- 4.8 If for a lack of quorum a meeting cannot be held or cannot continue, the Chair shall, if he thinks fit, cause a special meeting of the Committee to be convened as soon as possible.
- 4.9 Most questions to be decided at a meeting of the Corporation shall be determined without a vote being required. The Chair shall normally ask Members, at the conclusion of a discussion, for their agreement to the proposal in question. A vote shall only be called for by the Chair if there is a clear expression of dissent.
- 4.10 Where a decision is to be determined by voting, the decision shall be confirmed by a majority of the votes of the Members present and voting on the question. Where there is an equal division of votes, the Chair of the meeting shall have a second or casting vote.

## **5. Reporting to the Corporation**

- 5.1 A summary report, prepared by the Clerk, of the business conducted at each Committee meeting shall be presented by the Chair of the Committee at the next full meeting of the Corporation.

## **6. Participation of Other Members of the Corporation**

- 6.1 Members of the Corporation who are not members of the Committee:-
- (a) shall receive the agenda and a summary of the minutes of the Committee (full minutes and agenda papers shall be available on request from the Clerk to the Corporation);
  - (b) shall have the right to attend meetings of the Committee as an observer or at the invitation of the Chair;
  - (c) at the invitation of the Chair, may participate in any debate of the Committee;
  - (d) notwithstanding the above, shall not vote on any matter to be decided by the Committee;

except that staff and student members of the Corporation shall not normally receive any papers or minutes relating to, or have any right to attend or participate in, any matter to which Clause 14(4), (7) or (8) of the Instrument of Government applies.

- 6.2 The Committee may, when they are satisfied it is appropriate, go into confidential session and exclude any, or all, participants and observers, except the Clerk.
- 6.3 Provisions for the withdrawal from meetings of Staff or Student Members or of the Principal are as laid down under clause 6.6 of the Corporation Standing Orders.

## **7. Terms of Reference**

### **7.1 Effectiveness and Financial Control**

- 7.1.1 To advise the Corporation on the adequacy and effectiveness of the College's system of internal control.
- 7.1.2 To oversee the College's corporate governance arrangements.
- 7.1.3 To monitor the College's arrangements to secure economy, efficiency and effectiveness (value for money).
- 7.1.4 To oversee the College's policy on fraud and irregularity.
- 7.1.5 In accordance with the Policy on Fraud, Corruption and Irregularities, the Fraud Response Plan and the Public Interest Disclosure Procedure, to consider and, if appropriate, commission investigations by the Internal Audit Service (IAS) or others when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered.
- 7.1.6 To establish, in conjunction with College Management, relevant performance measures and indicators and to monitor the effectiveness of the Internal and Financial Statements Audit Services through these measures and indicators and decide, based on this review, whether a competition for price and quality of the Audit Service is appropriate. Other factors may also lead to competition. Performance measures for Internal Audit shall include compliance with the government's Internal Audit Standards (GIAS).
- 7.1.7 To promote co-ordination between the Internal and Financial Statements Audit Services.
- 7.1.8 To monitor the implementation of agreed recommendations relating to both Internal and Financial Statements Audit reports and management letters.
- 7.1.9 To receive the College's financial statements to inform the Committee's review of the Financial Statements Auditors' management letter and consideration of the statements of corporate governance, propriety and regularity.
- 7.1.10 To approve on an annual basis the College's Value for Money Policy and Procurement Strategy
- 7.1.11 To be informed of all additional services undertaken by the Internal and Financial Statements Audit Services.

## **7.2 Risk Management**

- 7.2.1 To advise the Corporation on the adequacy and effectiveness of the College's Risk Management Strategy.
- 7.2.2 To receive an annual Risk Management report from College Management prior to consideration by the Corporation.

## **7.3 Internal Audit**

- 7.3.1 To advise the Corporation on the appointment and remuneration of the IAS.
- 7.3.2 To consider and advise the Corporation on the audit needs assessment and the strategic and annual internal audit plans for the IAS.
- 7.3.3 To consider and advise the Corporation on internal audit reports.
- 7.3.4 To ensure that the IAS is adequately resourced and has appropriate standing within the Corporation.
- 7.3.5 To receive an annual report from the IAS including an opinion on the degree of assurance that can be placed on the College's systems of internal control.

## **7.4 Financial Statements Audit**

- 7.4.1 To advise the Corporation on the appointment and remuneration of Financial Statements Auditors and the scope of their work.
- 7.4.2 To guide the Financial Statements Auditors the nature and scope of the audit as necessary.
- 7.4.3 To consider and advise the Corporation on Financial Statements audit reports and management letters.

## **7.5 Other**

- 7.5.1 To receive and review reports relating to audit prepared by the CESF, the National Audit Office and similar bodies.
- 7.5.2 To prepare an annual report for submission to the Corporation on the work of the Committee, including an opinion on the effectiveness of the internal control system and the pursuit of Value for Money, together with an assurance on risk management.
- 7.5.3 To carry out a self-assessment of the performance of the Committee on at least an annual basis.
- 7.5.4 To undertake in-year amendments to the Committee's Standing Orders, subject to an annual review by the Corporation.

**Table 1 - Minimum Cycle of Audit Committee Business**

| Current Year Item of Business   | Indicative timings (✓) |              |             |             |                |             | For Recommendation to the Corporation |
|---|------------------------|--------------|-------------|-------------|----------------|-------------|---------------------------------------|
|   | Previous Year          | Current Year |             |             | Following Year |             |                                       |
|   | Summer                 | Autumn       | Spring      | Summer      | Autumn         | Spring      |                                       |
| 1 Appointment and reappointment or dismissal (where applicable) and remuneration of Internal Audit Service                              | ✓ or Autumn            | ✓ or Summer  |             |             |                |             | Yes                                   |
| 2 Internal audit needs assessment, strategic plan and annual plan   |                        | ✓            |             |             |                |             | Yes                                   |
| 3 Risk Management annual report from College Management   |                        |              |             | ✓ or Autumn | ✓ or Summer    |             |                                       |
| 4 Appointment and reappointment or dismissal (where applicable) and remuneration of Financial Statements Auditors                       |                        |              | ✓ or Summer | ✓ or Spring |                |             | Yes                                   |
| 5 Interim regularity audit opinion  |                        |              |             | ✓           |                |             |                                       |
| 6 Review of performance of the Internal Audit Service and establishment of annual performance indicators for the following year         |                        |              |             | ✓ or Autumn | ✓ or Summer    |             |                                       |
| 7 Financial Statements Auditor interim opinion and management letter (where applicable) <sup>1</sup>                                    |                        |              |             |             | ✓ <sup>2</sup> |             | Yes                                   |
| 8 Internal Audit Service annual report <sup>1</sup>   |                        |              |             |             | ✓ <sup>2</sup> |             | Yes                                   |
| 9 Financial Statements Auditors' management letter <sup>1</sup>   |                        |              |             |             | ✓ <sup>2</sup> |             | Yes                                   |
| 10 Annual report of the Audit Committee <sup>1</sup>  |                        |              |             |             | ✓              |             | Yes                                   |
| 11 Recommendation of approval to the Corporation of annual financial statements, including regularity audit opinion                     |                        |              |             |             | ✓              |             | Yes                                   |
| 12 Financial Statements Auditors' final opinion and Management letter (where applicable)  |                        |              |             |             |                | ✓           | Yes                                   |
| 13 Review of performance of the Financial Statements Auditors and establishment of annual performance indicators for the following year |                        |              |             |             |                | ✓ or Summer |                                       |
| 14 Internal Audit reports on reviews and progress update (as applicable to timings of reports)  |                        | ✓            | ✓           | ✓           |                |             |                                       |
| 15 Consideration of Learner Number spot-check reports (as applicable to timings of reports)   |                        | ✓            | ✓           | ✓           |                |             |                                       |

**Notes:** see overleaf

**Notes:**

- <sup>1</sup> Corporations must have all of these reports (items 7, 8, 9 and 10) available before approving the financial statements and the statements included therein on corporate governance, responsibilities of member of the Corporation and the system of internal control. The Corporation must approve the annual financial statements to meet the CESF deadlines.
- <sup>2</sup> Items 7, 8 and 9 may be deferred until the Spring term, but see comment above.