



## AUDIT COMMITTEE

### TERMS OF REFERENCE

#### MEMBERSHIP:

<b>Governors</b>	Mark Canniford (Chair) Ian Porter (Health and Safety) Gemma Day
<b>External member</b>	David Jacobs
<b>In attendance</b>	Dr Paul Phillips (Principal and Chief Accounting Officer) J Philpott, Vice Principal and Group Director P Sloman, Director of Finance KPMG, Internal Auditors RSM, Financial Statement Auditors

**DATE REVIEWED:**            **October 2019**



## AUDIT COMMITTEE

### TERMS OF REFERENCE

#### 1. General

This is a statutory Committee required by Article 6 of the Instrument & Articles of Government (March 2012).

- 1.1. Colleges are required to establish an Audit committee to determine or advise on such matters relating to audit as the Corporation may remit them.

#### 2. Objectives

The Audit Committee is responsible for the provision of independent and authoritative advice to the Corporation on the adequacy and effectiveness of the College's internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money). This applies to the College's subsidiary companies, currently Forward Futures Limited, Offender Learning Services Limited, Inspirational Events and Investments Limited and Somax Limited.

#### 3. Delegated Authority

- 3.1 The Committee has authority to obtain external professional advice up to a value of £5000, in any one year, without authority from the Finance Committee or the Corporation.
- 3.2 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
- 3.3 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.

#### 4. Membership

- 4.1 The Committee shall comprise up to 5 members of whom at least 3 must be College Governors. The other two may be co-opted external persons with relevant audit and financial expertise. External members' nominations will be submitted to the College's Search Committee for consideration and recommendation to the Corporation.
- 4.2 In order to maximise the Committee's independence and objectivity, the following people shall **not** be eligible to sit on the Committee:-
- The Principal and other Senior Postholders;
  - Those with executive responsibility at senior level;
  - Members of the College Finance Committee or its equivalent;

- The Chair of the Corporation;
  - Governors who have significant business interests in the College;
  - Student Governors; and
  - Members of staff who have significant management, financial or budgetary responsibility.
- 4.3 The Internal Auditor shall be entitled to attend and speak at all meetings of the Committee (but not to vote) as shall the Financial Statement Auditors and Funding Adviser where business relevant to them is being discussed.
- 4.4 The Principal & Chief Executive, Vice Principal and Group Director and Director of Finance will be invited to attend meetings of the Committee, particularly where their area of responsibility is under discussion, and shall be entitled to attend and speak at such meetings but not to vote.
- 4.5 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).
- 4.6 The minutes of the Committee meetings will be recorded by the designated minute secretary.
- 5. Quorum**  
The quorum for meetings of the Committee shall be three including at least two Governors.
- 6. Meeting Cycle**
- 6.1 The Committee will meet at least once each term. The Internal Auditor, Financial Statement Auditors, or Funding Advisers may request a meeting of the Committee if they consider that one is necessary and the Committee will endeavour to comply with such requests. In any event, the Committee must consider a minimum number of items of business each year for it to be able to function effectively, as set out in the Appendix attached.
- 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 set out above) to exclude any, or all, non-Committee participants and observers, except the Clerk to the Committee.
- 7. Declaration of Interest**  
Standing Orders relating to disclosure of interest apply to Committee meetings in the same way as they apply to Corporation meetings.
- 8. Terms of Reference**  
The Audit Committee shall be responsible for:
- 8.1 The appointment, reappointment, dismissal and remuneration of the Internal Auditor and Financial Statement Auditors.
- 8.2 The effective co-ordination between the Internal Auditor, the Financial Statement Auditors and the Funding Advisor including whether the work of the Funding Advisor should be relied upon for internal audit purposes.

- 8.3 Determining the Audit plan of the Internal Auditor, Financial Statement Auditors and the Funding Advisor.
- 8.4 The Internal Audit needs assessment, strategic and annual audit plans.
- 8.5 All Internal Audit reports and annual reports together with management responses.
- 8.6 Control issues included in the management letters of the Internal and Financial Statement Auditors, and management's responses to these.
- 8.7 Recommending the annual Financial Statements and Management Letter to the Corporation.
- 8.8 The monitoring, within an agreed timescale, the implementation of agreed recommendations relating to Internal Audit assignment reports, Internal Audit annual reports, the Funding Advisor's management letter and spot check reports and the Financial Statement Auditor's management letter.
- 8.9 The establishment, in conjunction with College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the Internal Auditor, Financial Statement 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.
- 8.10 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 Auditors, the Financial Statement Auditors and the Funding Advisors.
- 8.11 Recommending the Risk Management Policy, Risk Register and associated Action Plan to the Corporation for approval.
- 8.12 Review and monitoring of the subsidiary company Risk Registers and associated Action Plans to ensure that any major risk is incorporated in the overall College Risk Register.
- 8.13 Reviewing and Monitoring the Risk Action Plan and advising the Corporation when necessary.
- 8.14 Ensuring that all allegations of fraud and irregularity are properly investigated.
- 8.15 Advising the Corporation on relevant reports by NAO (National Audit Office), Funding Agencies and other funding bodies and where appropriate, management responses to these.
- 8.16 Recommending the Health & Safety Policy, Annual Report and Action Plan to the Corporation for approval.
- 8.17 Review and Monitoring the Health & Safety Action Plan and advising the Corporation when necessary.
- 8.18 Approving the Public Interest & Disclosure (Whistleblowing) Policy & Procedure.
- 8.19 Approving the Anti-Fraud & Corruption Policy & Procedure.
- 8.20 Annually reviewing the Gift Book.

**9. Additional Information**

- 9.1 The Head of the Internal Auditors, Financial Statement Auditors and the Funding Advisors 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.
- 9.2 The Audit Committee shall be informed of all additional services undertaken by the Internal Auditors, the Financial Statement Auditors and the Funding Advisors.
- 9.3 The Internal Auditors must be a separate company from the Financial Statement Auditors. If possible these companies should not be the same as the Funding Advisors. If this should occur, the Corporation should be advised.
- 9.4 The Chair of the Audit Committee will also act as a designated assessor under the Public Interest Disclosure Policy and Procedure (Whistle-blowing).
- 9.5 The Terms of Reference will be reviewed every three years or if required prior to this if there are any changes to legislation.
- 9.6 Membership will be reviewed at least annually and reported to Search Committee.

<p style="text-align: center;"><b>These revised Terms of Reference were reviewed by Audit Committee on 23<sup>rd</sup> October 2019</b></p>
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## AUDIT COMMITTEE

Ref:	Achieved By	Frequency
8.1	The appointment, reappointment, dismissal and remuneration of the Internal Auditor and Financial Statement Auditors.	<ul style="list-style-type: none"> <li>• Contracts to be competitively tendered every three years plus a possible two years extension.</li> <li>• Annual review of remuneration.</li> </ul>
8.2	Review co-ordination between Internal Auditor, Financial Statement Auditors and Funding Advisor.	<ul style="list-style-type: none"> <li>• Annually, normally in July each year</li> </ul>
8.3	Review of work of Internal Auditor, Financial Statement Auditors and Funding Advisor	<ul style="list-style-type: none"> <li>• Annually, normally in July each year</li> </ul>
8.4	Review of Internal Audit needs assessment, Strategic and Annual Audit Plans	<ul style="list-style-type: none"> <li>• As and when presented</li> </ul>
8.5	Review of Internal Audit reports and annual reports	<ul style="list-style-type: none"> <li>• As and when presented</li> </ul>
8.6	Review of Control issues and responses	<ul style="list-style-type: none"> <li>• As and when presented</li> </ul>
8.7	Financial Statements and Management Letter to be reviewed prior to submission to Corporation for approval	<ul style="list-style-type: none"> <li>• Annually, normally in November/December each year</li> </ul>
8.8	Monitoring and implementation of agreed recommendations emanating from Audit visit reports	<ul style="list-style-type: none"> <li>• As presented</li> </ul>
8.9	<ul style="list-style-type: none"> <li>• Establishment of relevant annual performance measures and indicators</li> <li>• Monitor effectiveness of Internal Auditor and Financial Statement Auditor</li> </ul>	<ul style="list-style-type: none"> <li>• Annually, normally in July each year</li> <li>• Annually, normally in July each year</li> </ul>
8.10	Production of Annual Report to include: <ul style="list-style-type: none"> <li>• College's risk management</li> <li>• Governance processes</li> <li>• Significant matters arising from Internal Auditors, Financial Statement Auditors and Funding Advisors</li> </ul>	<ul style="list-style-type: none"> <li>• Annually, normally in December each year</li> </ul>
8.11	Risk Management Policy documents to be reviewed prior to submission for Corporation approval.	<ul style="list-style-type: none"> <li>• Triennially or following any major change.</li> </ul>
8.12	Review and Monitoring of the subsidiary company Risk Registers	<ul style="list-style-type: none"> <li>• Annually normally October / November.</li> </ul>
8.13	Review and monitoring of Risk Action Plan	<ul style="list-style-type: none"> <li>• Standing item on agenda</li> </ul>
8.14	Allegations of Fraud investigated and reported	<ul style="list-style-type: none"> <li>• As and when required</li> </ul>
8.15	Update on and management responses to reports by NAO, and funding bodies	<ul style="list-style-type: none"> <li>• As and when presented</li> </ul>
8.16	Review of Health & Safety Policy	<ul style="list-style-type: none"> <li>• Triennially or following and major change.</li> </ul>
8.17	Review and monitoring of Health & Safety Action Plan	<ul style="list-style-type: none"> <li>• Annually, normally in November each year</li> </ul>
8.18	Approve the Public Interest Disclosure Policy	<ul style="list-style-type: none"> <li>• Triennially between October &amp; December</li> </ul>
8.19	Approve the Anti-Fraud & Corruption Policy	<ul style="list-style-type: none"> <li>• Triennially between October &amp; December</li> </ul>
8.20	Review of Gift Book	<ul style="list-style-type: none"> <li>• Annually in October each year</li> </ul>

These revised Terms of Reference were approved by the Corporation on  
12<sup>th</sup> December 2019