

## **ANNEX E OF STANDING ORDERS: AUDIT COMMITTEE TERMS OF REFERENCE**

### **1. Purpose**

The Audit Committee is a requirement of the Board of Governors and constituted under the Corporation's Instrument and Articles of Government. The Committee advises the Board on matters relating to the Board's audit arrangements and systems of internal control, risk management and governance processes. These terms of reference reflect the Minimum Terms of Reference set out in the Audit Code of Practice.

### **2. Responsibilities of the Committee**

- a. To advise the Board on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and systems of internal 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 governing body on the appointment, reappointment, dismissal and remuneration of the college External and Internal auditors and other assurance providers. This shall involve annual consideration and examination of reappointment at least every five years
- c. To advise the governing body on the scope and objectives of the work of the Internal Audit Service, the External Auditor, and other audit providers and to recommend audit plans to the Board for approval
- d. To ensure effective co-ordination between the Internal Auditors, the Funding Auditor (where appointed) and External Auditors
- e. To advise the governing body on internal audit reports and on control issues included in the management letters (of the funding auditor if appointed and) of the external auditor, including their work on regularity, and management's responses to these
- f. To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit reports, funding audits, the external auditor's management letter and spot check reports (where appropriate)
- g. To consider and advise the governing body on relevant reports by the NAO, funding bodies and, where appropriate, management's response to these
- h. To receive reports on the audit of student data
- i. To establish, in conjunction with college management, relevant annual performance measures and indicators, and to monitor the effectiveness, the independence and objectivity of the College auditors and to decide, based on this review, whether a competition for price and quality of the audit service is appropriate
- j. To produce an annual report for the governing body and accounting officer. This should include:
  - i. A summary of the work undertaken by the Committee during the year
  - ii. Any significant issues arising up to the date of preparation of the report
  - iii. Any significant matters of internal control included in the reports of auditors and assurance providers
  - iv. The committee's review of its own effectiveness and how it has fulfilled its terms of reference
  - v. 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, and the safeguarding

of assets.

- k. To oversee the corporation's policies on and processes around fraud, irregularity, impropriety and whistleblowing, and ensure:
  - i. the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity
  - ii. that investigation outcomes are reported to the Audit Committee
  - iii. that the external auditor (and internal auditor if applicable) are informed of investigation outcomes and other matters of fraud, irregularity and impropriety, and that appropriate follow-up action has been planned/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 ESFA as soon as possible
  - v. that risks around fraud have been identified and controls put in place to mitigate them.
- l. To have overall responsibility for maintenance & review of the Risk Register and any Board Assurance Framework.
- m. To oversee the development and operation of the College's Business Continuity and Disaster Planning arrangements.
- n. To review the College's (and Governors') insurance cover on a regular basis.
- o. To be informed of all additional services undertaken by any auditor or assurance provider and explain how independence and objectivity were safeguarded
- p. To recommend the annual financial statements to the governing body for approval
- q. To undertake any other tasks delegated by the Board related to the oversight of internal control systems, risk management, regularity and propriety
- r. In order to exercise its role the Audit Committee, when it considers it appropriate to do so, has the power to:
  - i. Go into confidential session and (subject to the rules as to quoracy set out below) to exclude any, or all, participants and observers, except the Governance Manager.
  - ii. be granted rights of access to obtain all the information it considers necessary from members of the staff and governors of the Board, and to consult the College auditors directly
  - iii. investigate any activity within its terms of reference
  - iv. obtain external professional advice
- s. The Committee shall not act in an executive role nor shall its members offer professional advice to the Board of Governors. Advice from members should be given only in Committee members' capacity as Governors and only within their terms of reference. Rather than adopting an executive role, the Committee shall seek the formal professional opinions from the internal audit service, external auditor or other professional advisers to the Board of Governors.

### **3. Membership**

- The Committee should comprise at least five Members, at least three of whom should be independent members of the Board of Governors;
- The Board has powers to appoint up to two co-opted members to the Committee to meet its skills needs.
- 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.
- In order to maximise the Committee's independence and objectivity, the following people are not

eligible to be members of the Committee.

- Members of the Finance Committee.
  - The Chair of the Board.
  - Governors with significant interests in the College.
  - Anyone with significant interest in any of the College's professional advisers or suppliers of other significant goods or services.
- The CEO and other senior post holders may not be members of the Audit Committee; however, they will normally attend meetings of the Committee. Other members of the College's staff who are Governors may be members of the Committee provided that they do not have significant executive, management, financial or budgetary responsibilities in the College.
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  - Managers may be invited to attend meetings of the Committee, particularly where their area of responsibility is under discussion, and shall be entitled to attend and speak at such meetings but not to vote.
  - The Committee may invite the Board's advisers or other third parties to attend meetings of the Committee as appropriate. Such people shall not have a vote but shall be entitled to speak at the meeting.
  - The college auditor/s shall be entitled to attend and speak at all meetings of the Committee, but not to vote.

#### **4. Quorum**

- The quorum for the Committee should be three, at least two of whom should be governors

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

- The Committee will meet a minimum of 3 times per year. The college auditors may request a meeting of the Committee if they consider that one is necessary and the Committee will endeavour to comply with such requests.

#### **6. Appointment of Chair**

- The Board should appoint a Chair of Audit Committee from its members for such time as the Board determines

#### **7. Clerking of the Committee**

- The Governance Manager shall act as Clerk to the Committee.
- Minutes of the Meeting shall be written up by the Governance Manager, approved by the Chair and circulated to members

#### **8. Reporting to the Board**

- The key issues from the Audit Committee shall be reported to the subsequent meeting of the Board and minutes shall be made available.

<b>Approval Date:</b>	13 July 2020 Audit Committee Meeting, 27 July 2020 Board Meeting
<b>Review Date:</b>	September 2021 Board Meeting