



## **AUDIT COMMITTEE Terms of Reference**

1. The Audit Committee is a committee of the Corporation established under the terms of clause 5 of the Articles of Government (2012).
2. Managing Public Money outlines public sector organisations shall have good quality internal governance and sound financial management. Appropriate delegation of responsibilities and effective mechanisms for internal reporting should ensure that performance can be kept on track. Good practice should be followed in procuring and managing resources and assets; hiring and managing staff; and deterring waste, fraud and other malpractice.
2. The role of the Committee is to advise the Corporation on the adequacy and effectiveness of the College's assurance framework, playing a robust role in good stewardship and risk management. This includes systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money) the solvency of the institution and the safeguarding of its assets, ensuring it fulfils its statutory and regulatory responsibilities. In addition, the Audit Committee advises and supports the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory responsibilities;
  - In carrying out the above requirement, the Committee shall ensure that the internal control systems, including audit activities, of the Corporation and any of its subsidiaries are monitored actively, independently and objectively in order to:-
    - advise on the adequacy and effectiveness of the College's systems of assurance and internal control;
    - advise on the College's arrangements for risk management, control and governance processes;
    - reinforce the independence and effectiveness of the internal audit function;
    - provide a sounding board for College management on issues of concern in connection with the College's internal control systems;
    - obtain advice on the reliability of the College's information systems;
    - underpin the objectivity and independence of the external auditors;
    - increase public confidence in the objectivity and fairness of the Corporation's financial reports and in the quality of the College's corporate governance.
  - To provide a medium of communication from the Corporation's auditors, which is not controlled by College management.
  - In discharging its role the Committee is also to be mindful of ensuring that that the information received by it and all decisions taken are centred on improving the experience of students at the College and levels of achievement.
3. The Committee shall comprise a minimum of three independent members appointed by the Corporation, one of whom shall be the Chair of the Committee. The Chair of the Corporation, the Chief Executive, staff and student governors and the College's professional advisers are excluded from membership.
4. Membership of the Committee must include;
  - i. at least one person (whether a member of the Corporation or not) with relevant and recent accountancy, or audit and assurance experience
  - ii. individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively.
  - iii. collectively members of the Committee should have recent, relevant experience in risk management, finance, assurance and control and must not adopt an executive role.
  - iv. the abilities of the membership of the Committee should reflect the needs of the Corporation and should extend to expertise in all relevant financial and non-financial areas.
  - v. accordingly, membership may include persons who are not governors who have been recommended by the Search Committee and approved by the Corporation (to be known as co-opted external members). The Audit Committee must ensure it maintains its independence when considering the appointment of members.
5. The Committee will appoint its own Chair to ensure its independence from the Corporation.

6. The quorum shall be three members of the Committee, two of whom must be governors.
7. In the event of the Chair of the Committee being unable to attend, the remaining governors, under paragraph 3 above, should elect one of their members as chair for the meeting.
8. The Clerk to the Corporation shall be the Clerk to the Committee.
9. The Committee should meet at least three times a year and where meetings are not held, an explanation must be provided in the Audit Committee's Annual Report. -
10. Minutes of meetings of the Committee shall be available for the Corporation for information or approval as appropriate.
11. The functions of the Committee shall be to: -
  - i) assess and advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness, the solvency of the institution and the safeguarding of its assets. Taking a holistic view with all aspects and systems, financial and non-financial, being in scope depending on their impact and effective on the Corporation;
  - ii) ensure appropriate training is in place for all members and their skills and knowledge are up to date. Any gaps identified in the existing skills set should be addressed through training and development in the first instance;
  - iii) advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor (EA) and the internal audit service (IAS) and any other assurance providers and establish that all such providers adhere to the relevant professional standards;
  - iv) advise the Corporation on the scope and objectives of the work of the IAS, the external auditor and the funding auditor (where appointed);
  - v) ensure effective coordination and co-operation between the IAS, the external auditor and the funding auditor (where appointed) including whether the work of the funding auditor should be relied upon for internal audit purposes;
  - vi) consider and advise the Corporation on the audit strategy and annual internal audit plans for the IAS based on the College's risk register;
  - vii) review, consider and advise the Corporation on internal audit assignment reports and annual reports and on control issues included in the management letters of the external auditor (including their work on regularity audit) and the funding auditor (where appointed), and management's responses to these, agreeing management responses and recommendations actioned;
  - viii) monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, external auditor's management letter and the funding auditor's management letter and spot-check reports (where appointed);
  - ix) consider and advise the Corporation on relevant reports by the National Audit Office (NAO), the Education Skills Funding Agency (ESFA), or their successors, and other funding bodies, and where appropriate management's response to these;
  - x) 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 regulator's accounts directions.
  - xi) establish, in conjunction with College management, relevant annual performance measures and indicators, and monitor the effectiveness of the IAS and external 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;
  - xii) Oversee additional matters such as data breaches, GDPR issues and health and safety incidents
  - xiii) produce an annual report for the Corporation – which must be submitted to the Corporation before the Statement of Corporate Governance and Internal Control in the annual accounts is signed and summarises the committee's activities relating to the financial year under review, including
    - i. a summary of work undertaken by the committee during the year
    - ii. the number of meetings held in the year, and attendance records for each Audit Committee member
    - iii. any significant issues arising up to the date of preparation of the report

- iv. any significant matters of internal control included in the reports of audit and assurance providers
  - v. details of the date of appointment of the external auditors and the remaining term of the contract
  - vi. the Committee's view of its own effectiveness and how it has fulfilled its terms of reference
  - vii. The Committee's opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, assurance over sub-contracting, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency and the safeguarding of assets.
- xiv) Inform the Corporation of all additional services undertaken by the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers, explaining how independence and objectivity were safeguarded;
- xv) monitor the strategic risk areas remitted by the Corporation to the Committee and advise the Corporation as appropriate.
- xvi) oversee the Corporation's policies on fraud and irregularity, impropriety and whistleblowing (public interest and disclosure) and ensure:
- i. the proper, proportionate and independent investigation of any allegations and instances of fraud and irregularity
  - ii. that investigation outcomes are reported to the Committee
  - iii. that the External Auditors and IAS have been informed of investigation outcomes and other matters of fraud, irregularity and impropriety, and that appropriate follow up action is planned and actioned
  - iv. That all significant cases of fraud, or suspected fraud, theft, bribery, corruption, irregularity, major weakness or breakdown in the accounting or other control framework are reported to the ESFA and other relevant funding authority as soon as possible. In the case of significant fraud, including cyber crime, these must be reported via the allegations e-mail obtained from the Post-16 Audit Code of Practice
  - v. any risks around fraud have been identified and controls put in place to mitigate them.
12. The Committee must notify the ESFA immediately of the resignation of auditors mid-term, or where the Corporation removes the auditors before the expiry of their term of office. Where auditors have resigned, other than their agreed term, the Audit Committee must provide an explanation to the ESFA from the Auditors. Where the Corporation elects to remove the auditors, the Committee must notify the ESFA of these reasons.
13. The Committee must ensure there is a policy in place for regular retendering of the external audit service, alongside consideration of the quality of the service required as well as the price.
14. The Committee is entitled, wherever it is satisfied that it is appropriate to do so, to go into confidential session and (subject to the rules of quoracy at paragraph 6 above) to exclude any, or all, participants and observers, except the Clerk to the Corporation.
15. The Committee has the authority to investigate any activity within its terms of reference and has the right of access to obtain information and explanations it considers necessary, from whatever source, to fulfil its remit.
16. Conduct a review of the declarations of interest, any related party transactions and the register of hospitality and gift reported by Members of the Corporation and members of the Extended Executive team.
17. The Committee has the right to scrutinise any activity within these terms of reference which may involve engaging a third party.
18. The Committee shall undertake an annual review of these terms of reference and recommend any changes needed to the Corporation for approval.

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**Revision History: -**

Review by the Audit Committee on 22 September 2020

Approved by the Corporation on 19 October 2020

Reviewed by the Audit Committee on 21 September 2021

Approved by the Corporation on 18 October 2021

Reviewed by the Audit Committee on 13 October 2022

Approved by the Corporation on 31 October 2022

Reviewed by the Audit Committee on 19 September 2023 and reflecting the Post-16 Audit Code of Practice 2022-23, which reflects The Treasury's Managing Public Money Guidance

Approved by the Corporation on 23 October 2023