

## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

**Constitution** - The Governing Board hereby resolves to adopt the following Terms of Reference for the Audit Committee which is established in accordance with the Articles of Government (Clause 6). These Terms of Reference are in accordance with the Post-16 Audit Code of Practice.

#### **1. Objectives**

- 1.1.** The Committee does not have an executive role and is established to assess and provide the Governing Board with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.
- 1.2.** The Committee is also required to advise the Governing Board on the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.

#### **2. Membership**

- 2.1.** The Committee shall be appointed by the Governing Board and will consist of:
  - A minimum of 3 members, a majority of whom must be members of the Governing Board and must not include the Chair of the Governing Board, the Principal or members of the Resources Committee.
  - The Governing Board must ensure that the Committee maintains its independence and objectivity when considering the appointment of members and to support this, membership may also include one or more external co-opted members who should be treated as having equivalent status to full members of the Governing Board.
  - The Committee should not include members of staff of the College, including staff governors and senior post-holders.

- Members of the Committee collectively should have a range of skills and recent experience relevant to risk management, governance, finance, audit and assurance.

**2.2** The Chair of the Committee shall be a Governor, appointed by the Board. The Chair shall remain in post until the end of their term of office as a Governor, at which time the Board may re-appoint the Chair for a further period of the same duration as their re-appointment as a Governor. The Chair will remain in post until such time as the appointment of Chair is reconsidered. Whilst it is not a requirement, the Committee may also appoint a Vice Chair or Co-Vice Chairs if it determines that this would be a benefit to the Committee for matters such as succession planning in relation to the role of Chair.

**2.3** The terms of office of members of the Committee shall be the remainder of their term of office as a member of the Governing Board. Re-appointment to the Governing Board shall also constitute re-appointment to the Committee unless the Governing Board determines otherwise. Co-opted members may be appointed for a period of up to four years.

### **3. Quorum**

**3.1.** A quorum shall be three members of whom at least one shall be a full member of the Governing Board. A quorum may include Co-opted Members but not Co-opted Advisors.

### **4. Attendance at Meetings**

**4.1.** The Committee shall have the right, whenever it is satisfied that it is appropriate to do so, to go into confidential session and exclude any or all participants and observers, except the Director of Governance. When the Committee exercises this right, the rules relating to quoracy shall be observed.

**4.2.** The internal auditor shall be invited to attend all meetings, as shall the financial statements auditor and regularity auditor, where business relevant to them is being discussed. Senior management may be required to attend meetings particularly where their area of responsibility is under discussion.

- 4.3.** In order to maximise the independence of the Committee, the Director of Governance to the Governing Board must be the Director of Governance to the Committee.

## **5. Frequency of Meetings**

- 5.1.** Meetings shall be held not less than three times a year. The auditors may request an additional meeting if they consider that one is necessary.

## **6. Authority**

- 6.1.** The advice provided by the Committee to the Governing Board is primarily formed through a consideration of the work of the College's internal audit service (IAS), its financial statements auditor and regularity auditor.
- 6.2.** The Committee has the right of access to obtain all the information it considers necessary from members of the staff and Governors, and to consult the IAS, financial statements auditor and regularity auditor directly. There shall be an item on the agenda of every meeting of the Committee – 'Consultation with Auditors' – before inviting officers to attend.
- 6.3.** The Committee has the right to investigate any activity within its Terms of Reference
- 6.4.** The Committee is authorised by the Governing Board to obtain outside legal or other independent professional advice up to a limit of £10,000 per annum and to secure the attendance of outsiders with the relevant experience and expertise if it considers this necessary. Further expenditure would require the approval of the Governing Board.

## **7. Responsibilities**

- 7.1.** In accordance with the Post 16 Audit Code of Practice, the responsibilities of the Committee are to:
- Assess and provide the Governing Board with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.

- Advise and support the Governing Board in explaining in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities within the Statement of Corporate Governance and Internal Control.
- Consider the development of members and put in place appropriate training to ensure their skills and knowledge are up to date. Where the Committee identifies a gap in its existing skills set, it should commission training and development to address this.
- Receive reports on the College's Financial Statements from the External Auditor and make recommendations to the Governing Board in relation to their approval.
- Advise the Governing Board on the appointment, reappointment, dismissal and remuneration of the financial statements auditor, regularity auditor and other assurance providers, including the IAS, and establish that all such assurance providers adhere to relevant professional standards.
- Advise the Governing Board on the scope and objectives of the work of the financial statements auditor and the regularity auditor as well as the audit strategy and annual internal audit plans for the IAS.
- Advise the Governing Board on internal audit reports and annual reports and on control issues included in the management letters of the financial statements auditor (including their work on regularity), and management's responses to these.
- Monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit reports, the regularity auditor's management letter and spot-check reports (where appropriate) and the financial statements auditor's management letter.
- Consider and advise the Governing Board on relevant reports by the National Audit Office, the Education & Skills Funding Agency (ESFA) and other funding bodies, and, where appropriate, management's response to these.

- Produce an Annual Report for the Governing Board which summarises the Committee's activities relating to the financial year under review, including a summary of the work undertaken by the Committee during the year, the number of meetings held in the year and attendance records for each Audit Committee member, 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 include 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 Governing Board's assurance arrangements, assurance over sub-contracting, its framework of governance, risk management and control processes for the effective and efficient use of resources, solvency and the safeguarding of assets.

The Annual Report must be submitted to the Governing 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.

- Oversee college policies on fraud and irregularity, impropriety and whistleblowing, and ensure the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity; that investigation outcomes are reported to the Audit Committee; that the external auditors and internal auditors have been informed of investigation outcomes and other matters of fraud, irregularity and impropriety, and that appropriate follow-up action has been planned / actioned, and that all significant cases of fraud or suspected fraud, theft, bribery, corruption, irregularity, major weaknesses or breakdown in the accounting or other control framework are reported to the ESFA or other relevant funding authority, as soon as possible.
- Ensure that risks around fraud have been identified and controls put in place to mitigate them
- Oversee incidents of data breaches, GDPR issues and reportable health and safety incidents

- Inform the Governing Board of any additional services undertaken by the IAS, the financial statements auditors and the regularity auditor and explain how independence and objectivity were safeguarded.
- Notify the ESFA immediately of the resignation of auditors (including a copy of an explanation from the auditors) or of the removal of auditors before the expiry of their term of office with the reasons for their removal.
- Ensure that there is a policy in place for the regular retendering of the external audit service, which considers quality of the service required as well as the price and provides for the external audit contract to be put out to tender at least once every five-years.
- Establish, in conjunction with college management, relevant annual performance measures and indicators, and to monitor the effectiveness of the IAS and financial statements auditor through these measures and indicators.

## **7.2 Annual Cycle of Audit Committee Business**

- Periodically review the Annual Business Cycle and consider other items of business for inclusion where necessary.

## **8. Reporting Procedures**

- 8.1.** The Committee Chair will report the outcome of its meetings to the Governing Board in a Committee Chair's report, to appear in Part B of the Governing Board agenda, which will include the draft minutes of its last meeting.
- 8.2.** The Committee shall provide an Annual Report for the Governing Board and the Principal as Accounting Officer in accordance with 7.1.

## DELEGATIONS

Policy / decision	Role of Committee	Board Approval required
Annual Report and Accounts (Financial Statements)	Review and Recommend	Yes
Anti-fraud report	Review	No
Appointment / re-appointment of auditors including extension of existing contracts	Recommend	Yes
Audit action tracker	Review	No
Audit Committee Annual Report	Recommend	Yes
Committee Minutes	Approve	No
Committee Terms of Reference	Review and Recommend	Yes
Data Assurance Report (every two years)	Review	Yes
Data Protection Policy	Approve	No

Policy / decision	Role of Committee	Board Approval required
External Audit Plan	Review and Recommend	Yes
Financial Statements Auditor's Report and Letters of Representation	Review and Recommend	Yes
Internal Audit Annual Plan	Review and Recommend	Yes
Internal Audit Annual Report	Review and Recommend	Yes
Internal Audit Progress Reports	Review	No
Regularity Audit Questionnaire	Review and Recommend	Yes
Review of Auditor's performance	Review and Recommend	Yes
Review of Auditor's performance: Questionnaire / KPIs	Chair of Committee approves	No



Policy / decision	Role of Committee	Board Approval required
Risk Management Policy	Review and Recommend	Yes
Risk Management Report (rolling termly update)	Review and report to Board for information	No
Risk Register (Annual)	Review and Recommend	Yes
Sub-contracting: Independent Assurance Reports (annual)	Review	No
Whistleblowing Policy	Review and Recommend	Yes

**Approved by the Governing Board: 3 December 2024.**