

**AUDIT COMMITTEE
Terms of Reference**

1. The Audit Committee is a committee of the Corporation established under the terms of clause 5 of the Articles of Government (2012).
2. The role of the Committee is to advise the Corporation on the adequacy and effectiveness of the College's assurance framework, which includes systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money) the solvency of the institution and the safeguarding of its assets, ensuring it fulfils its statutory and regulatory responsibilities;.
- 2.1 In carrying out the above requirement, the Committee shall ensure that the internal control systems, including audit activities, of the Corporation and any of its subsidiaries are monitored actively, independently and objectively in order to:-
 - advise on the adequacy and effectiveness of the College's systems of assurance and internal control;
 - advise on the College's arrangements for risk management, control and governance processes;
 - 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;
 - obtain advice on the reliability of the College's information systems;
 - underpin the objectivity and independence of the external auditors;
 - increase public confidence in the objectivity and fairness of the Corporation's financial reports and in the quality of the College's corporate governance.
- 2.2 To provide a medium of communication from the Corporation's auditors, which is not controlled by College management.
- 2.3 In discharging its role the Committee is also to be mindful of ensuring that that the information received by it and all decisions taken are centred on improving the experience of students at the College and levels of achievement.
3. The Committee shall comprise a minimum of three independent members appointed by the Corporation, one of whom shall be the Chair of the Committee. The Chair of the Corporation, the Chief Executive, staff and student governors and the College's professional advisers are excluded from membership.
4. Membership of the Committee must include at least one person (whether a member of the Corporation or not) with relevant and recent accountancy, or audit and assurance experience, but also individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively members of the Committee should have recent, relevant experience in risk management, finance, assurance and control and must not adopt an executive role. Accordingly, membership may include persons who are not governors who have been recommended by the Search Committee and approved by the Corporation (to be known as co-opted external members). The Audit Committee must ensure it maintains its independence when considering the appointment of members.
5. The Committee will appoint its own Chair to ensure its independence from the Corporation.
6. The quorum shall be three members of the Committee, two of whom must be governors.
7. 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.
8. The Clerk to the Corporation shall be the Clerk to the Committee.
9. Minutes of meetings of the Committee shall be available for the Corporation for information or approval as appropriate.
10. The functions of the Committee shall be to: -
 - i) advise the Corporation 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, the solvency of the institution and the safeguarding of its assets. Ensuring it fulfils its statutory and regulatory responsibilities;

- ii) advise the Corporation on the appointment, reappointment, dismissal and remuneration of the financial statements auditor and the internal audit service (IAS) and any other assurance providers and establish that all such providers adhere to the relevant professional standards;
- iii) advise the Corporation on the scope and objectives of the work of the IAS, the financial statements auditor and the funding auditor (where appointed);
- iv) ensure effective coordination and co-operation between the IAS, the financial statements auditor and the funding auditor (where appointed) including whether the work of the funding auditor should be relied upon for internal audit purposes;
- v) consider and advise the Corporation on the audit strategy and annual internal audit plans for the IAS based on the College's risk register;
- vi) advise the Corporation 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 audit) and the funding auditor (where appointed), and management's responses to these, agreeing management responses and recommendations actioned;
- vii) 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 reports (where appointed);
- viii) consider and advise the Corporation on relevant reports by the National Audit Office (NAO), the Education Skills Funding Agency (ESFA), or their successors, and other funding bodies, and where appropriate management's response to these;
- ix) establish, in conjunction with College management, relevant annual performance measures and indicators, and monitor the effectiveness of the IAS 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;
- x) produce an annual report for the Corporation, summarising the committee's activities relating to the financial year under review, including
 - i. a summary of work undertaken by the committee during the year
 - ii. Any significant issues arising up to the date of preparation of the report
 - iii. Any significant matters of internal control included in the reports of audit and assurance providers
 - iv. The committee's view of its own effectiveness and how it has fulfilled its terms of reference
 - v. 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 and the safeguarding of assets.

The annual report to the Corporation should be submitted to the Corporation before the statement of corporate governance and internal control in the accounts is signed.

- xi) Inform the Corporation of all additional services undertaken by the IAS, the financial statements auditors and the funding auditors (where appointed), explaining how independence and objectivity were safeguarded;
 - xii) monitor the strategic risk areas remitted by the Corporation to the Committee and advise the Corporation as appropriate.
11. 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 6 above) to exclude any, or all, participants and observers, except the Clerk to the Corporation.

12. The Committee has the authority to investigate any activity within its terms of reference, and has the right of access to obtain information and explanations it considers necessary, from whatever source, to fulfil its remit.
13. The Committee will oversee the College's policies on fraud and irregularity and whistleblowing (public interest and disclosure) and ensure proper, proportionate and independent investigation of any allegations and instances of fraud and irregularity, ensuring any outcomes are reported to the Committee, ensure that the financial statement auditors and IAS have been informed and that appropriate follow-up action is planned and that all significant cases of fraud, or suspected fraud, theft, bribery, corruption, irregularity, major weakness or breakdown in the accounting or other control framework are reported to the ESFA and other relevant funding authority. Any risks around fraud have been identified and controls put in place to mitigate them.
14. Conduct a review of the declarations of interest, any related party transactions and the register of hospitality and gift reported by Members of the Corporation and members of the Extended Executive team.
15. The Committee shall undertake an annual review of these terms of reference and recommend any changes needed to the Corporation for approval.

Revision History: -

Approved by the Corporation: January 2005
 Reviewed by the Clerk and clause reference to Articles of Government updated in line with changes to the Instrument and Articles of Government issued by the DIUS effective from 1 January 2008
 Reviewed by the Corporation: 15 December 2008 and approved following consultation, 13 July 2009
 Updated November 2012
 Approved by Audit Committee on 19 November 2012
 Approved by Corporation on 20 December 2012
 Reviewed and approved by Audit Committee on 22 November 2013
 Approved by Corporation on 19 December 2013
 Review and approved by Audit Committee on 25 November 2014
 Approved by Corporation on 18 December 2014
 Review and approved by Audit Committee on 26 November 2015
 Approved by Corporation on 14 December 2015
 Review and approved by Audit Committee on 8 November 2016
 Approved by Corporation on 12 December 2016
 Review and approved by Audit Committee on 27 September 2017
 Approved by Corporation on 30 October 2017
 Review by Audit Committee on 25 September 2018
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 Review by Audit Committee on 24 September 2019
 Approved by Corporation on 21 October 2019
 Review by the Audit Committee on 22 September 2020
 Approved by the Corporation on 19 October 2020