

Audit & Risk Committee

Terms of Reference

Definitions of auditors used in these terms of reference.

External Auditor – Is the appointed Financial Statements and Regulatory Auditor.

Internal Auditor – Is jointly delivered via the in-house assurance team and an external assurance provider.

Funding Auditor – Is the funding agency or an auditor appointed by the funding agency to audit the funding provided to NCG.

1. Purpose

The Articles of Government require the Corporation to establish a Committee, to be known as the Audit & Risk Committee, to advise on matters relating to the Corporation's audit arrangements and systems of internal control.

2. Membership

- 2.1. The Committee shall comprise at least four members; at least three members of the Committee must be members of the Corporation. The Committee should include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively, members of the Committee should have recent, relevant experience in risk management, finance, audit, and assurance.
- 2.2. Appointment to the Committee is subject to approval by the Corporation.
- 2.3. The Corporation may modify the other membership of the Committee at any time. The term of a member will end if the individual ceases to be a member of the Corporation. The Corporation may then decide to appoint an individual as a co-opted member of the Committee.
- 2.4. The Chair of the Committee shall be appointed by the Search Committee.

3. Meetings

- 3.1. The Committee will meet at least three times per year. The internal auditor, funding auditor or financial statements auditor may request a meeting of the Committee if they consider that one is necessary, and the Committee will endeavour to comply with such request.
- 3.2. Meetings of the Committee shall be quorate if at least three appointed members are present. If the number of members present for a meeting of the Committee does not constitute a quorum, the meeting shall not be held. If during a meeting there ceases to be a quorum, it has been agreed by the Corporation Board that the meeting may continue, however no decisions are to be taken.
- 3.3. The Clerk to the Corporation shall act as Clerk to the Committee.
- 3.4. Every question to be decided at a meeting of the Committee shall be decided by a majority of votes cast by the members present. In the event of a tied vote, the Chair shall have a second or casting vote.
- 3.5. The internal auditors shall be entitled to attend and speak at all meetings of the Committee (but not to vote), as shall the external auditor and funding auditor (where appointed) where business relevant to them is being discussed. Senior management should also be invited to attend meetings of the Committee, particularly where their area of responsibility is under discussion. Where someone has been invited to attend, they shall be entitled to attend and speak at such meetings, but not to vote.
- 3.6. 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).
- 3.7. The Chief Executive and other senior post holders may not be members of the Committee, but other members of staff may sit on the Committee provided they do not have significant executive, management, financial or budgetary responsibilities.
- 3.8. In order to maximise the Committee's independence and objectivity, the

Committee must not adopt an executive role and the following people shall not be eligible to sit on the Committee:

- 3.8.1. Those with executive responsibilities at senior level including the Chief Executive and Group Directors.
 - 3.8.2. Members of a finance committee (should it exist) of the Corporation or equivalent.
 - 3.8.3. The Chair of the Corporation.
 - 3.8.4. Governors who have significant interests in NCG.
- 3.9. The Committee shall be entitled, whenever it is satisfied that it is appropriate to do so, to go into confidential session and (subject to the rules as to quoracy set out above) to exclude any, or all, participants, and observers, except the Clerk to the Committee.
- 3.10. The Committee has authority to investigate any activity within its terms of reference. The Committee shall be granted rights of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit. This may include access to members of the staff and governors of the Corporation, and consultation with the internal auditors, external auditor, and funding auditor directly.

4. Minutes and Papers

- 4.1. The Clerk to the Corporation will normally provide written notice of each meeting and an agenda at least seven days in advance.
- 4.2. Having regard to the criteria for confidentiality used by the Corporation, separate minutes will be prepared for the non-confidential and confidential items.
- 4.3. All minutes will remain confidential until they are reported to the Corporation. Any minute which provides personal information about an individual or meets other NCG's other criteria for confidentiality shall remain confidential. At every

Committee meeting the minutes of the last meeting shall be taken as an agenda item, and, if agreed to be accurate, shall be approved as a true record.

4.4. The Clerk to the Corporation shall present the draft Chair-approved minutes at the next scheduled meeting of the Corporation.

5. Terms of Reference

- 5.1. To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Group's audit arrangements, compliant 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.
- 5.2. To review the strategic risk register, the effectiveness of the management of strategic risks and the appropriateness and adequacy of all risk and control related mitigations.
- 5.3. To review the NCG risk management policy and risk appetite and recommend to the Board for approval.
- 5.4. To recommend to Corporation the appointment, reappointment, dismissal and remuneration of the external auditors and other assurance providers (where appointed), including internal auditors, and establish that all such assurance providers adhere to relevant professional standards.
- 5.5. To meet with the external auditor/s at least once a year, without management present to discuss their remit and any issues arising from the audit.
- 5.6. To advise the Corporation on the scope and objectives of the work of the internal auditors, the external auditor, and the funding auditor (where appointed).
- 5.7. To ensure effective co-ordination between the internal auditors, the funding auditor and the external auditor including whether the work of the funding auditor should be relied upon for internal audit purposes.

- 5.8. To review and recommend to Corporation for approval, the annual audit strategy and internal audit plans for the internal auditors.
- 5.9. To review and approve on an annual basis, the Internal Audit policy and charter.
- 5.10. To advise the Corporation on internal audit assignment reports, annual reports and on control issues included in the management letters of the external auditor (including their work on regularity) and the funding auditor, and management's responses to these.
- 5.11. To monitor, within agreed timescales, the implementation of recommendations arising from the management letters and reports of the external auditor, and of any reports submitted by other providers of audit and assurance providers to the college.
- 5.12. To consider and advise the Corporation on relevant reports by the National Audit Office (NAO), the Education Skills Funding Agency (ESFA), Office for Students (OfS), other funding bodies and where appropriate, management's response to these.
- 5.13. To establish, in conjunction with NCG management, relevant annual performance measures and indicators, and to monitor the effectiveness of the internal and external auditors 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.
- 5.14. To produce an annual report for the Corporation. The annual report must summarise the Committee's activities relating to the financial year under review, including any significant issues arising up to the date of preparation of the report, and any significant matters of internal control included in the management letters and reports from auditors or other assurance providers. It must include the Committee's view of its own effectiveness and how it has fulfilled its terms of reference. The report must include the Audit & Risk Committee's opinion on the adequacy and effectiveness of the Group's audit arrangements, its compliant framework of governance, risk management and control, and its processes for securing economy, efficiency, and

- effectiveness. The annual report must be submitted to the Corporation before the Statement of Corporate Governance and Internal Control in the accounts is signed. A copy of the Audit & Risk Committee's annual report must be submitted to the relevant funding body with the annual accounts.
- 5.15. To oversee the Group's policies on fraud and irregularity 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 & Risk Committee; that the external auditors (and internal auditors where appointed) have been informed, and that appropriate follow-up action has been planned / actioned, and that all significant cases of fraud or suspected fraud or irregularity are reported to the chief executive of the appropriate funding body.
 - 5.16. 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 were safeguarded.
 - 5.17. To recommend the annual financial statements to the Corporation for approval.
 - 5.18. To advise the Corporation, the Executive and the Directors and employees of any subsidiary companies on audit matters relating to the subsidiary companies, as required.
 - 5.19. To report to the Corporation Board on its proceedings after each meeting on all matters within its duties and responsibilities.
 - 5.20. To arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.
 - 5.21. To make whatever recommendations / endorsements to the Corporation Board it deems appropriate on any area within its remit where action or improvement is needed.