

## AUDIT COMMITTEE

## TERMS OF REFERENCE 2022-23

1. The Audit Committee is a Committee of the Corporation Board established under the terms of clause 6 of the Articles of Government.

2. The Audit Committee must advise the Corporation on the adequacy and effectiveness of the Corporation’s assurance framework. In addition, the Audit Committee advises and supports the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.

3. In addition, the Audit Committee must:

* assess and provide the Corporation with an opinion on the 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;
* advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant and other assurance providers (if applicable) and establish that all such assurance providers adhere to relevant professional standards;
* inform the Corporation of any additional services provided by the external auditor, reporting accountant and other assurance providers (if applicable) and explain how independence and objectivity were safeguarded;
* monitor, within agreed timescales, the implementation of recommendations arising from any reports of audit and assurance providers;
* 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) has been informed, and that appropriate follow-up action has been planned/actioned
* that all significant cases of fraud or suspected fraud or irregularity are reported to the ESFA
* risks around fraud have been identified and controls put in place to mitigate them
* produce an annual report for the Corporation, 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
* 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
* 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, 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
* submit the annual report to the corporation before the statement of corporate governance and internal control in the annual accounts is signed.

4. The Committee shall comprise of up to six members appointed by the Corporation Board. The Chair of the Corporation Board, the Principal, members of the Finance and Estates Committee, and the College’s professional advisers are excluded from membership. Membership should enable the committee to maintain its independence andinclude individuals with an appropriate mix of skills and experience to allow the committee to discharge its duties effectively; collectively, members of the committee should have recent, relevant experience in risk management, finance and assurance

5. Membership may include persons who are not governors who have been approved by the Corporation Board (to be known as co-opted external members).

6. Members shall serve for a period of one College year and shall be eligible for re-appointment.

7. The Chair of the Committee will be elected by the members of the Committee in the circumstance of the appointment of Chair not being made by the Corporation Board.

8. The quorum shall be two members of the Committee, excluding any Co-opted External Members.

9. In the event of the Chair of the Committee being unable to attend, the remaining Governors, under paragraph 3 above, should elect one of their members as Chair for the meeting.

10. The Clerk to the Corporation or his/her appointed deputy shall be the Clerk to the Committee.

11. Minutes of meetings of the Committee shall be presented to the Corporation Board for information or approval as appropriate.

12. The Committee is entitled, wherever it is satisfied that it is appropriate to do so, to go into confidential session and (subject to the rules of quoracy at paragraph 8 above) to exclude any, or all, participants and observers, except the Clerk to the Corporation.

* 1. The Committee has the right to investigate any activity within its terms of reference.
  2. The Committee has right to access all the information and explanations it considers necessary, from whatever source, to fulfil its remit.
  3. The Committee must not adopt an executive role.

Minimum cycle of Audit Committee business

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Current year item of business | | **Indicative timings (✓)** | | | | | | | | | | **To recommend to the Corporation for approval** |
|  | | **Previous year** | Current year | | | | | | Following year | | |  |
|  | | Summer | Autumn | Spring | | Summer | | | Autumn | Spring | |  |
| **1** | Appointment and reappointment or dismissal (where applicable) and remuneration of internal auditors. | ✓ or autumn term | ✓ or summer term |  | |  | | |  |  | | Yes |
| **2** | Internal audit needs assessment, strategic plan and annual plan. |  | ✓ |  | |  | | |  |  | | Yes |
| **3** | Risk management annual report from college management. |  |  |  | | ✓ or autumn term | | | ✓ or summer term |  | |  |
| **4** | Appointment and reappointment or dismissal (where applicable) and remuneration of financial statements auditors. |  |  | ✓ or summer term | | ✓ or spring term | | |  |  | | Yes |
| **5** | Interim regularity audit opinion. |  |  |  | | ✓ | | |  |  | |  |
| **6** | Review of performance of the internal audit service and establishment of annual performance indicators for following year. |  |  |  | | ✓ or autumn term | | | ✓ or summer term |  | | No |
| **7** | Funding auditor interim opinion and management letter (where applicable).\* |  |  |  | |  | | | ✓⚫ |  | | Yes\* |
| **8** | Internal audit service annual report.\* |  |  |  | |  | | | ✓⚫ |  | | Yes\* |
| **9** | Financial statements audit management letter.\* |  |  |  | |  | | | ✓⚫ |  | | Yes\* |
| **10** | Annual report of the audit committee.\* |  |  |  | |  | | | ✓ |  | | Yes\* |
| **11** | Recommendation of approval to the corporation of annual financial statements (may be the role of the finance committee or equivalent) including regularity audit opinion. |  |  |  | |  | | | ✓ |  | | Yes |
| **12** | Funding auditor final opinion and management letter (where applicable). |  |  |  | |  | | |  | ✓ | | Yes |
| **13** | Review of performance of the financial statements auditors and establishment of annual performance indicators for the following year. |  |  |  | |  | | |  | ✓ or summer term | | No |
| **14** | Internal audit reports on reviews and progress update. |  | Depends on timing of reports | | | | | |  |  | No | |
| ✓ | | ✓ | | ✓ | |
| **15** | Consideration of funding auditor franchise and partnership spot-check reports (where applicable). |  | Depends on timing of visits | | | | | |  |  | No | |
| ✓ | | ✓ | | | ✓ |

\* Corporations must have all of these reports (items 7, 8, 9 and 10) available before approving the financial statements and the statements included therein on corporate governance, responsibilities of members of the corporation and the system of internal control. The corporation must approve the annual financial statements to meet LSC deadlines.

• Items 7, 8 and 9 may be deferred until the spring term, but see comment above.