



## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

**Purpose** - In accordance with the ESFA's Funding Memorandum and post-16 Audit Code of Practice, the Governing Body resolves to establish an Audit Committee. The purpose of the Committee is to advise the Governing Body on adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets. The Committee also advises and supports the Governing Body in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.

#### **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 and receive regular training and development.
- 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.
- 1.9 The Governing body shall maintain the Committee's independence and objectivity in appointing members.

## **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. Where three meetings were not held, an explanation (such as why it was not possible to achieve a quorum) must be provided within the Audit Committee's annual report.

## **5. RESPONSIBILITIES**

### **5.1 Reporting Assurance**

- 5.1.1 To assess and provide the Governing Body with an annual report summarising the Committees' activities relating to the year under review including;
  - 5.1.1.1 A summary of the work undertaken by the Committee during the year;
  - 5.1.1.2 The number of meetings held in the year and attendance records for each Audit Committee member;
  - 5.1.1.3 any significant matters arising up to the date of preparation of the report;
  - 5.1.1.4 any significant matters of internal control including within the reports of audit and assurance providers;
  - 5.1.1.5 details of the date of appointment of the external auditors and the remaining term of the contract
  - 5.1.1.6 any significant matters of internal control;
  - 5.1.1.7 the Committee's view on its own effectiveness and how it has fulfilled its terms of reference;
  - 5.1.1.8 the Committee's opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, assurance over subcontracting, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency and the safeguarding of assets.
- 5.1.2 The annual report must be submitted to the Corporation before the Statement of Governance and internal control in the Annual Accounts is signed.
- 5.1.3 In conjunction with the Finance and Resources Committee, to recommend the Corporation members' Annual Report and Financial Statements for Governing Body approval, providing assurance on the measures taken to ensure the college has fulfilled its statutory and regulatory responsibilities

(in accordance with the Annual Accounts Direction issued by funding agencies).

- 5.1.4 To inform the Governing Body of any additional services provided by the external auditor, reporting accountant, internal audit and explain how independence and objectivity are safeguarded.
- 5.1.5 To advise the Board of Governors on the scope and objectives of the work of the internal audit service (IAS), financial statements and regularity auditor
- 5.1.6 To ensure effective coordination between the IAS and the financial statements auditor.
- 5.1.7 To consider and advise the Board of Governors on the audit strategy and annual audit plans for the IAS.

## 5.2 Receiving Assurance

- 5.2.1 To review and consider all reports from the external auditor, reporting accountant, internal audit and other assurance providers, as appropriate (including those undertaken at the request of the Education & Skills Funding Agency) and monitor the implementation of management's responses to recommendations to agreed timescales and agree their implications for the assurance framework and the committee's workplan, i.e. whether additional assurances need to be commissioned.
- 5.2.2 To consider the implications for the assurance framework of relevant external reports, e.g. from the funding agencies, AoC, National Audit Office, Public Accounts Committee etc.
- 5.2.3 To oversee the corporation's policies on and processes around fraud, irregularity, impropriety and whistleblowing and ensure;
  - 5.2.3.1 the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity;
  - 5.2.3.2 that investigation outcomes are reported to the Committee;
  - 5.2.3.3 that the external auditor and internal auditor are informed of investigation outcomes and other matters of fraud, irregularity and impropriety and that appropriate follow-up action has been planned/actioned;
  - 5.2.3.4 that all significant cases of fraud or suspected fraud, theft, bribery, corruption or irregularity major weakness or breakdown in the accounting or other control framework are reported to ESFA as soon as possible;
  - 5.2.3.5 risks around fraud have been identified and controls put in place to mitigate them.

### 5.3 Managing Performance of the College's assurance providers and Commissioning assurance

5.3.1 To advise the Governing Body on the appointment, re-appointment, dismissal and remuneration of the external auditor, reporting accountant, internal audit and any other assurance providers it deems necessary to deliver the College's assurance needs and in doing so:

- To approve a retendering policy for external audit in line with the Audit Code of Practice to be applied at least every five years, considering the quality of the audit service required along with the price.
- Ensure all assurance providers adhere to relevant professional standards.
- To establish, in conjunction with management, relevant annual performance indicators, and use them to monitor the effectiveness of its various assurance providers.
- To review the independence and objectivity of its assurance providers and inform the Governing Body of any additional services provided by the financial statements/regularity auditor or other audit assurance providers and explain how independence and objectivity were safeguarded.
- 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.
- To ensure coordination between the college's various assurance providers.
- To ensure the assurance providers have access to appropriate officers and information, and independent access to the Governing Body Chair, committee chair and members, as required.
- 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.
- To notify the ESFA immediately of the resignation of Auditors, or in the rare circumstance where the Governing Body removes the Auditors before the expiry of their agreed term.
- To review and monitor the implementation and effective operation of the College's Health & Safety policy and procedures. To approve the Health, Safety & Wellbeing Policy
- 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
- To have oversight of the College's Risk Management Policy and in respect of the Appetite Statement, to make any recommendations for change to the Governing Body for approval. To approve the College's Risk Management Policy (which incorporates the Board approved Risk appetite statement) on an annual basis.

## **6 OPERATIONAL MATTERS**

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

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

- 7.1 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.
- 7.2 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.

## **8. EXTERNAL ADVICE**

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

## **9. CLERKING ARRANGEMENTS**

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

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

- 10.1 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.
- 10.2 Any recommendations made by the Committee will appear as separate items on the agenda for the next ordinary meeting of the Board of Governors.

## **11 REVIEW AND APPROVAL**

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 – 16 December 2021
Next review date	October 2022

## ANNEX A

### 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	✓	
Fraud and Irregularity 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		✓

