

TERMS OF REFERENCE

AUDIT COMMITTEE

Owner: Company Secretary

Date of approval: July 2023

Date of Next Review: July 2024

Approved by: Corporation

AUDIT COMMITTEE

Terms of Reference

1 Constitution

The Corporation has established a committee of the Corporation, to be known as the "Audit Committee", and formally approves its terms of reference.

2 Membership

2.1 The Committee shall comprise up to 4 non-executive members (who may or may not be members of the Corporation). The Committee may invite the Corporation's advisers or other third parties to attend meetings of the Committee as appropriate (such persons shall not have a vote but shall be entitled to speak at the meeting).

2.2 The Principal and other senior post holders may not sit on the Committee but other members of staff may sit on the Committee provided they do not have significant executive, management, financial or budgetary responsibilities.

2.3 In order to maximise the Committee's independence and objectivity, the following people shall not be eligible to sit on the Committee:

- (a) those with executive responsibilities at senior level;
- (b) members of the College Finance Committee or equivalent;
- (c) the Chair of the Corporation; and
- (d) Governors who have significant interests in the College.

2.4 At least one member should have a background in finance, accounting or auditing.

2.5 Membership of the Committee is normally for four years and may be renewed. A person shall be ineligible for appointment to the Committee if they have served more than 8 years on the Committee.

2.6 The Chair of the Committee will be a governor selected by the Corporation.

3 Frequency of Meetings

3.1 The Committee will meet at least 3 times per year. 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.

4 Quorum

4.1 The quorum for meetings of the Committee shall be 3.

5 Attendance at Meetings

5.1 The Committee may meet with the internal and external auditors without any officers present as and when required but at least once a year.

5.2 If requested by the Committee, any senior member of staff will attend.

6 Authority

6.1 The Committee is authorised by the Corporation to investigate any activity within its terms of reference.

6.2 Pursuant to 6.1, the Committee is authorised to seek information from the internal audit service, external auditor, governors, committees and employees plus relevant information from sub-contractors and other third parties and to obtain external professional advice.

7 Duties

7.1 To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets through:

- Advising the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, the internal audit service (and any other audit service providers) and the scope and objectives of their work and other terms of engagement.
- Considering and advising the Corporation on the audit strategy and annual internal audit plans.
- Ensuring co-ordination between the internal audit service, the external auditor and any other audit services received by the College.
- Overseeing the policy on fraud and irregularity 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 internal and external auditors have been informed, that appropriate action has been taken and that all significant cases of fraud or suspected fraud or irregularity are reported to the Chief Executive of the appropriate funding body.
- Establishing, in conjunction with College management, relevant performance measures and indicators for audit services, and to monitor the effectiveness of the internal audit service, external auditor, and any other audit services through these measures and indicators.
- Considering and advising the Corporation on internal audit assignment reports and annual reports and on control issues included in the external auditor's management letters and on any other audit reports received by the College; and on management's response to these.

- Considering and advising the Corporation on any relevant reports or recommendations by the ESFA (or their successors) or any other external body and, where appropriate, management's response to these.
- Monitoring within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, external auditor's management letters, and any other action plans arising out of audit activity.
- Reviewing and advising the Corporation on risk management control activity undertaken by management, with a view to ensuring that the College is managing all forms of risk effectively and adopting best practice in risk management generally.
- Informing the Corporation of any additional services provided by the financial statements, regulatory and other audit and assurance providers and explaining how independence and objectivity were safeguarded.
- Advising the Corporation and the Directors of any subsidiary companies on audit matters relating to the subsidiary companies.

7.2 The Corporation may from time to time add to these terms of reference but it shall not add terms that:

- Require the Audit Committee to adopt an executive role.
- Require members of the Audit Committee to offer professional advice to the Corporation outside of their role as governors.
- Cause the committee to lose its primary focus on the adequacy and effectiveness of the College's audit arrangements and risk management, control and governance processes.

8 Reporting Procedures

8.1 The Minutes of meetings of the Committee will be circulated to all members of the Corporation.

8.2 The Committee will produce an annual report which includes the Committee's review of the effectiveness of the Corporation's systems of internal control (including risk management) – the report should incorporate any significant matters arising from the work of the internal audit service, the external auditors and any other auditors who have carried out work in relation to the College. The Audit Committee's annual report should normally be submitted to the Corporation before the Statement of Corporate Governance and Internal Control in the accounts is signed.

8.3 A copy of the Audit Committee's annual report must be submitted to the relevant funding body with the annual accounts.