**PROPOSED AMENDMENTS TO AUDIT COMMITTEE TERMS OF REFERENCE**

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| Composition: | Minimum of three members, including at least two governors. In line with the Post 16 Audit Code of Practice, the Corporation Chair and Chief Executive may not serve on the committee. Staff governors may serve on the committee if the Corporation is satisfied that good practice standards of independence and objectivity can be met. The Corporation has a responsibility to maintain the committee’s independence when appointing members and must appoint individuals with an appropriate mix of skills and experience to allow the committee to discharge its duties effectively. No cross membership with Finance & Employment Committee[[1]](#footnote-2). Collectively the members of the committee must have recent, relevant experience in risk management, finance and assurance; members’ abilities should reflect the needs of the corporation and extend to expertise in all relevant financial and non-financial areas; and members should be prepared to support, challenge, and warn the board of governors. The Committee must not adopt an executive role. |
| Quorum: | 40% of committee subject to minimum of 3 |
| Attendance | The Corporation attendance target is 80%. Committee members are therefore expected to attend all four meetings scheduled in 2023-24 |
| No of meetings per year | Minimum 4 |
| Chair: | Selected by committee, reviewed annually and may not be chaired by Chair of Corporation, Chief Executive, staff or external co-opted member |
| Public access to meetings: | By chair’s invitation, with members’ approval - see Standing Orders Section 12 |
| Conduct of meetings: | See Standing Orders Section 5 |
| Minutes: | Approval, see Standing Orders Section 4 |
| Minutes: | Circulation/publication see Standing Orders Section 10 |
| In attendance: | Chief Financial Officer  Chief Operating Officer  Chief Executive and Group Principal (by invitation from the Chair)  Representative of Internal Audit Service  Representative of External Auditors  Other members of staff may be called upon to attend at chair’s discretion |
| Committee purpose | The Corporation is required to establish an Audit Committee in line with the Education and Skills Funding Agency Conditions of Funding and the Post 16 Audit Code of Practice.  The Audit Committee must advise the Corporation on the adequacy and effectiveness of the Corporation’s assurance framework and must play a robust role in good stewardship and risk management.  The committee will take into account good practice guidance in relation to Audit Committees, including the Education and Skills Funding Agency’s guidance on the scope of work of audit committees and internal auditors in college corporations. The Audit Committee has the right to scrutinise any activity within its terms of reference, which may involve engaging a third party to assist.  The committee has the right to access all the information and explanations it considers necessary, from whatever source, to fulfil its remit.  The Audit Committee must not adopt an executive role. |
| Key functions and delegated powers: | **1** To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the group’s assurance arrangements, framework of governance (including the board assurance framework), risk management and control processes for the effective and efficient use of resources, solvency and safeguarding of the group’s assets. The committee will take a holistic view with all aspects and systems, financial and non-financial, being in scope depending on their impact and effect on the Corporation.  This advisory role does not reduce the prime responsibility of the group management to institute, monitor and review all internal control systems.  **2** To consider the development of members and put in place appropriate training to ensure their skills and knowledge are up to date, ensuring training and development is provided to address any identified gaps in the skillset of members.  **3** To recommend the annual financial statements to the Governing Body for approval and to advise and support the Corporation to explain, in its accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.  **4** To advise the Governing Body on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable) and establish that all such assurance providers adhere to relevant professional standards  **5** To establish, in conjunction with group management, relevant annual performance measures and indicators for the Internal Audit Service (IAS) (where appointed) and external auditor and review and monitor the effectiveness, independence and objectivity of the IAS and external auditors, including through these measures and indicators  **6** To ensure a policy is in place for regular retendering of external and internal audit services (at least every five years) which takes account of the quality of the audit service, as well as the price, and to make appropriate recommendations to the Governing Body; to notify the Education and Skills Funding Agency (ESFA) immediately of the resignation of external auditors mid-term, or where the corporation removes the external auditors, before the expiry of their term of office, copying to the ESFA an explanation from the auditors or notifying the ESFA of reasons for dismissal.  **7** To advise the Governing Body on the scope and objectives of the work of the IAS, the external auditor and the funding auditor (where appointed), including the audit strategy and annual internal audit plans for the IAS  **8** To develop and implement policy on the engagement of the external auditor to supply services other than financial statements audit and regularity audit, taking into account relevant ethical guidance; to inform the Governing Body of any additional services provided by the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable) and explain how independence and objectivity were safeguarded  **9** To review and consider the reports of external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable) and monitor the implementation of agreed recommendations to agreed timescales  In order to facilitate such monitoring, the committee is empowered to invite individual members of staff to attend meetings  **10** To consider and advise the Governing Body on relevant reports by the National Audit Office (NAO), the Education and Skills’ Funding Agency and other funding bodies, and, where appropriate, management’s response to these  **11** To produce an annual report for the Governing Body summarising the activities of the Audit Committee as they relate to the financial year under review including:  - a summary of the work undertaken by the committee during the year  - the number of 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 or resources, solvency, and the safeguarding of assets  and to submit the annual report to the Corporation before the statement of corporate governance and internal control in the annual accounts is signed  **12** 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  - that risks around fraud have been identified and controls put in place to mitigate them  **13** To review, monitor and approve the risk management action plan and to consider the effectiveness of risk management processes |

1. Corporation will be asked to consider a proposal to change committee structure; this may change to no cross membership with Finance and Resources Committee. [↑](#footnote-ref-2)