

AUDIT COMMITTEE TERMS OF REFERENCE



(Approved at the Corporation meeting held on 6 July 2023;
reflects changes to the Post-16 Audit Code of Practice 2022 to
2023)

1. Membership

- 1.1. The membership of the Audit Committee shall consist of up to 8 members, a majority of whom must be governors, (excluding the Chair, the Principal or any member of the Finance and General Purposes Committee) including up to two suitable external members who may not be considered for the role of Chair of the Committee.

2. Meetings

- 2.1. The Audit Committee shall meet at least three times each year. Where three meetings are not held an explanation must be provided within the Committee's Annual Report.
- 2.2. Quorum: three members of the Committee (including external members).
- 2.3. The Audit Committee shall hold a private session with auditors on an annual basis. This planned meeting shall be detailed within the Committee Workplan.

3. Role

- 3.1. The role of the Audit Committee is to advise the Corporation on the adequacy and effectiveness of the Corporation's assurance framework. The audit committee must play a robust role in good stewardship and risk management and should refer to ESFA's guidance on the scope of work of audit committees and internal auditors in college 5 Further Education colleges, sixth form colleges and designated institutions established under the provisions of the Further and Higher Education Act 1992. 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 and regulatory responsibilities.
- 3.2. In fulfilling this role, the Committee has:
 - the right to scrutinise any activity within its terms of reference which may involve engaging a third party to assist
 - the right to access all the information and explanations it considers necessary, from whatever source, to fulfil its remit
 - a responsibility to maintain its independence and objectivity in appointing members
 - a responsibility to 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 assurance. The abilities of the Audit Committee should extend to expertise in all relevant financial and non-financial areas.

- a restriction not to adopt an executive role.

4. Responsibilities

- 4.1. To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets. 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.
- 4.2. To consider the development of members and put in place appropriate training to ensure their skills and knowledge are up to date. Where the Audit Committee identifies a gap in its existing skillset, training and development should be provided to address this in the first instance.
- 4.3. To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant, internal audit and other assurance providers (if applicable) and establish that all such assurance providers adhere to relevant professional standards.
- 4.4. To notify the ESFA immediately of the resignation of auditors or where the Corporation removes the auditors, before the expiry of their term of office. Where auditors have resigned, other than at the end of their agreed term, the Audit Committee must copy to the ESFA an explanation from the auditors. Where the corporation elects to remove the auditors, the Committee must notify ESFA of these reasons.
- 4.5. To ensure that there is regular retendering of the external audit service, at least every three years. The Audit Committee should consider the quality of the audit service required as well as the price.
- 4.6. To inform the Corporation of any additional services provided by the external auditor, reporting accountant, internal audit and other assurance providers (if applicable) and explain how independence and objectivity were safeguarded.
- 4.7. To 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..
- 4.8. To oversee the Corporation's policies on fraud, irregularity, impropriety and whistleblowing, and ensure:
 - 4.8.1. the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity

- 4.8.2. that investigation outcomes are reported to the audit committee
 - 4.8.3. that the external auditor and internal auditor are informed of investigation outcomes and other matters of fraud, irregularity and impropriety, and that appropriate follow-up action has been planned/actioned
 - 4.8.4. that all significant cases of fraud or suspected fraud, theft, bribery, corruption, irregularity, cyber-crime, major weakness or breakdown in the accounting or other control framework are reported to ESFA and other relevant funding authorities as soon as possible.
 - 4.8.5. risks around fraud have been identified and controls put in place to mitigate them.
- 4.9. To produce an annual report for the Corporation, summarising the committee's activities relating to the financial year under review, including:
- 4.9.1. a summary of the work undertaken by the committee during the year
 - 4.9.2. the number of meetings held in the year and the attendance records for each Audit Committee member
 - 4.9.3. any significant issues arising up to the date of preparation of the report
 - 4.9.4. any significant matters of internal control included in the reports of audit and assurance providers
 - 4.9.5. details of the date of appointment of the external auditors and the remaining term of the contract
 - 4.9.6. the Committee's view of its own effectiveness and how it has fulfilled its terms of reference
 - 4.9.7. the Committee's opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.
- 4.10. The Committee must submit the annual report to the Corporation before the statement of corporate governance and internal control in the annual accounts is signed.
- 4.11. Audit committees 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. In addition to the mandatory responsibilities of an Audit committee outlined above, as best practice Audit committees may also oversee additional matters such as data breaches, GDPR issues and health and safety incidents.