

## Audit & Risk Committee Terms of Reference

### 1. Constitution

1.1 The Audit & Risk Committee has approved and adopted these terms of reference.

### 2. Objectives

2.1 The Audit & Risk Committee will:

- 2.1.1 Advise the Corporation on the adequacy and effectiveness of the College's assurance framework.
- 2.1.2 Play a robust role in good stewardship and risk management.
- 2.1.3 Advise and support the Corporation in explaining, in its Annual Accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.
- 2.1.4 Ensure that the internal control systems of the Corporation are monitored actively, independently and objectively.
- 2.1.5 Not adopt an executive role.
- 2.1.6 Operate in accordance with relevant law, guidance and Codes of Practice, including but not limited to:
  - [Post-16 audit code of practice](#) (ESFA)
  - [College Accounts Direction](#) (ESFA)
  - [The scope of work of audit committees and internal auditors in college corporations](#) (ESFA)
  - [FE and Sixth Form College Corporations Governance Guide](#) (DfE)
  - [College Financial Handbook](#) (ESFA)

### 3. Membership

- 3.1 The Committee shall be appointed by the Corporation and consist of at least three members, excluding members of the Finance & General Purposes Committee, the Corporation Chair and the CEO/Principal. The Corporation, when appointing members, must take into account their responsibility to maintain the Committee's independence and objectivity.
- 3.2 The Committee may co-opt external members as necessary to supplement the skills of the membership.
- 3.3 Staff and Students shall not be members of the Committee.
- 3.4 The quorum shall be three members. There must always be a majority of Corporation members present.
- 3.5 The Chair shall be appointed by the Corporation on an annual basis.
- 3.6 The membership must include individuals with an appropriate mix of skills and experience to allow the committee to discharge its duties effectively. Collectively, members of the committee should have recent, relevant experience in risk management, finance, and assurance. The abilities of the membership of the audit committee should reflect the needs of the corporation and should extend to expertise in all relevant financial and non-financial areas.

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

- 4.1 The CEO/Principal, other appropriate members of staff, and a representative of the Internal Auditor shall normally attend meetings, at the invitation of the Committee.
- 4.2 The Committee, when appropriate, may meet with representatives of the Internal and External Auditors without the CEO/Principal and other staff members being in attendance.
- 4.3 The Committee shall invite other persons to attend as appropriate. Such persons shall be entitled to speak but not to vote and may be asked to withdraw from meetings.
- 4.4 Other Corporation members may attend meetings, other than Staff or Student members.
- 4.5 The Head of Governance shall be clerk to the Committee.

#### **5. Frequency of Meetings**

- 5.1 Meetings shall be held not less than three times per year. Where three meetings are not held, an explanation (such as when it was not possible to achieve a quorum) must be provided within the Committee's annual report.
- 5.2 The Internal or External Auditors may request a meeting if they consider one is necessary.

#### **6. Authority**

- 6.1 In exercising its role, the Committee may scrutinise any activity set out within these terms of reference, which may involve assistance from a third party or necessitate the procurement of external professional advice.
- 6.2 The Committee may access all information and explanations it considers necessary, from whatever source, to fulfil its remit.
- 6.3 Corporation members and College staff are required to co-operate with any reasonable request made by the Committee.

#### **7. Duties**

- 7.1 Assess and provide the Corporation with an opinion on the adequacy and effectiveness of the College's assurance arrangements and framework of governance. This may include the board assurance framework, risk management and control processes for the effective and efficient use of resources, solvency, and the safeguarding of assets.
- 7.2 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 skillset, training and development should be provided to address this in the first instance.
- 7.3 Advise the Corporation on the appointment, reappointment, dismissal and remuneration of the External Auditor, reporting accountant, Internal Audit (as applicable) and other assurance providers (as applicable) and establish that all such assurance providers adhere to relevant professional standards.
- 7.4 Inform the Corporation of any additional services provided by the External Auditor, reporting accountant, Internal Audit (as applicable) and other assurance providers (as applicable) and explain how independence and objectivity are safeguarded.

- 7.5 Review and consider the reports of the External Auditor, reporting accountant, Internal Audit (as applicable) and other assurance providers (as applicable), and monitor the implementation of recommendations to agreed timescales.
- 7.6 Oversee the Corporation's policies on and processes around fraud, irregularity, impropriety and whistleblowing, and ensure:
  - 7.6.1 The proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity.
  - 7.6.2 That investigation outcomes are reported to the Committee.
  - 7.6.3 That the External Auditor (and Internal Auditor if applicable) is informed of investigation outcomes and other matters of fraud, irregularity and impropriety, and that appropriate follow-up action has been planned/actioned.
  - 7.6.4 That significant cases of fraud or suspected fraud, theft, bribery, corruption, irregularity, cybercrime, major weakness or breakdown in the accounting or other control framework are reported to ESFA and other relevant funding authorities, as soon as possible.
  - 7.6.5 That risks around fraud have been identified and controls put in place to mitigate them.
- 7.7 Produce an annual report for the Corporation, to be submitted before the statement of corporate governance and internal control in the annual accounts is signed. The report must summarise the Committee's activities relating to the financial year under review, including:
  - 7.7.1 A summary of the work undertaken by the Committee during the year
  - 7.7.2 The number of the meetings held in the year, and attendance records for each member of the Committee.
  - 7.7.3 Any significant issues arising up to the date of preparation of the report.
  - 7.7.4 Any significant matters of internal control included in the reports of audit and assurance providers.
  - 7.7.5 Details of the date of appointment of the External Auditors and the remaining term of the contract.
  - 7.7.6 The Committee's view of its own effectiveness and how it has fulfilled its terms of reference.
  - 7.7.7 The Committee's opinion on the adequacy and effectiveness of the College'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
  - 7.7.8 Where the College opts not to appoint an Internal Auditor, an explanation of how the Committee has discharged its responsibilities to oversee a programme of internal review and obtain the necessary assurances concerning internal control and risk.
- 7.8 The Committee should take a holistic view with all aspects and systems, financial and non-financial, being in scope depending on their impact and effect on the Corporation.

- 7.9 The Corporation does not routinely need to notify ESFA of a change in auditor at the expiry of their agreed term in office. However, the Committee must notify ESFA immediately of the resignation of External Auditors mid-term, or in the rare circumstance where the Corporation removes the External Auditors, before the expiry of their term of office. Where auditors have resigned, other than at the end of their agreed term, the Committee must copy to ESFA an explanation from the auditors. Where the Corporation elects to remove the auditors, it must notify ESFA of these reasons.
- 7.10 The Committee must ensure that there is a policy for regular retendering of the external audit service. The Committee should consider the quality of the audit service required as well as the price. Corporations should ensure that the external audit contract is put out to tender at least every five years, though for the avoidance of doubt this does not necessarily require a different firm of auditors to be appointed.
- 7.11 Although Corporations are not required to commission internal auditors, having an internal audit service, which may be supplemented by specialists in particular areas, is likely to assist the Committee to ensure that they have effectively discharged their duties.
- 7.12 In order to oversee the College's robust approach to preventing cyber-crime, the Committee will ensure that:
- 7.12.1 Cyber-security strategies or plans are in place and are regularly reviewed. These should encompass the prevention, detection, investigation and recording of fraud and cyber security incidents.
  - 7.12.2 Cyber-crime risks are regularly reviewed as part of the College's risk management strategy.
  - 7.12.3 Appropriate cyber-security measures are in place, such as awareness training for staff.
- 7.13 To receive reports on matters such as GDPR, health and safety incidents, allegations of extremism and safeguarding, as well as any other serious issues which may be reported to an external regulator.
- 7.14 To review and approve its own terms of reference and cycle of business on an annual basis.

## **8. Reporting Procedures**

- 8.1 The minutes of each Committee meeting, and any recommendations of the Committee shall be reported to the next meeting of the Corporation.

**Last reviewed and approved: 14<sup>th</sup> June 2024**

**Date of Next Review: June 2025**