



## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

#### **1. MEMBERSHIP**

- 1.1 Membership of the Committee will comprise at least four Governors.
- 1.2 Members of the Committee shall serve as Committee members for one year and shall be eligible for re-election at the end of that period.
- 1.3 Membership of the Committee for the next academic year will be determined by the Board of Governors at its July meeting.
- 1.4 Ineligible members are the Chair of the Board, members of the Finance & Resources Committee, the Principal, staff and student governors.
- 1.5 In accordance with the Post-16 Audit Code of Practice, no person having any interest, or perceived interest, in the College (or its advisers or suppliers) or who holds executive, management, financial or budgetary responsibilities within the College may serve on the Committee.
- 1.6 The Audit Committee should include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively, members of the Committee should have recent, relevant experience in risk management, finance and audit and assurance.
- 1.7 Membership may include a co-opted Governor, whose skills strengthen and are complementary to those on the Committee. Any such appointees will serve for a one year term of office which is renewable by the Board of Governors on the recommendation of the Search and Governance Committee.
- 1.8 The Chair of the Board and the Principal shall only attend the Committee when requested to do so by the Committee's Chair. The Committee has the right to invite any other person to attend for a part or all of the meeting.

#### **2. DECISION MAKING**

- 2.1 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 of the Committee shall have a second or casting vote.
- 2.2 All persons in attendance' (including the Clerk) shall have no voting rights.

### **3. QUORUM**

3.1 The quorum for the meeting shall be three Governors.

### **4. FREQUENCY OF MEETINGS**

4.1 The Committee shall meet at least once in each academic term. Additional meetings may be called as necessary in agreement with the Chair of the Committee.

### **5. RESPONSIBILITIES**

- a. To assess and provide the Board of Governors with an annual opinion on:
  - The adequacy and effectiveness of the College's audit arrangements
  - Governance/risk management/control framework
  - The processes for the effective and efficient use of resources (value for money)
  - The solvency of the institution; and
  - The safeguarding of its assets.
- b. To advise the Board of Governors on the appointment, reappointment, dismissal and remuneration of the financial statements auditor and other assurance providers, including internal auditors, and to establish that all such assurance providers adhere to the relevant professional standards.
- c. To advise the Board of Governors on the scope and objectives of the work of the Internal Audit Service, financial statements and regularity auditor.
- d. To ensure effective coordination between the IAS and the financial statements auditor.
- e. To consider and advise the Board of Governors on the audit strategy and annual audit plans for the IAS.
- f. To advise the Board of Governors on internal audit assignment reports and annual reports and on control issues included in the management letters of the financial statements auditor, the regularity auditor and of any reports submitted by other providers of audit and assurance services and management's responses to these.
- g. To consider and advise the Board of Governors on the outcome of any funding audits undertaken at the request of the Education & Skills Funding Agency.
- h. To review and monitor the financial statements and regularity auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- i. To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports and the financial statements and regularity auditor's management letters.
- j. To report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken. Where services other than financial statements, audit and regularity audit are provided, the Board should explain in its Annual Report and Financial Statements how auditor objectivity and independence is nonetheless safeguarded.

- k. To consider and advise the Board of Governors on relevant reports by the National Audit Office (NAO), the Education & Skills Funding Agency and other funding bodies, and where appropriate management's response to these.
- l. To establish, in conjunction with College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the IAS, financial statements and regularity auditor through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.
- m. To produce an annual report for the Board which summarises 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 and any significant matters of internal control included in the management letters and reports from auditors or other assurance providers. It must contain:
  - The Committee's view of its own effectiveness and how it has fulfilled its terms of reference
  - The Committee's opinion on the adequacy and effectiveness of the College's audit arrangements, its governance/risk management/control framework and its processes for securing economy, efficiency and effectiveness (value for money).

The report must be submitted to the Board 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.

- n. To oversee the College's policies on anti-fraud and corruption, irregularity and whistleblowing and to ensure the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity. Investigation outcomes should be reported to the Committee and the external auditors (and internal auditors, where appointed) should be informed and appropriate follow-up action should be planned/actioned. All significant cases of fraud or suspected fraud or irregularity must be reported to the chief executive of the appropriate funding body.
- o. To develop and implement arrangements on the engagement of the external auditor to supply services other than for the financial statements audit or regularity audit, taking into account relevant ethical guidance. The Board should be informed of any additional services provided by the financial statements/regularity auditor or other audit assurance providers and explain how independence and objectivity were safeguarded.
- p. To review and monitor the implementation and effective operation of the College's Health & Safety policy and procedures.
- q. To have oversight of the College's Risk Register on behalf of the Board of Governors and to consider and review any specific risks on the risk register relevant to the Committee
- r. To have oversight of the College's Risk Appetite Statement and to make any recommendations for change annually to the Board of Governors for approval.
- s. To approve the College's Risk Management Policy (which incorporates the Board approved Risk appetite statement) on an annual basis.

## **OPERATIONAL MATTERS**

- a. The Audit Committee has the authority to investigate any activity within its terms of reference.
- b. The Committee has the right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit.
- c. The Audit Committee must not adopt an executive role.
- d. The Committee will approve an annual work plan (cycle of business) and will review the effectiveness of the Committee annually.
- e. The Committee has responsibility / delegated authority to review and approve, strategies, policies and procedures and other issues outlined in Annex A.

## **6. ELECTION OF THE CHAIR AND VICE-CHAIR OF THE COMMITTEE**

- 6.1 The Committee Chair and Vice-Chair (if the Committee so decides that a Vice-Chair should be elected) will be selected by the Committee from among its external members at the first meeting of the Committee in the academic year.
- 6.2 In the event of the Chair and Vice-Chair (if elected) being unable to attend the meeting (or resigning from the position), the remaining Committee members should elect one of themselves as Chair for the meeting.

## **7. EXTERNAL ADVICE**

- 7.1 The Committee may seek the services of such external advisers as it considers necessary to fulfil its responsibilities.

## **8. CLERKING ARRANGEMENTS**

- 8.1 The Clerk to the Corporation (or another (if appropriate independent individual) shall be the Clerk to the Committee.

## **9. REPORTING TO THE BOARD OF GOVERNORS**

- 9.1 The Chair of the Committee (or an agreed representative) will provide a report to the next meeting of the Board of Governors. The minutes of the meeting will also be provided to members of the Board of Governors for information.
- 9.2 Any recommendations made by the Committee will appear as separate items on the agenda for the next ordinary meeting of the Board of Governors.

## 10. REVIEW AND APPROVAL

10.1 The Terms of Reference of the Committee will be reviewed annually and submitted to the Board of Governors for approval.

Terms of Reference Approved	Board – 9 July 2020
Next review date	July 2021

## RESPONSIBILITY FOR POLICY REVIEW AND APPROVAL

STRATEGY / POLICY / PROCEDURE	APPROVED BY THE COMMITTEE	REVIEWED AND RECOMMEND TO THE BOARD FOR APPROVAL
Risk Management Policy (submitted to the Board of Governors for information)	✓	
Health, Safety & Wellbeing Policy		✓
Whistleblowing Policy		✓
Anti-bribery Policy	✓	

## ITEMS FOR AUDIT COMMITTEE/ BOARD APPROVAL

	APPROVED BY THE COMMITTEE	REVIEWED AND RECOMMEND TO THE BOARD FOR APPROVAL
Internal Audit Strategy and Annual Plan	✓	
Financial Statement Audit Annual Plan	✓	
Internal Auditor Appointment / Re-appointment / Dismissal	✓	
Financial Statement Auditor Appointment / Re-appointment / Dismissal	✓	
Year-End Financial Statements and Annual Report		✓
Audit Committee Annual Report		✓
Risk Appetite Statement		✓