

AUDIT AND RISK COMMITTEE



TERMS OF REFERENCE

Constitution and Membership

The Governing Body will establish a Committee of the Governing Body to be known as the Audit and Risk Committee. Details on the Committee are set out in the Articles of Government and the Instrument of Government of the College.

The Audit and Risk Committee provides a medium of communication from the College's auditors that are not controlled by College management. In particular, the Committee should ensure that the internal control systems, including audit activities of the College, are monitored actively, independently and objectively in order to:

1. promote and ensure high standards of propriety, accountability and financial management within the College;
2. improve the quality of financial reporting by reviewing internal and external financial statements on behalf of the Governing Body;
3. promote a financial climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement or fraud;
4. improve where necessary, the effectiveness of the College's internal controls and mechanisms for achieving value for money and the extent to which these comply with requirements set down by the Department;
5. reinforce the independence and effectiveness of the internal audit function and to underpin the objectivity and independence of the external auditors;
6. provide oversight on the reliability of the College's information systems;
7. ensure that effective risk management processes are embedded within the College;
8. provide a sounding board for College management on issues of concern in relation to the College's internal control systems;
9. review and approve local policies that fall within the remit of the Committee.
10. contribute to the maintenance or increasing of public confidence in the quality of the College's corporate governance and management; and

The Committee and its Chair shall be appointed by the Governing Body, from among its own members, and in line with the Articles of Government and Instrument of Government. There shall be no fewer than four Members. The Chair of the Governing Body cannot be a Member, or Chair of, the Audit and Risk Committee.

Attendance at Meetings

The Audit and Risk Committee must meet at least 4 times a year, normally quarterly. Proceedings will be carried out in line with College Standing Orders. The Chair of the Audit and Risk Committee may convene additional meetings, as they deem necessary.

The Principal, Director of Finance and Planning, the Head of Internal Audit, and a representative from the NIAO shall normally attend meetings where business relevant to them is to be discussed. A representative from the Department will normally attend all of the College's Audit and Risk Committee meetings circumstances permitting. However, at least once a year the Committee should meet with the NIAO and the internal auditors without any officers present and may sit privately without any non-members present for all or part of a meeting if they so wish. It is also good practice for the Chair of the Audit and Risk Committee to meet the Accounting Officer, the Director of Finance and Planning, the Head of Internal Audit and External Auditor's representative outside the formal Committee structure.

The Audit and Risk Committee may ask any other officials of the college to attend to assist it with its discussions on any particular matter and may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

The Accounting Officer or Governing Body may ask the Audit and Risk Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

Authority

The Audit and Risk Committee is authorised by the Governing Body 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 and Risk Committee.

The Audit and Risk Committee will review the audit aspects of the draft annual financial statements. These aspects will include the Comptroller and Auditor General's opinion, the statement of members' responsibilities, the financial statement, the statement of governance and internal control and any relevant issue raised in the NIAO's 'Report to Those Charged with Governance'. The Committee should, where appropriate, confirm with the Internal Auditors and the NIAO that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to the Governing Body.

Rights

The Audit and Risk Committee may:

- draft in an advisor for a period not exceeding one year to provide specialist skills, knowledge and experience subject to the approval of the Chair/Governing Body. Any individual recruited for this purpose would not have the status of a member appointed to the Governing Body (no voting rights);
- procure specialist ad-hoc advice at the expense of the college organisation, subject to budgets agreed by the Accounting Officer/ Governing Body.

However, it may not incur direct expenditure in this respect without the prior approval of the Accounting Officer and Governing Body which must be within the guidelines for procurement.

Access

The Head of Internal Audit and the representative of NIAO will have free and confidential access to the Chair of the Audit and Risk Committee.

Duties

The duties of the Audit and Risk Committee should include advising the Accounting Officer and Governing Body on:

- the strategic processes for risk, control and governance and the Governance Statement;
- the accounting policies, the accounts, and the annual report of the college organisation,

including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the NIAO;

- the planned activity and results of both Internal Audit and NIAO;
- adequacy of management response to issues identified by audit activity, including NIAO's Report to Those Charged with Governance;
- assurances relating to the management of risk and corporate governance requirements for the college organisation;
- (where appropriate) proposals for tendering for Internal Audit services;
- anti-fraud policies, whistle-blowing (Public Interest Disclosure) processes, and arrangements for special investigations;
- the Audit and Risk Committee will also periodically review its own effectiveness and report the results of that review in the Committee Annual Report to the Governing Body;
- keeping the processes for ensuring the effectiveness of the financial and other internal control systems under review;
- advising the Governing Body on the provision of any non-audit services provided by any professional body, approved by the Department;
- discussing if necessary with the NIAO, before the audit begins, the nature and scope of the audit;
- discussing with the NIAO problems and reservations arising from the interim and final audits, and any other matters the NIAO may wish to discuss (in the absence of management where necessary);
- advising the Governing Body on the criteria for the selection and appointment of the internal audit service;
- reviewing the scope and effectiveness of internal audit's work including planning and operation of the work and the internal audit annual report;
- ensuring that the College has efficient and effective procedures in place so as to ensure that statistical returns are accurate, timely and prepared in accordance with agreed procedures;
- ensuring that the College has systems and procedures to promote economy, efficiency and effectiveness - this may require identifying specific value for money studies;
- considering the College's annual financial statements [after review by the Finance and General Purposes Committee] and prior to submission to the Governing Body, focusing in particular on any changes in accounting policy, major judgmental areas, significant audit adjustments, the going concern assumption and compliance with accounting standards and the Accounts Direction;
- reviewing relevant reports from the Department, NIAO and other organisations;
- monitoring and reporting annually on the performance and effectiveness of internal audit;
- provide feedback and constructive suggestions to the NIAO as appropriate; and
- monitoring and reporting on the implementation of agreed audit-based recommendations, from whatever source.

The Audit and Risk Committee should ensure that all significant losses and instances of fraud or theft have been properly investigated and that the Department have been fully informed of the matter in line with relevant procedures.

Reporting Procedures

The Audit and Risk Committee should circulate the minutes of its meetings to the Governing Body, college Accounting Officer and to the Department.

The Department must be advised in advance, the time, date and location of all meetings and provided with an agenda of all items for discussion.

The Committee will produce an annual report by the deadline set out in the annual timetable of returns which it will submit to the Governing Body, College Accounting Officer and the Department. The Audit and Risk Committee's report will provide an opinion on the adequacy and effectiveness of the College's arrangements for the following:

- risk management, control and governance (the risk management element includes the accuracy of the governance statement included with the annual statement of accounts);
- the NIAO's 'Report to Those Charged with Governance';
- the Internal Auditor's annual report;
- any value for money exercises and any other relevant reports; and
- assessment of Internal Audit's performance in year against appropriate performance measures that had been previously approved by the Audit and Risk Committee.

The report should include and refer to the findings of the Internal Auditors and NIAO relating to the relevant reporting period, or an update on issues raised where this is not possible, due to timing.

Information Requirements

For each meeting the Audit and Risk Committee will be provided (well ahead of the meeting) with:

- a report summarising any significant changes to the College's strategic risks and a copy of the strategic/corporate Risk Register;
- a progress report from the Head of Internal Audit summarising work performed (and a comparison with work planned), key issues emerging from the work of Internal Audit, management response to audit recommendations, changes to the agreed Internal Audit plan; and any resourcing issues affecting the delivery of the objectives of Internal Audit;
- any management assurance reports; and
- reports on the management of major incidents, "near misses" and lessons learned.

As and when appropriate the Committee will also be provided with:

- proposals for the terms of reference of Internal Audit/the Internal Audit charter; the Internal Audit strategy;
- NIAO's Audit Strategy;
- a progress report (written/verbal) from the NIAO representative summarising work done and emerging findings (this may include, where relevant to the College organisation, aspects of the wider work carried out by the NIAO, for example, Value for Money reports and good practice findings);
- the Head of Internal Audit's Annual Opinion and Report;
- quality assessment reports on the Internal Audit function;
- the draft accounts of the College;
- the draft Governance Statement;
- a report on any changes to accounting policies;
- NIAO's Report to Those Charged with Governance;
- a report on any proposals to tender for audit functions;
- a copy of the report of every Internal Audit assignment;
- a report on co-operation between Internal Audit and NIAO; and
- the college's Risk Management strategy.