



**LLANDRILLO COLLEGE  
FURTHER EDUCATION CORPORATION**

**TERMS OF REFERENCE OF THE  
AUDIT & RISK COMMITTEE**

Approved by the Audit Committee: 28.09.05

Confirmed by Llandrillo College Further Education Corporation: 19.10.05

# **Llandrillo College Further Education Corporation**

## **Audit & Risk Committee**

### **Terms of Reference**

#### **1 Constitution**

The Corporation hereby resolves to adopt the following terms of reference for the Audit & Risk Committee.

#### **2 Objectives**

2.1 The Audit & Risk Committee shall ensure that the internal control systems, including audit activities, of the Corporation and any of its subsidiaries is monitored actively, independently and objectively in order to:

- 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 of 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.
- Increase public confidence in the objectivity and fairness of the Corporation's financial reports and in the quality of the College's corporate governance.

2.2 To provide a medium of communication from the Corporation's auditors, which College management does not control.

#### **3 Authority**

3.1 The Audit & Risk Committee is authorised by the Corporation Board 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 & Risk Committee.

3.2 The Audit & Risk Committee is authorised by the Corporation Board to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary.

#### **4 Duties**

##### **4.1 Executive responsibilities**

The Audit & Risk Committee shall have the following executive responsibilities:

- Ensuring the institution complies with the mandatory requirements of the ELWa Audit Code of Practice.
- Agreeing the nature and scope of audit work.
- Promoting co-ordination between the internal and external auditors.

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### **4.2 Monitoring responsibilities**

The Audit & Risk Committee shall have the following monitoring responsibilities:

#### **4.2.1 Internal Audit**

- Reviewing the internal auditors' audit needs assessment and the audit plan.
- Considering major findings of internal audit investigations and management's response.
- Ensuring that the resources made available for internal audit are sufficient to meet the institution's needs.

#### **4.2.2 External Audit**

- Considering the institution's draft annual financial statements, after review by the Strategic Policy and Finance Committee and prior to submission to the Corporation Board for formal approval. This review should include specific consideration of members' responsibilities and the corporate governance statement. The Audit & Risk Committee's view on any statement of the effectiveness of the internal control system will be provided to the Corporation Board as part of the Audit & Risk Committee's annual report.
- To discuss with the external auditors, before the audit commences, the nature and scope of the audit.

#### **4.2.3 General**

- Ensuring the institution complies with the mandatory requirements of the ELWa Audit Code of Practice.
- To discuss findings and conclusions arising from audits, including a review of the external auditor's Management Letter incorporating management responses, and any other matters the internal or external auditors may wish to discuss (in the absence of college management where necessary).
- Reviewing the effectiveness of internal control systems, and in particular to review the external auditor's management letter, the internal auditor's annual report and management responses.
- Monitoring the performance and effectiveness of external and internal audit as the basis for recommendations to the Corporation Board concerning their reappointment.
- Overseeing the institution's policy on fraud and irregularity, including any action taken under that policy.
- Reviewing relevant reports from ELWa's Audit Service (GAELWa), NAO,

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National Assembly for Wales and other organisations and monitoring the implementation of relevant recommendations.

- Ensuring that all significant losses have been properly investigated and that the internal and external auditors and GAELWa have been fully informed of the matter.
- Monitoring the implementation of GAELWa's audit related letters and guidance.
- To review the Institution's mechanisms for the assessment and management of risk
- To review the assurance mechanisms for ensuring compliance with the Institution's Corporate Governance requirements

#### **4.3 Advisory responsibilities**

The Audit & Risk Committee shall consider and advise the Corporation Board on:

##### **4.3.1 Internal Audit**

- To advise the Corporation Board on the appointment and terms of engagement of the internal auditors, the audit fee, the provision of non-audit services by the internal auditors and any question of resignation or dismissal of the internal auditors.
- To consider and advise the Corporation on internal audit reports and management letters.
- To consider and advise the Corporation on the audit needs assessment and strategic and short term audit plans for the internal audit service.

##### **4.3.2 External Audit**

- To advise the Corporation on the appointment and remuneration of the external auditors, and the scope of their work including any non-audit services provided and of resignation or dismissal.
- To consider and advise the Corporation on external audit reports and management letters.

##### **4.3.3 General**

- To advise the Corporation on whether the institution has adequate systems and procedures in place to promote economy, efficiency and effectiveness.
- To receive and advise the Corporation on any relevant reports from the National Audit Office, the Further Education Funding Council for Wales, the Higher Education Funding Council for Wales, the National Assembly for Wales and other appropriate organisations.

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#### **4.4 Other responsibilities**

- The Audit & Risk Committee will ensure co-ordination between the internal and external auditors.
- The Audit & Risk Committee will consider the institution's annual financial statements after review by the Strategic Policy and Finance Committee and prior to submission to the Corporation Board.
- To consider and, if appropriate, investigate, or commission investigations into, any complaints relating to alleged fraud or other financial irregularity or malpractice at the College in accordance with the College's code of practice and procedures.
- The Audit & Risk Committee shall be responsible for any other matters referred to the Audit & Risk Committee by the Corporation Board.

#### **5 Reporting Procedures**

- 5.1** The Audit & Risk Committee will circulate the Minutes of its meetings to the Corporation Board and there shall be an opportunity at meetings of the Corporation Board to discuss matters raised by the Minutes.
- 5.2** The Audit & Risk Committee will produce an annual report which it will submit to the Corporation Board, accompanied by the internal auditor's annual report, summarising the activity for the year. It will give the Audit & Risk Committee's opinion, based on the work of the internal and external audit and any other work conducted during the year, on the effectiveness of the internal control system. The report should be submitted in time to be taken into account by the Corporation Board in its consideration of the members' responsibility statement in the annual financial statement.

#### Revision History:

Revised by Corporation Board on 12.02.03  
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Recommended no change to Corporation Board on 15.10.03  
Revised by Audit Committee on 29.09.04  
Approved by Corporation Board on 20.10.04  
Revised by Audit & Risk Committee on 28.09.05  
Approved by Corporation Board on 19.10.05