

## Terms of Reference – Audit Committee

**Considered by the Audit Committee on 26 September 2023 and approved by the Board on 17 October 2023.**

1.1. It is a requirement of the Post-16 Audit Code of Practice and a condition of funding that further education corporations establish an audit committee. The Audit Committee is established under **Article 6** of the Articles of Government “to advise on matters relating to the Corporation’s audit arrangements and systems of internal control”. The Audit Committee is also established to:

- Advise the corporation on the adequacy and effectiveness of the corporation’s assurance framework;
- Play a robust role in good stewardship and risk management;
- Refer to ESFA’s guidance on the scope of work of audit committees and internal auditors in college corporations; and
- Advise and support the corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.

The Corporation has regard to paras 23, 24 and 26 of the Post-16 ACoP, which describe the role of the Committee and the Corporation’s responsibilities.

1.2. Under **Article 6**, the Audit Committee “shall consist of at least three persons and may not include members of staff of the institution”. Under **Standing Order No. 24(1)(a)**, the Committee has the power to appoint co-opted members without reference to the Board. The Committee’s membership shall not include:

- 1.2.1. the Chair of the Corporation;
- 1.2.2. the CEO/Principal and other senior post holders;
- 1.2.3. members of the Finance & General Purposes Committee; or
- 1.2.4. staff and student governors.

1.3. The Committee is attended by the **internal** and **external auditors**, the **Chief Operating Officer**, the **Director of Finance**, and by the **Deputy Principal (Planning, Partnerships and Projects)**. Other members of staff attend at the invitation of the Chair in line with the Committee’s business.

1.4. In addition to the general powers granted to all Committees, the Audit Committee has the power to:

- 1.4.1. obtain external professional advice up to a value of £5,000, in any one year, without authority from the Finance & General Purposes Committee or the Corporation;
- 1.4.2. have direct access to the College advisers and commission additional audit reports as it deems appropriate, without reference to the Corporation;

1.4.3. access to all the information it considers necessary from members of staff, governors, contractors and subcontractors, and to consult the internal and external auditors directly.

1.4.4. exclude employees of the College and other attendees (other than the Clerk) from its meetings where it wishes to meet with the auditors in confidence.

1.5. The core tasks of the Audit Committee are to:

- assess and provide the Corporation with an opinion on the adequacy and effectiveness of the corporation's assurance arrangements and framework of governance;
- consider the development of its members and put in place appropriate training to ensure their skills and knowledge are up to date;
- advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant, internal auditor and other assurance providers and establishing 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 auditor and other assurance providers and explaining how independence and objectivity are safeguarded;
- commission, review and consider the reports of the external auditor, reporting accountant, internal auditor and other assurance providers, and to monitor the implementation of recommendations to agreed timescales;
- recommend the annual financial statements and management letter to the Corporation;
- draw the attention of the Corporation and its committees to third party reports (including from the National Audit Office and the Funding Agencies), and of committees to internal audit assignments within their remits;
- oversee the Corporation's policies on and processes around fraud, irregularity, impropriety and whistleblowing, and ensure that:
  - the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity and that investigation outcomes are reported promptly;
  - 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;
  - all 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;

- risks around fraud have been identified and controls put in place to mitigate them.
- reviewing and monitoring health and safety matters, including recommending the College's policy, annual report and action plan to the Corporation;
- produce an annual report for the Corporation which summarises the committee's activities relating to the financial year under review, including:
  - a summary of the work undertaken by the committee during the year o 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;
  - details of the date of appointment of the external auditors and the remaining term of the contract;
  - the committee's view of its own effectiveness and how it has fulfilled its terms of reference;
  - the committee's opinion on the adequacy and effectiveness of the corporation'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.

1.6. The Audit Committee will have regard to the **Post-16 Audit Code of Practice**, the **College Accounts Direction, Managing Public Money** and any other guidance and requirements issued by bodies providing funding to or regulating the College.