



Audit Committee Terms of Reference

Constitution and Purpose

1. The Norland Foundation (NF) is the sole shareholder of its subsidiary company, Norland College Ltd (NCL). Together, NF and NCL are referred to as 'the Group'. The Norland Foundation Board of Trustees (NF Board) is responsible for the statutory oversight of The Norland Foundation to ensure it meets the standards of a company limited by guarantee and of a registered charity. The Norland College Board of Directors (NCL Board) is responsible for the statutory oversight of Norland College Ltd to ensure it meets the standards of both a company limited by shares and of a higher education institution which has access to public funds.
2. Both the NF Board and the NCL Board must receive assurance that their respective institutions are meeting the conditions of funding as set by regulatory and funding bodies, charity law and other major institutional funders which include the requirements of the financial memoranda. These include the need to: use public funds for proper purposes and achieve good value for money; have a sound system of risk management, financial control and governance; ensure the use of regular, reliable, timely and adequate information to monitor performance and track the use of public funds; and safeguard institutional sustainability.
3. The NF Board has established an Audit Committee to meet the requirements of the above paragraphs and to provide a further independent check on NCL and NF's financial and reporting activities.

Membership

4. Members of the Committee (including the Chair of the Committee) are appointed by the Board of Directors. The membership will include:
 - Directors (no fewer than 3)

In attendance:

 - The Principal
 - Chief Financial Officer
 - Head of HR, Resources and Compliance
 - Senior Administrator

5. Members of the Committee should have no executive responsibility for the management of NCL or significant interests in NCL or NF. At least one member should have recent relevant experience in finance, accounting or auditing. Members of the Audit Committee should not however also be members of the NCL Finance Committee. Neither the Chair of the NF or NCL Board should be a member of the Committee.
6. The Committee may, if it considers it necessary or desirable, co-opt members with particular expertise. In addition, a representative of the NF Board may be co-opted where deemed necessary.

Attendance

7. Meetings shall normally be held twice each financial year with additional meetings held as necessary. The external auditors may request a meeting if they consider it necessary. The Committee will be quorate when two members or more, are present. If fewer than two members are present, the business may still take place but any decision will require ratification by the Board of Directors.
8. The Principal, Chief Financial Officer, Head of HR, Resources and Compliance of NCL and a representative of the external auditors shall normally attend meetings where business relevant to them is to be discussed.

Authority

9. The Committee is authorised to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any NF or NCL employee, and all employees are directed to co-operate with any request made by the Committee.
10. The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the Principal and Chair of the NF and NCL Boards. However, it may not incur direct expenditure in this respect without the prior approval of the NF Board.
11. The Audit Committee will review the audit aspects of the draft annual financial statements. These aspects will include the external audit opinion, the statement of members' responsibilities, the statement of internal control and any relevant issue raised in the external auditors' management letter. The Committee should, where appropriate, confirm with the auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its Annual Report to the Group.

Remit

The Committee shall carry out the following responsibilities for NF, NCL and the Group (as appropriate):

12. To advise on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of resignation or dismissal of the external auditors.
13. To discuss with the external auditors, before the audit begins, the nature and scope of the audit.
14. To discuss with the external auditors any problems and reservations arising from the interim and final audits, including a review of the management letter, incorporating management responses, and any other matters the external auditors may wish to discuss (in the absence of management where necessary).
15. To consider and advise on whether to carry out an internal audit and the terms and conditions of an internal audit.
16. To keep under review the effectiveness of the risk management, control and governance arrangements, and in particular review the external auditors' management letter, the internal auditors' Annual Report and management responses monitor the implementation of agreed audit-based recommendations, from whatever source.
17. To ensure that all significant losses have been properly investigated and that the internal and external auditors, and where appropriate the funding council's accounting officer, have been informed.
18. To oversee policy on fraud and irregularity, including being notified of any action taken under that policy.
19. To satisfy itself that suitable arrangements are in place to promote economy, efficiency and effectiveness.
20. To receive any relevant reports from committees regarding standards and assurance.
21. To satisfy itself that effective arrangements are in place for the management control and quality assurance of data, including data provided to OFS, HESA, The Charity Commission and other public bodies and to provide an opinion to that effect in the Committee's Annual Report.
22. To monitor annually the performance and effectiveness of the external and any internal auditors, including any matters affecting their objectivity, and make recommendations concerning their reappointment, where appropriate.
23. To consider elements of the annual financial statements in the presence of the external auditors, including the auditors' formal opinion, the statement of members' responsibilities and the statement of internal control, in accordance with the funding council's accounts directions.

24. In the event of the merger or dissolution of either NF or NCL, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.
25. To review the NF and NCL Risk Registers respectively.
26. *In camera* sessions: The Audit Committee reserves the right to call for an *in camera* session if necessary.

Chair's Action

26. The Chair of the Audit Committee is to have delegated authority to act between meetings, following appropriate consultation with members, to deal with matters of urgency. Details of any action taken shall be reported to the next meeting of the Committee.

Reporting procedures

27. The minutes of meetings of the Audit Committee will be circulated to all members of the NF and a summary provided for the NCL Board.
28. The Committee will prepare an Annual Report covering the Group's financial year and any significant issues up to the date of preparing the report. The report will be addressed to the NF Board, the NCL Board and the Principal, and will summarise the activity for the year. It will give the Committee's opinion of the adequacy and effectiveness of 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);
 - economy, efficiency and effectiveness (value for money).

The opinion should be based on the information presented to the Committee. The Audit Committee Annual Report should normally be submitted to the NF and NCL Boards before the members' responsibility statement in the annual financial statements is signed.

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