

## **AUDIT & RISK COMMITTEE – Terms of Reference 2023-24**

### **1. PURPOSE**

The purpose of the Audit Committee is to advise the Corporation on 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 also 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 Committee pays due regard to the 'Post-16 Audit Code of Practice 2022 to 2023 (Assurance and accountability requirements for post-16 providers) – dated April 2023'.

### **2. TERMS OF REFERENCE**

- a) To assess and provide the corporation with an opinion on the adequacy and effectiveness of the corporation's assurance arrangements and framework of governance. This 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.
- b) To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the financial statements auditor (external), the internal auditor and other assurance providers (as applicable) and establish that all such assurance providers adhere to relevant professional standards. In addition, the Committee must ensure that there is a policy in place for the regular retendering of the external audit service.
- c) To advise the Corporation on the scope and objectives of the work of the internal auditor, the financial statements auditor (external) and the funding auditor (where appointed).
- d) To ensure effective coordination between the internal auditor, the financial statements auditor (external) and the funding auditor (where appointed) including whether the work of the funding auditor should be relied upon for internal audit purposes.
- e) To consider and advise the Corporation on the audit strategy and annual internal audit plans for the internal auditor.
- f) 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 (external) (including their work on regularity audit) and the funding auditor (where appointed), and management's responses to these.
- g) To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, the funding auditor's management letter and spot-check reports (where appointed) and the financial statements auditor's (external) management letter.
- h) To consider and advise the Corporation on relevant reports by the National Audit Office (NAO), funding bodies, and where appropriate management's response to these.
- i) To establish, in conjunction with the College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the internal auditor and financial statements auditor (external) through these measures and indicators and 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 Corporation and accounting officer, 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
  - 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 asset
- k) To oversee the Corporation's policies on and processes around 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 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, cybercrime, 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
- l) To inform the Corporation of any additional services undertaken by the internal auditor, the financial statements auditors (external) and the funding auditors (where appointed) and explain how independence and objectivity are safeguarded.
- m) To recommend the approval of the annual financial statements to the Corporation.
- n) To oversee additional matters from time to time that it deems appropriate including for example: data breaches, GDPR issues and health & safety incidents.
- o) To consider the development of members and put in place appropriate training to ensure the Committee's 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.
- p) To undertake an annual self-assessment against the terms of reference.

### **3. AUTHORITY**

- 3.1 The Audit & Risk (A&R) Committee is authorised by the Governing Body to investigate any activity within its Terms of Reference and has the right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit.
- 3.2 The A&R Committee is authorised by the Corporation to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise when necessary
- 3.3 The Chair of the Committee (or an agreed representative) will provide an overview of the work of the Committee to the next meeting of the Board, drawing attention to any issues of significance. The minutes of the meeting will also be provided to all members of the Board via the Governors Portal.
- 3.4 The Committee will also provide an annual report to the Board in line with Post-16 Audit Code of Practice.

### **4. MEMBERSHIP & OPERATION**

- 4.1 The Committee shall be appointed on the recommendation of the People & Governance Committee and shall consist of at least five members which must include a minimum of three governors and a maximum of two co-opted members known as Associate Governors.
- 4.2 In the interests of the independent nature of the Committee, the following are not eligible to serve as members of the Committee:
  - Chair of the Corporation
  - Principal & CEO
  - Staff Governors
  - Student Governor
- 4.3 Collectively members should have recent, relevant experience in risk management, finance and assurance.
- 4.4 Co-opted Associate Governors will have voting rights on this Committee. They do not have a right to attend other Committee or Corporation meetings.
- 4.5 The Committee may seek the services of external advisers and/ or invite other individuals to attend any Audit Committee meeting as it considers necessary to fulfil its responsibilities.
- 4.6 The People & Governance Committee shall review the membership of this Committee and make recommendations for approval by the Corporation on an annual basis.
- 4.7 Decisions to be made at meetings of the Committee shall be determined by a majority of the votes of members present and voting. Where there is an equal division of votes, the Chair of the Committee shall have a second or casting vote.
- 4.8 The Vice Principal – Finance & Resources, relevant Assistant Principal (s) and Director of Governance (or another independent individual) shall be in attendance at the Audit & Risk Committee meetings. Other governors who are not members of the A&R

Committee shall have a right of attendance. All individuals in attendance shall have no voting rights.

4.9 The Committee is restricted from adopting an executive role.

4.10 The Committee has the right, whenever, it is satisfied that it is appropriate to do so, to go into confidential session and exclude any, or all, participants, and observers, except the Clerk to the Committee. When the Committee exercises this right, the meeting must be quorate.

## **5. QUORUM**

5.1 The Committee shall be quorate if 40% of the membership are present or three governors, whichever is the highest (and for these purposes, "present" includes being present by suitable electronic means in which members are all able to communicate with each other). The majority of those present must be full board members.

## **6. FREQUENCY OF MEETINGS**

6.1 The Committee shall meet at least three times each year and as required in order to fulfil its responsibilities. The Committee will meet with the Auditors without the members of the Strategic Leadership Team present, at least once per year.

## **7. APPOINTMENT OF CHAIR & VICE CHAIR**

7.1 The Chair and Vice Chair (if the Committee decides that a Vice Chair should be elected) shall be selected on an annual basis in accordance with the Corporation's Standing Orders.

7.2 The Chair & Vice Chair of the Audit & Risk Committee should not be any of the following:

- The Chair or Vice Chair of any other Sub Committee
- A Co-opted Associate Governor

7.3 In the event of the Chair and Vice Chair being unable to attend the meeting, the remaining Committee members should elect one of themselves as Chair for the meeting.

7.4 The Chair of the A&R Committee should have the expertise to understand the reports and ability to hold the Leadership Team to account.

## APPENDIX A

### RESPONSIBILITY FOR POLICY / DOCUMENT REVIEW AND APPROVAL

Strategy / Policy / Procedure	Approved by the A&R Committee (Delegated Authority)	Reviewed and Recommended to Board for Approval
Financial Statements including any subsidiary Companies		✓
Internal Audit Service Audit Needs Assessment and Plans		✓
Internal Auditors Annual Report		✓
Risk Management Annual Report		✓
Risk Management Policy including Disaster Management Plan		✓
Whistleblowing Procedure	✓	