



# **Terms of Reference Audit Committee**



**Approved by the Corporation 28 June 2022**

Version:	
New or Replacement:	Replacement
Approved by:	
Date approved:	28 June 2022
Effective date:	
Author:	Interim Governance Adviser
Responsible Committee:	
Corporation Committee (if applicable):	Search & Governance Committee (recommend) Board (approve)
Date of next review:	October 2023
Equality Impact Assessment Date:	
Lead responsibility:	Director of Governance
Policy Category:	Corporation

<b>Reviewed by the Committee</b>	<ul style="list-style-type: none"> <li>• 6 October 2020</li> <li>• 26 April 2019</li> <li>• 30 January 2019</li> </ul>
<b>Approved by the Corporation</b>	<ul style="list-style-type: none"> <li>• <b>28 June 2022</b></li> <li>• October 2021</li> <li>• 22 October 2020</li> <li>• 17 July 2019</li> <li>• 13 February 2019</li> </ul>

## 1. Authority

1.1. The Audit Committee is a statutory committee. All further education colleges are required to establish an Audit Committee. Article 6 of the WLC Instrument and Articles of Government states that

(i) The Corporation shall establish a committee, to be known as the "audit committee", to advise on matters relating to the Corporation's audit arrangements and systems of internal control.

(ii) The audit committee shall consist of at least three persons and may not<sup>1</sup> include members of staff at the institution, and shall operate in accordance with any requirements of the CE of Education and Skills Funding.

1.2. Post Audit Code of Practice 2020-2021 states:

26. It is a condition of funding and this Code that corporations must establish an audit committee.

27. The audit committee must 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 may refer to the ESFA's guidance on the scope of work of audit committees and internal auditors in college corporations. 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. The College Accounts Direction sets out the ESFA's specific requirements including the required format of the corporation's statement of corporate governance and internal control.

28. The corporation must set out clear terms of reference for the audit committee. These should reflect accepted good practice for audit committees of publicly funded organisations and as a minimum must set out:

- the committee's right to scrutinise any activity within its terms of reference, which may involve engaging a third party to assist
- the committee's right to access all the information and explanations it considers necessary, from whatever source, to fulfil its remit
- a requirement for the corporation to appoint a minimum membership of three, a majority of whom must be governors, which must not include the chair of the corporation or principal
- a responsibility for the corporation, in appointing members, to maintain the Committee's independence and objectivity

<sup>1</sup> A change to the WLC instrument and articles will be required

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/974349/Post-16\\_Audit\\_Code\\_of\\_Practice\\_2020-21\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/974349/Post-16_Audit_Code_of_Practice_2020-21_FINAL.pdf)

- a restriction on the committee not to adopt an executive role

29. Audit committees 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. Audit committees will be most effective when they are staffed by individuals who are prepared to support, challenge, and warn the board of governors.

30. In addition, the audit committee must:

- assess and provide the corporation with an opinion on the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, which 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. 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.
- 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.
- 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.
- 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.
- 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.
- oversee the corporation's policies on and processes around fraud, irregularity, impropriety and whistleblowing<sup>7</sup>, and ensure:
  - the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity o that investigation outcomes are reported to the audit committee
  - 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
  - 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 risks around fraud have been identified and controls put in place to mitigate them.
- produce an annual report for the corporation, summarising the committee's activities relating to the financial year under review, including:
  - a summary of the work undertaken by the committee during the year
  - the number of the meetings held in the year, and attendance records for each audit committee member
  - any significant issues arising up to the date of preparation of the report
  - any significant matters of internal control included in the reports of audit and assurance providers

- 1.3. The Committee has authority to obtain external professional advice up to a value of £5000, in any one year, without authority from the Finance and General Purposes Committee or the Corporation.
- 1.4. The Audit Committee may have direct access to the College advisers and may commission additional audit reports as they deem appropriate, without reference to the Corporation.
- 1.5. The Committee shall be granted rights of access to obtain all the information it considers necessary from members of staff, contractors and sub-contractors, and Governors of the Corporation, and to consult the Internal Audit Service (IAS), Financial Statement Auditors and Funding Adviser directly.

## **2. Membership and Attendance**

- 2.1. The members of the Audit Committee shall comprise:
  - at least 3 and up to 5 external governors
- 2.2. The following persons may NOT be members of the Audit Committee:
  - The Chair of the Corporation
  - The Principal and other senior post holders.
  - Members of the Finance & General Purposes Committee.
  - Staff and student governors
- 2.3. The Audit Committee may approve the appointment of a co-opted member of the Committee who has relevant skills, knowledge and experience without reference to the Corporation.
- 2.4. Representative of the internal auditors shall be entitled to attend and speak at all meetings of the Committee (but not vote) as shall representatives of the external auditors where business relevant to them is being discussed.
- 2.5. The Committee may invite the Corporation's advisers or third parties to attend meetings of the Committee as appropriate (such persons shall be entitled to speak but not vote at the meeting).
- 2.6. In attendance: Clerk to the Corporation
- 2.7. Appropriate members of the staff of the College will be invited to attend meetings of the Committee to present reports and provide information. The arrangements will be determined by the Principal and Chief Executive in the light of the issues to be addressed.
- 2.8. If wished, the Committee may ask members of staff of the College to withdraw from a meeting.

## **3. External Advice**

- 3.1. The Audit Committee may obtain outside legal or other independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise if it considers this necessary.

## **4. Quorum**

- 4.1. The quorum for each meeting shall be three members of the Committee.

## **5. Appointment of the Chair of the Committee**

- 5.1. The Chair of the Audit Committee shall be appointed by the Corporation following consideration by the Search and Governance Committee. The Chair of the Committee must be an external governor. The Chair shall normally occupy the role of Chair of the Committee for no longer than a 4-year term.

## **6. Meeting cycle**

- 6.1. The Committee shall meet at least once in each term. The College's internal auditor or external 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.

6.2. The Committee shall be entitled, whenever it is satisfied that it is appropriate to do so, to go into confidential session and - subject to the rules as to quoracy - to exclude any, or all, non-Committee participants and observers, except the Clerk to the Committee.

**7. Declarations of interest**

7.1. Members of the Committee shall declare any conflicts of interest as required by the Standing Orders of the Corporation.

**8. Review of Terms of Reference and Cycle of Business**

8.1. The Committee shall review its terms of reference and cycle of business annually at the summer meeting and make an appropriate recommendation to the Corporation.

## 9. Terms of Reference

### 9.1. The duties of the Audit Committee shall comprise:

1. Due regard to all requirements of section 29 of the ACOP
2. The appointment, reappointment, dismissal and remuneration of the internal auditor and external financial statement auditor and reporting (regularity) auditor
3. The effective co-ordination between the internal auditor, external financial statements auditor and reporting (regularity) auditor.
4. Determining the audit strategies and plans of the internal auditor, and external financial statement auditor and reporting auditor.
5. Considering all internal audit reports and annual reports including the responses of College management.
6. Considering control issues included in the management letters of the internal and external/reporting auditors, and management's responses to these.
7. Recommending the annual financial statements and management letter to the Corporation.
8. The monitoring, within an agreed timescale, of the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, the management letter of the external auditors and spot check reports.
9. The establishment, in conjunction with College management, of relevant annual performance measures and indicators, and to monitor the effectiveness of the internal auditor and funding auditor, through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service provided is appropriate.
10. The production of an annual report for the Corporation and Chief Accounting Officer, which should include the Committee's advice on the effectiveness of the College's risk management, control and governance processes, and any significant matters arising from the work of the internal auditor, the financial statement auditor and the reporting auditor.
11. Recommending the risk management policy, risk register and associated action plans to the Corporation for approval.
12. Review and monitoring of any subsidiary company risk registers and associated action plans to ensure that any major risk is incorporated in the overall College Risk Register.
13. Reviewing and monitoring the risk action plan and advising the Corporation when necessary.
14. Reviewing and monitoring the risk assurance framework and assurance status on behalf of the Corporation.
15. Ensuring that all allegations of fraud, whistle blowing and irregularity are properly investigated.
16. Advising the Corporation on relevant reports by NAO (National AuditOffice), funding agencies and other funding bodies and, where appropriate, management responses to these.
17. Recommending the Health & Safety Policy, Annual Report and Action Plan to the Corporation for approval.
18. Review and monitoring Health and Safety matters, the Health & Safety action plan and advising the Corporation when necessary.
19. Approving the Public Interest & Disclosure (Whistleblowing) Policy & Procedure.
20. Approving the Anti-Fraud & Corruption Policy & Procedure.
21. Annually reviewing the register of gifts.

**10. Additional Information**

- 10.1. The lead contact of the internal auditor, external financial statement auditor and reporting auditor shall have direct access to the Chair of the Audit Committee and to the Corporation. There shall also be direct access to the Principal as Chief Accounting Officer.
- 10.2. The Audit Committee shall be informed of all additional services provided to the College by the internal auditors and the financial statement and reporting auditor.
- 10.3. The company supplying internal audit service must be a separate company from the financial statement & reporting auditor.
- 10.4. The Chair of the Audit Committee will also act as a designated assessor under the Public Interest Disclosure Policy and Procedure (Whistle-blowing).
- 10.5. The terms of reference of the Audit Committee will be reviewed annually or if required prior to this if there are any changes to legislation.
- 10.6. Membership will be reviewed at least annually and reported to Search and Governance Committee.



11. Policy Category

<p>Category [select ONE only]</p>	<ul style="list-style-type: none"><li><input type="checkbox"/> Business Development, Marketing and Subcontracting</li><li><input checked="" type="checkbox"/> Corporation</li><li><input type="checkbox"/> Data Protection</li><li><input type="checkbox"/> Equality &amp; Diversity</li><li><input type="checkbox"/> Estates / Facilities</li><li><input type="checkbox"/> Executive Support, Administration and Reception</li><li><input type="checkbox"/> Finance</li><li><input type="checkbox"/> Health and Safety</li><li><input type="checkbox"/> International</li><li><input type="checkbox"/> IT Services</li><li><input type="checkbox"/> Management Information Systems</li><li><input type="checkbox"/> People and Organisational Development</li><li><input type="checkbox"/> Quality</li><li><input type="checkbox"/> Student Services &amp; Safeguarding</li></ul>
<p>Audience [select ALL that apply]</p>	<ul style="list-style-type: none"><li><input type="checkbox"/> Employees</li><li><input checked="" type="checkbox"/> Governors</li><li><input type="checkbox"/> Learners</li><li><input type="checkbox"/> Partners</li><li><input type="checkbox"/> Suppliers</li></ul>