

## **AUDIT COMMITTEE TERMS OF REFERENCE**

The ESCG Board shall establish a committee to be known as the Audit Committee to provide independent and authoritative advice to the ESCG Board on the effectiveness of the College's internal control and management systems.

### **1. OBJECTIVES**

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

- assess and provide the ESCG Board with an opinion on the adequacy and effectiveness of the Board's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and safeguarding of its assets.
- protect the integrity and probity of the finance process
- improve the effectiveness of the College's internal controls
- reinforce the independence and effectiveness of the internal audit function
- provide a sounding board for College management on issues of concern in connection with the College's internal control systems
- advise on the reliability of the College's information systems
- underpin the objectivity and independence of the external auditors
- Monitor, within agreed timescales, the implementation of recommendations arising from any reports of audit and assurance providers
- Take appropriate steps with regard to all allegations and instances of fraud and irregularity including proper, proportionate and independent investigation.
- Oversee the ESCG Board's policies on fraud, irregularity and whistleblowing

- increase public confidence in the objectivity and fairness of the Corporation's financial reports and in the quality of the College's corporate governance.
- Take note of the areas of oversight specifically outlined in the March 2017 ACOP namely:
  - weaknesses in the corporation's approach to holding management to account;
  - ineffective implementation of policies and procedures; and
  - ineffective management structure including lack of control processes.

1.2 To provide a medium of communication from the ESCG Board's auditors, independent of the College management.

## **2. MEMBERSHIP**

2.1 Membership of the Committee will consist of up to five members of the ESCG Board, excluding the Chair of the ESCG Board, members of the Finance Committee, the Principal and student members of the ESCG Board.

2.3 The ESCG Board may co-opt up to two further members to the Committee who are not members of the ESCG Board. Such co-opted members shall be independent and shall exclude members of the firms providing the College's audit service, or the College's bankers or insurers. Employees of the College (other than senior post holders and other senior managers) may be co-opted as members. The Committee should ensure that it has the right mix of skills and expertise including audit, finance and risk management.

2.4 The Committee will elect a Chair and Vice Chair from its membership.

2.5 Any elected member shall be eligible for reappointment.

2.6 The period of office will be cease with ESCG Board membership.

## **3. ATTENDANCE AT MEETINGS**

3.1 The Chief Finance Officer shall normally attend meetings. Staff of the College shall be invited to attend meetings of the Committee as required at the request of the Chair to provide information.

3.2 The Director of Governance shall be the Clerk to the Committee.

## **4. QUORUM**

4.1 The meetings shall require a quorum of at least three members of the Committee or 40% whichever is the greater

4.2 The Chair can, if special circumstances exist, refer matters to the full ESCG Board or increase the quorum of the Audit Committee for that item.

## **5. FREQUENCY AND PROCEEDINGS OF MEETINGS**

- 5.1 On occasion, the Committee may find it helpful to have some discussion with internal and external auditors without any College staff present. At each meeting of the Committee, all members of staff will withdraw to allow time for the internal and external Auditor to raise any matter which could not easily be raised otherwise. The firm providing the College's internal and external audit service will normally be invited to all meetings, will have right of free access to the Chair of the Audit Committee and will have the right to ask the Chair to convene a meeting.
- 5.2 The Audit Committee shall meet at least twice per year. The timing and content of the meetings should reflect, as far as possible, the planning and reporting cycles of internal and external audit and the ESCG Board.

## **6. DUTIES**

### **The duties of the Committee are to:**

- assess and provide the ESCG Board with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for securing economy, efficiency and effectiveness
- advise the ESCG Board on the appointment, reappointment, dismissal and remuneration of the Financial statements auditors and reporting accountants for regularity assurance and other assurance providers, including internal auditors, and establish that all such assurance providers adhere to relevant professional standards advise the Corporation on the provision of any additional services by the financial statements, regularity and other audit and assurance providers, and to explain how independence and objectivity have been safeguarded
- advise the ESCG Board on matters of internal control and other issues included in the management letters and reports of the financial statements and regularity auditor, and of any reports submitted by other providers of audit and assurance services to the College, and management's responses to these
- monitor, within agreed timescales, the implementation of recommendations arising from the management letters and reports of the Financial statements auditors and reporting accountants for regularity assurance, and of any reports submitted by other providers of audit and assurance services to the College
- produce an annual report for the ESCG Board. 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. 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 Committee's opinion that the College has an adequate and effective framework for governance, risk

management and control, and has fulfilled its statutory responsibility for “the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets 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 Committee’s annual report must be submitted to the relevant funding body with the annual accounts

- oversee the College’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 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.
- To be informed of all additional services undertaken by the financial statements auditors and the funding auditors.
- An oversight of the risk management process

## **7. REPORTING PROCEDURES**

7.1 The Director of Governance will circulate minutes of the meetings of the Committee to all committee members and the minutes will go to ESCG Board members.

Recommended by the Audit Committee of 11 June 2019 and approved by the ESCG Board on the 25.06.19