

AUDIT COMMITTEE

TERMS OF REFERENCE

1. STATUS

The Audit Committee will report directly to the Corporation and is a Committee of the Corporation.

2. MEMBERSHIP

The Committee to consist of five members of whom at least three shall be Members of the Corporation. The Chair to be approved annually by the Corporation at a meeting in the Autumn Term and to be a Member of the Corporation. At least one member of the Committee shall have experience in:

- Delivering internal audit services, or managing the results of internal audit.
- Delivering a sound framework of internal control in a business as complex as a college.
- Risk management and financial control

Members of the Committee must not have executive authority in the College, nor be Members of the College Finance Committee or equivalent, nor be the current Chair of Corporation.

Up to two additional Members may be co-opted to the Committee to enhance the skills and expertise on the Committee, with a voting mandate.

3. QUORUM

Three Governors shall constitute a quorum (i.e. excluding co-opted Members).

4. SENIOR MANAGEMENT LEAD

Assistant Principal – Finance & Resources.

5. TERMS ON WHICH MEMBERS HOLD AND VACATE OFFICE

Members of the Committee shall be considered for re-appointment on an annual basis. A Corporation Member shall cease to be a Member of the Committee upon his/her resignation from the Corporation, unless otherwise determined by the Corporation.

6. MEETINGS

The Committee shall normally meet at least once per term and not less than twice per year. The Internal and External Financial Statements Auditors may request a meeting of the Committee if they consider one is necessary and the Committee will endeavour to comply with such requests.

7. CLERKING

The meetings of the Committee shall normally be serviced by the Clerk to the Corporation.

8. IN ATTENDANCE AS APPROPRIATE

Principal
College Accountant
Assistant Principal – Finance & Resources
Representatives of Internal and External Financial Statement Auditors
Managers of functions on which auditors have commented

9. GENERAL

In order to exercise its role the Audit Committee has the power to:

- a) Investigate any activity within its terms of reference. Seek any information it requires direct from the Governors, Committees and College employees, plus relevant information from subcontractors and other third parties and consult the Internal Audit Service and the Financial Statement Auditor.
- b) Obtain external professional advice.
- c) Go into confidential session and (subject to the rules as to quoracy) to exclude any, or all, attendees and observers, except the Clerk to the Committee.

10. ADVICE TO THE CORPORATION

- a) Assess and provide the Corporation 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.
- b) To advise the Corporation on the adequacy and effectiveness of the College's systems of internal financial control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money).
- c) To advise the Corporation on the College Financial Regulations.
- d) To advise the Corporation on the appointment, reappointment, dismissal, remuneration and terms of engagement of the External Financial Statements Auditor, the Internal Audit Service, other assurance providers and establish that all such assurance providers adhere to relevant professional standards.
- e) To advise the Corporation on the scope and objectives of the Internal Audit Service and the External Financial Statements Auditors and other assurance providers where applicable.
- f) To consider and advise the Corporation on the audit strategy and annual internal audit plans for the Internal Audit Service.
- g) To advise the Corporation on internal audit assignment reports and annual reports and on control issues included in the management letters of the External Financial

Statements Auditor (including their work on regularity), and management's responses to these.

- h) To consider and advise the Corporation on relevant reports by the NAO, the ESFA and other funding bodies, and, where appropriate, management's response to these.
- i) To recommend the Internal Audit annual report and the management letters of the External Financial Statements Auditor to the Corporation, prior to the Corporation's approval of the annual financial statements.
- j) To review and monitor the internal and external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- k) To develop and implement policy on the engagement of the external auditor to supply service other than financial statements, audit and regularity audit, taking into account relevant ethical guidance. Report to the governing body 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 governing body should explain in its Annual Report and Financial Statements how auditor objectivity and independence is nonetheless safeguarded).

11. MONITORING

- a) To ensure effective coordination between the Internal Audit Service and the External Financial Statements Auditor.
- b) To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports and the External Financial Statements Auditor's management letter.
- c) To establish, in conjunction with College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the Internal Audit Service and External Financial Statements Auditor against these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.
- d) oversee the College's policies on fraud and irregularity 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 where appointed) have been informed, and that appropriate follow-up action has been planned/actioned, and that all significant cases of fraud or suspected fraud or irregularity are reported to the Chief Executive of the appropriate funding body.
- e) To inform the Corporation of all additional services undertaken by the Internal Audit Service, and the External Financial Statements Auditors or other assurance providers and explain how independence and objectivity were safeguarded.
- f) To receive reports from the College Management on specific issues in order to ensure that existing systems of internal financial control, and arrangements for risk management, control and governance processes, and securing economy, efficiency and

effectiveness (value for money) are being properly applied and to make any appropriate recommendations to the Corporation.

- g) To monitor the regular updating of the College Register of Interest and Declarations of Eligibility.

12. REPORTING

- a) To provide a written annual report to the governing body that outlines the activities of the audit committee as they relate to the financial year under review and to the terms of reference of the Committee.

The report should include any significant issues arising 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.

The report must also include the Committee's opinion on the adequacy of the College's audit arrangements, its framework of governance and the adequacy and effectiveness of the College's systems and arrangements for risk management, control and governance processes and for securing economy, efficiency and effectiveness.

It must include the Committee's view of its own effectiveness and how it has fulfilled its terms of reference.

The annual report must:

- i) be submitted to the Corporation before the "Statement of Corporate Governance and Internal Control" in the accounts is signed and
- ii) a copy of the annual report must be submitted to the funding body with the annual accounts.

13. OTHER MATTERS

- a) To advise the Corporation and Principal on any matters that they may refer to the Committee.
- b) The Audit Committee has no delegated financial powers.

Terms of Reference follow the SFA Guidelines listed in Part 2 of the Joint Audit Code of Practice: July 2013: Minimum Terms of Reference for a FE College Audit Committee. Sections 23-26. The publication of the Post 16 Audit Code of Practice, in March 2017, has not generated any amendments.

Brian Bowker
Clerk to the Corporation

Approved at the 17 October 2018 Corporation meeting.