

## **Terms of Reference – Audit Committee**

The Corporation hereby resolves to adopt the following terms of reference for the Audit Committee.

### **1 Purpose**

The purposes of the Committee are:

- 1.1 To ensure that the internal control systems, including audit activities, of the Corporation and any of its subsidiaries is monitored actively, independently and objectively in order to:-
  - improve the effectiveness of the College's internal controls
  - reinforce the independence and effectiveness of the internal audit function
  - provide a sounding board for College management on issues of concern in connection with the College's internal control systems
  - advise on the reliability of the College's information systems
  - underpin the objectivity and independence of the external auditors of the financial statements
  - increase public confidence in the objectivity and fairness of the Corporation's financial reports and in the quality of the College's corporate governance.
- 1.2 To provide a medium of communication from the Corporation's auditors, which is not controlled by College management.

### **2 Membership**

The Committee shall be appointed by the Corporation and consist of five Corporation members (excluding the Chair of the Corporation and the Principal); and up to two co-opted external members, as defined and approved by the Corporation (membership must include one person with the relevant financial/audit expertise).

### **3 Election of Chair**

The Chair of the Committee will be determined at a meeting of the Corporation.

### **4 Period of office**

- 4.1 The period of office of the Committee Chair shall be two years.
- 4.2 All committee members will be elected for a period of two years.

### **5 Quorum**

A quorum shall be four members of the committee with at least three Corporation members present.

## **6 Voting Rights**

All members of the Committee will have the right to vote. In the case of a tie the Chair will have the casting vote.

## **7 Attendance at Meetings**

7.1 Senior manager(s) who are responsible for the College's internal control shall normally attend meetings at the invitation of the Committee.

7.2 The internal auditor shall be entitled to attend and speak at all meetings of the Committee (but not to vote) as shall the financial statements auditor where business relevant to them is being discussed.

7.3 Senior managers shall also be invited to attend meetings of the Committee, particularly where their area of responsibility is under discussion.

7.4 Other Corporation members shall have a right of attendance.

7.5 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 of quoracy) exclude any, or all, participants or observers, except the Clerk to the Committee.

## **8 Meetings**

Meetings shall be held not less than three times a year. The internal or external auditors may request a meeting if they consider that one is necessary.

## **9 Duties**

9.1 The duties of the Committee shall be:-

9.1.1 To advise the governing body on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money)

9.1.2 To advise the governing body on the appointment, reappointment, dismissal and remuneration of the internal audit service and the financial statements auditor

9.1.3 To advise the governing body on the scope and objectives of the work of the financial statements auditor, internal audit service and funding auditor (where appointed)

9.1.4 To ensure effective co-ordination between the internal audit service, financial statements auditor and the funding auditor (where appointed) including whether there should be reliance placed on the work of the funding auditor for internal audit purposes

9.1.5 To consider and advise the governing body on the audit strategy and annual internal audit plans for the internal audit service

9.1.6 To advise the governing body on internal audit assignment reports and annual reports and on control issues included in the management letters of the financial statements auditor (including their work on regularity) and the funding auditor (where appointed), and management's responses to these

9.1.7 To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, financial statements auditor's management letter and the funding auditor's management letter and spot check report (where appointed)

- 9.1.8 To consider and advise the governing body on relevant reports by the National Audit Office (NAO), the Education Skills Funding Agency (ESFA) and other funding bodies, and where appropriate management's response to these
- 9.1.9 To establish, in conjunction with College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the internal audit service and financial statements auditor through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate
- 9.1.10 To produce an annual report for the governing body and accounting officer which includes the committee's advice on the effectiveness of the College's risk management, control and governance processes. The report should incorporate any significant matters arising from the work of the internal audit service, the funding auditors (where appointed) and the financial statements auditor
- 9.1.11 To ensure that all allegations of fraud and irregularity are properly followed up
- 9.1.12 To be informed of all additional services undertaken by the internal audit service, the financial statements auditors and the funding auditors (where appointed).
- 9.1.13 To consider (as stated in financial regulations) the College risk management strategy in line with the financial regulations

## **9.2 Additional Powers**

- 9.2.1 seek any information it requires from the internal audit service, the external auditor and the funding auditors (where appointed), governors, committees and College employees, plus relevant information from subcontractors and other third parties
- 9.2.2 obtain external professional advice
- 9.2.3 to consider other topics as determined from time to time by the Corporation, so long as these do not involve an executive role in the College.

## **10 Clerking Arrangements**

The Clerk to the Corporation shall act as Clerk to the committee.

## **11 Reporting Procedures**

- 11.1 The Clerk to the Committee shall circulate minutes of the meetings of the Committee to all Corporation Members at the next appropriate Corporation meeting.
- 11.2 The Committee shall present an annual report to the Corporation. The report should incorporate any significant matters arising from the work of the internal audit service, the funding auditors and the external auditors of the financial statements.
- 11.3 The Committee shall report to the Corporation on any significant issues as necessary.

## **12 Review**

- 12.1 The terms of reference shall be reviewed every year, unless there are issues requiring an earlier review.

Approved by Corporation: July 2022