

# **Terms of Reference Northern Regional College Audit & Risk Committee**

## **Constitution and Membership**

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

The Audit Committee provides a medium of communicating with the college's auditors that leaves members free from conflicts of interest. 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:

- promote and ensure high standards of propriety, accountability and financial management within the college;
- improve the quality of financial reporting by reviewing internal and external financial statements on behalf of the Governing Body;
- promote a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement or fraud;
- 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;
- reinforce the independence and effectiveness of the internal audit function and to underpin the objectivity and independence of the external auditors;
- advise on the reliability of the college's information systems;
- ensure that effective risk management processes are embedded within the college;
- provide a sounding board for college management on issues of concern in relation to the College's internal control systems; and
- contribute to the maintenance or increasing of public confidence in the quality of the college's corporate governance and management.

The Committee and its Chair shall be appointed by the Governing Body, from among its own members, and must consist of members with no executive responsibility for the management of the college. There shall be no fewer than four members; a quorum shall be at least three members. The Chair of the Governing Body or the Principal should not be a member of the Committee. Members should not have significant interests in the college.

At least one member should have recent and relevant experience in finance, accounting or auditing. The Committee may, if it considers it necessary or desirable, have in attendance, members with particular expertise. No member of the Committee may also be a member of the Resources Committee (or equivalent), unless specifically authorised by the Department for the Economy. The current membership of the Committee is set out at Appendix 1.

## **Attendance at Meetings**

The Audit & Risk Committee must meet at least four times a year, normally quarterly. Proceedings will be carried out in line with college standing orders. The Chair of the Audit & Risk Committee may convene additional meetings, as they deem necessary. A minimum of

three members of the Audit & Risk Committee will be present for the meeting to be deemed quorate.

The Principal, Chief Operating Officer (or equivalent), Internal audit, and a representative from the NIAO shall normally attend meetings where business relevant to them is to be discussed. However, at least once a year the Committee should meet with the External and Internal Auditors without any officers present. A representative from the Department will normally attend all of the college's Audit & Risk Committee meetings circumstances permitting.

The Audit & 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, or who are members representing staff, to withdraw to facilitate open and frank discussion of particular matters.

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

### **Authority**

The Audit & 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 Committee.

The Audit & 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 statement of 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 & Risk Committee may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience;
- and 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 Governing Body which must be within the guidelines for procurement.

### **Access**

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

## Duties

The duties of the Audit & 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 External Auditors;
- the planned activity and results of both Internal and External Audit;
- adequacy of management response to issues identified by audit activity, including External Audit's management letter;
- assurances relating to the management of risk and corporate governance requirements for the college organisation;
- (where appropriate) proposals for tendering for either Internal or External Audit services;
- anti-fraud policies, raising concern processes, GDPR requirements and arrangements for special investigations;
- the Audit & Risk Committee will also periodically review its own effectiveness and report the results of that review 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 the NIAO or any other 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);
- reviewing the NIAO's 'Report to Those Charged with Governance' and management's response and having direct access to the NIAO;
- 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 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 the college's internal audit service;
- keeping under review the effectiveness of the risk management, including the review of corporate and other risk registers, control and governance arrangements, and in particular to review the NIAO's 'Report to Those Charged with Governance', the internal auditors' annual report, and management responses; and
- monitoring and reporting on the implementation of agreed audit-based recommendations, from whatever source;
- keeping under review the effectiveness of information governance and ensuring the college has procedures in place to reduce risk;
- keeping under review the effectiveness of risk management for the New Build Project.

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

### **Reporting Procedures**

The minutes of meetings of the Audit & Risk Committee shall be circulated to all members of the Governing Body prior to the next scheduled meeting of the Governing Body, subject to the confidentiality restrictions set out in Part V of and Schedule 4 to the Instrument of Government and paragraph 18 of the Articles of Government. The Governing Body should adopt the minutes of the Committee meeting.

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 & 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 statement of internal control 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 and External Audit's performance in year against appropriate performance measures that had been previously approved by the Audit Committee.

The report should include and refer to the findings of the Internal and External Auditors 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 & Risk Committee will be provided 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;
- a progress report (written/verbal) from the External Audit 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);
- 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;
- the draft Audit plan;
- 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;
- the External Audit strategy;

- External Audit's management letter;
- 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 and External Audit; and
- the college's Risk Management strategy.

## **ANNEX 1**

### **Membership of the Northern Regional College Audit & Risk Committee**

Mrs P Martin (Chair)

Mrs L Crilly

Mr B Devlin

Dr P Graham

Mr D MacAuley

Mr D Small

Observer: Mr M Higgins

## ANNEX 2

### NRC AUDIT & RISK COMMITTEE WORKPLAN

<b>Business relating to the specific responsibilities of the Northern Regional College Audit and Risk Committee</b>				
<b>Business Category</b>	<b>ARC September</b>	<b>ARC November/December</b>	<b>ARC February/March</b>	<b>ARC June/July</b>
<b>Chair's Business</b>	ARC Self-Effectiveness Review ARC TOR Review (biennial)	Draft Annual ARC Report to Governing Body		
<b>Financial Reporting</b>	Draft Annual Report and Accounts for previous year (pre-audit)	Draft Annual Report and Accounts for previous year (post-audit) Management Post Audit Briefing		Accounts Direction issued by the DfE Returns Timetable for next year issued by DfE
<b>Northern Ireland Audit Office (NIAO) Business</b>	NIAO Outline Audit Strategy for current academic year	Draft Report To Those Charged with Governance Draft Annual Report and Accounts for previous year.	NIAO Audit Timetable for Annual Report and Accounts for current academic year	NIAO Final Audit Strategy for current academic year
<b>Internal Audit (IA) Business</b>	IA reports completed to Sep Draft Internal Annual Assurance Report for previous academic year	IA reports completed Q1 (Sep to Dec) of current academic year Final IA Annual Assurance Report for previous academic year Proposed in-year revisions to Audit Plan	IA reports completed Q2 (Dec to Mar) of current academic year Proposed in-year revisions to Audit Plan	IA reports completed Q3 ( Mar to Jun) of current academic year Proposed in-year revisions to Audit Plan



<b>Status of Outstanding Audit Recommendations</b>	Management Report for Q4 (Jul to Sep) of previous academic year	Management Report for Q1 (Sep to Dec) of current academic year	Management Report for Q2 (Dec to Mar) of current academic year	Management Report for Q3 (Mar to Jun) of current academic year
<b>Risk Management and Opportunity Reporting</b>	Risk Register and Report for Q4 (Jul to Sep) of previous academic year	Risk Register and Report for Q1 (Sep to Dec) of current academic year	Risk Register and Report for Q2 (Dec to Mar) of current academic year	Risk Register and Report for Q3 (Mar to Jun) of current academic year
<b>Compliance Reporting</b> Losses/Special payments Gifts & Hospitality Raising Concerns Data Breaches	Management Report for Q4 (Jul to Sep) of previous academic year	Management Report for Q1 (Sep to Dec) of current academic year	Management Report for Q2 (Dec to Mar) of current academic year	Management Report for Q3 (Mar to Jun) of current academic year
<b>Information Governance</b>	Quarterly update report on Governance and GDPR including Risk Register			