

LSEEG AUDIT & RISK COMMITTEE TERMS OF REFERENCE

Constitution

1. The Committee shall comprise of a minimum of 3 and not more than 5 members. Ideally, there should be membership representation from each of the Boards of the separate legal entities that constitute the Group.

London South East College Corporation (LSEC)
London South East Academies Trust Board (LSEAT)

2. Ineligible members are the Principal, student members, staff members, and members appointed to serve on the Group's Finance Committee. The Committee may invite 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 to the meeting). The Committee can also co-opt a non-governor member to the Committee.
3. The Chair of the Committee will be appointed by the London South East College (LSEC) Corporation and reviewed every two years.
4. Two external governors must be in attendance for the meeting to be quorate.
5. The Committee shall meet at least once in each academic term. Ad hoc meetings may be called as necessary in agreement with the Chair of the Committee.
6. Decisions to be made at meetings of the Committee shall be determined by a majority of the votes of members present and voting. Where there is an equal division of votes, the Chair shall have a second or casting vote.
7. In-line with agreed policy, decisions can be taken by email involving all Committee members

1. Purpose of the Audit & Risk Committee

- 1.1 To assess and provide the independent Boards in the London South East Colleges Group (LSEEG) with an opinion on the adequacy and effectiveness of their organisation's: -
 - Audit arrangements,
 - Systems of internal control
 - Risk management arrangements
 - Framework of governance
 - Processes for the economic, effective, and efficiency use of resources
 - Solvency
 - Procedures for the safeguarding of its assets

- 1.2 The Committee's role, in respect of Solvency, will be to advise the Independent Boards on the organisation's position as a going concern for the Financial Statements and to give an opinion on the budgetary and financial processes as part of its internal control opinion.

2. Effectiveness

- 2.1. To advise the Independent Boards on the adequacy and effectiveness of the whole system of internal control, including controls for securing economy, efficiency and effectiveness (value for money).
- 2.2. To monitor, annually or more frequently if necessary, the implementation of approved recommendations relating to both internal assignment audit reports and annual reports and external audit reports and management letters.
- 2.3. To monitor the effectiveness and competence of the internal and external audit services and ensure effective co-ordination between them, including whether the work of the funding auditor should be relied upon for internal audit purposes.
- 2.4. To establish, in conjunction with Management, relevant performance measures and indicators and to monitor the effectiveness of the internal audit service and external auditor through these measures and indicators, using these measures to determine whether re-tendering is appropriate.
- 2.5. To obtain external professional advice if it considers this necessary.
- 2.6. To investigate any activity within its terms of reference and to receive reports from management concerning any irregularity or fraud investigation. Ensuring that all allegations of fraud and irregularity are properly followed up, and reported to the funding agency.
- 2.7. To seek any information, it requires from the internal auditors, the external auditors, governors, committees and College employees, plus relevant information from sub- contractors and other third parties.
- 2.8. To require additional services to be undertaken by internal and external audit as required with any resulting reports to be reviewed by the Committee.

3. Risk Management

- 3.1. To advise the Independent Boards on the adequacy and effectiveness of the organisation's arrangements for risk management, assurance, and its governance processes.
- 3.2. To have oversight of all areas of risk management within the Group, and to ensure, through the external and internal audit functions that the adequacy and effectiveness of the Group approach to risk management is robust and transparent.

4. Internal Audit

- 4.1. To advise the Independent Boards on the appointment, re-appointment, dismissal and initial remuneration of the internal audit service and the scope and objectives of their work.
- 4.2. Establish that the internal audit service adheres to all relevant professional standards.
- 4.3. To approve the audit needs assessment, and strategic and annual audit plans for the internal audit service including the annual fee for this work.

- 4.4. To consider and advise the on internal audit assignment reports, including the annual report and on control issues and to ensure these are responded to promptly where appropriate.
- 4.5. To reinforce with the internal auditors the independence of their function.

5. External Audit

- 5.1. To advise the Independent Boards on the appointment, re-appointment, dismissal and initial remuneration of external auditors and the scope and objectives of their work.
- 5.2. To recommend each year to the Independent Boards, and Members of the London South East Academies Trust, the external auditors to be appointed for that financial year.
- 5.3. Establish that the external auditors adhere to all relevant professional standards
- 5.4. To discuss with the financial and regularity auditor before the audits begin the nature and the scope of the audits. To approve the annual fee for the external auditor if the audit is not being tendered.
- 5.5. To consider and advise the Independent Boards on external audit reports and management letters with special reference to control issues raised and to ensure these are responded to promptly where appropriate.
- 5.6. To reinforce with the external auditors the independence of their function.

6. General

- 6.1. To determine or advise on such matters relating to audit as the Independent Boards may wish to delegate.
- 6.2. To consider and recommend the financial statements to the Independent Boards.
- 6.3. To monitor within agreed timescales the implementation of agreed audit recommendations from whatever source.
- 6.4. To carry out any special / specific projects which the Independent Boards may wish to delegate to the Committee.
- 6.5. The Committee has the right of access to obtain all the information and explanations it considers necessary, from whatever source, in order to fulfil its remit.
- 6.6. Review and advise the Independent Boards on assurances received from management in respect of internal controls and value for money.
- 6.7. To inform the Independent Boards of any additional services provided by the financial statements, regularity and other audit and internal auditors and explain how independence and objectivity were safeguarded.
- 6.8. To consider and advise the Independent Boards on relevant reports by the NAO, the Council and other funding bodies, and where appropriate management's response to these.
- 6.9. To oversee the Group's policies on fraud, bribery, irregularity and public interest disclosure, and ensure the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity.
- 6.10. To ensure that where fraud is discovered, the internal and external auditors have been informed, and that appropriate follow-up action has been planned and actioned. The Committee must also ensure that all significant cases of fraud or suspected fraud or irregularity are reported to the chief executive of the appropriate funding body.

- 6.11. To report to the Independent Boards via the minutes or summary thereof.
- 6.12. To submit an annual written report to the Independent Boards to include the Committee's opinion on the:
- i.) Adequacy and effectiveness of the college's audit arrangements
 - ii.) Framework of governance
 - iii.) Risk management and control systems
 - iv.) Processes for securing economy, efficiency and effectiveness
 - v.) Measures it has taken to ensure it has fulfilled its statutory and regulatory responsibilities
 - vi.) Review of its own effectiveness.
- 6.13. The annual report must be submitted to the Independent Boards before the Statement of Corporate Governance and Internal Control in the accounts is signed.
- 6.14. A copy of the audit committee's annual report must be submitted to the relevant funding body with the annual accounts.

7. Attendance of Senior Managers

- 7.1. The Group Principal & CEO and Group Chief Finance Officer are normally invited to be in attendance but are not members of the Committee.