



AUDIT COMMITTEE TERMS OF REFERENCE

Last Reviewed by Audit Committee: 23 June 2023

Approved by the Corporation: 7 July 2023

1. Constitution

The Corporation hereby resolves to adopt the following terms of reference for the Audit Committee.

2. Objectives

2.1 The Committee shall ensure that the internal control systems, including audit activities, of the Corporation and any of its subsidiaries is monitored actively, independently and objectively in order to:

2.1.1 improve the effectiveness of the College's internal controls;

2.1.2 reinforce the independence and effectiveness of the internal audit function;

2.1.3 provide a sounding board for College management on issues of concern in connection with the College's internal control systems;

2.1.4 advise on the reliability of the College's information systems;

2.1.5 underpin the objectivity and independence of the external auditors; and

2.1.6 increase public confidence in the objectivity and fairness of the Corporation's financial reports and in the quality of the College's corporate governance.

2.2 To provide a medium of communication from the Corporation's auditors, which is not controlled by College management.

2.3 The Audit Committee must not adopt an executive role.

3. Membership

3.1 The Committee shall be appointed by the Corporation and consist of:

3.1.1 At least three Corporation Members (excluding members of the Corporation's Finance & General Purposes Committee, the Chair of the Corporation, and the CEO/Principal); and

3.1.2 The Committee shall have the authority to co-opt additional external members as necessary from time to time to supplement the skills of the membership.

3.2 Staff and student governors shall not be members of the Audit Committee.

3.3 A quorum shall be two members and for a meeting to be quorate there must always be a majority of Corporation Members present.

3.4 The Chair of the Committee shall be appointed by the Corporation.

3.5 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.

4. Attendance at Meetings

- 4.1. The CEO/Principal, appropriate members of ELT, and a representative of the internal auditors shall normally attend meetings at the invitation of the Committee.
- 4.2. the Committee shall have the power to invite other persons to attend as may be desirable and necessary. Such persons, attending by invitation, shall be entitled to speak but not to vote at meetings and may be asked to withdraw from meetings by the Committee where appropriate.
- 4.3. Other Corporation members shall have a right of attendance (other than staff and student governors), save that the Committee may, when they are satisfied that it is appropriate, meet with representatives of the internal/and or external auditors without the CEO/Principal being in attendance.
- 4.4. The Governance Professional shall be Clerk to the Committee.

5. Frequency of Meetings

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

6. Authority

- 6.1 In order to exercise its role, the Audit Committee is authorised by the Corporation to:
 - 6.1.1 investigate any activity within its terms of reference;
 - 6.1.2 seek any information and explanations it requires from any Corporation member, committee of the Corporation, employee of the College, the internal auditors, external auditors, sub-contractors and any other third parties.
 - 6.1.3 All Corporation members and employees of the College are directed to co-operate with any request made by the Committee; and
 - 6.1.4 obtain external professional advice.

7. Duties

- The duties of the Committee shall be:
- 7.1 to assess and provide the Corporation with an opinion on the adequacy and effectiveness of the College's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, value for money in the use of public grant funding, the solvency of the institution and the safeguarding of its assets;
 - 7.2 to support the Corporation and the CEO/Principal by reviewing the comprehensiveness, reliability and integrity of assurances including the College's governance, risk management and internal control framework and produce an annual report for the Corporation. The scope of this assurance shall include international work, as referred through the Corporation's corporate

structure;

- 7.3 to advise the Corporation on the appointment, reappointment, dismissal and remuneration of the financial statements and regularity auditors, and other assurance providers, including internal auditors, and establish that all such assurance providers adhere to relevant professional standards;
- 7.4 to advise the Corporation on the scope and objectives of the work of the internal audit service and the financial statements auditor;
- 7.5 to ensure effective coordination between the internal audit service and the financial statements auditor, including whether the work of the funding auditor should be relied upon for internal audit purposes;
- 7.6 to consider and advise the Corporation on the audit strategy and annual internal audit plans for the internal audit service;
- 7.7 to advise the Corporation on internal audit assignment reports and annual reports and on control issues included in the management letters of the financial statements auditor and management's responses to these;
- 7.8 to explain to the Corporation, in its annual accounts, the measures taken to ensure the College has fulfilled its statutory and regulatory responsibilities;
- 7.9 to monitor, within agreed timescales, the implementation of recommendations arising from the management letters and reports of the financial statements and regularity auditor, and of any reports submitted by other providers of audit and assurance services to the College;
- 7.10 to consider and advise the Corporation on relevant reports by the ESFA and successor bodies, other funding bodies, the Office for Students and, where appropriate, management's response to these;
- 7.11 to establish, in conjunction with FE college management, relevant annual performance measures and indicators, and to monitor the effectiveness of the internal audit service and financial statements 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;
- 7.12 to ensure that the external audit contract is put out to tender at least every five years;
- 7.13 to consider that development and training available to its members to ensure their skills and knowledge are up-to-date;
- 7.14 to provide a statement on data quality at the College;
- 7.15 to obtain and consider an independent report that provides assurance on the arrangements in place to manage and control sub-contractors, and to include this in the annual report;
- 7.16 to produce an annual report for the Corporation. The annual report must:

- Summarise the Committee's activities relating to the financial year under review, including 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.
 - Detail the number of meetings held in the year, and attendance records for each Committee member, as well as details of the date of appointment of the external auditors and the remaining term of the contract.
 - Include the Committee's view of its own effectiveness and how it has fulfilled its terms of reference.
 - Include the Audit Committee's opinion on the adequacy and effectiveness of the College'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.
 - Be submitted to the Corporation 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;
- 7.17 to ensure that all allegations of whistleblowing, fraud and irregularity are properly followed up and reported to the Committee. To this end, the Committee will receive a termly report on any allegations of whistleblowing, fraud and irregularity including a nil report;
- 7.18 to inform the Corporation of any additional services provided by the financial statements' auditor, regularity and other audit and assurance providers, and explain how independence and objectivity were safeguarded;
- 7.19 to oversee the College's policies and processes on fraud, 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 where appointed) have been informed, and that appropriate follow-up action has been planned/actioned; 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; and that any risks around fraud have been identified and controls put in place to mitigate them;
- 7.20 to oversee additional matters such as data breaches, GDPR issues and health and safety incidents.

8. REPORTING PROCEDURES

- 8.1 The recommendations of the Committee shall be reported to the next meeting of the Corporation.
- 8.2 The minutes of each Committee meeting will be presented to the next subsequent meeting of the Corporation.