

## **TERMS OF REFERENCE: AUDIT COMMITTEE**

### **1. Introduction**

The Committee will report directly to the Corporation. The Head of Governance will minute all meetings of the Committee. The Terms of Reference comply with the latest Post-16 Audit Code of Practice and should be read in conjunction with the Instruments and Articles of Government, the Corporation's Standing Orders and the College Financial Regulations.

### **2. Purpose of the Committee**

The Committee will advise the Corporation of the adequacy and effectiveness of the Corporation's assurance framework. In addition, the Audit Committee will advise and support the Corporation in explaining its annual accounts and the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.

The terms of reference set out by the Corporation, based on good practice for audit committees of publicly funded organisations and as a minimum must set out:

- The right to investigate any activity within its terms of reference
- The right to access all the information and explanations it considers necessary, from whatever sources, to fulfil its remit
- A minimum memberships of three, a majority of who must be governors, but must not include the Chair of Corporation or the Principal
- A responsibility to maintain its independence in appointing members
- A responsibility to include individuals with an approximate 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 and assurance
- A restriction not to adopt an executive role.

### **3. Remit**

- 3.1 To review and 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), the solvency of the institution and the safeguarding of its assets.
- 3.2 To advise the governing body on the appointment, reappointment, dismissal and remuneration of the external auditor (EA) and the Internal Audit Service (IAS) and any other assurance providers
- 3.3 To advise the governing body on the scope and objectives of the work of the IAS, the EA, and the funding auditor (where appointed).
- 3.4 To ensure effective co-ordination and co-operation between the internal and external auditors, the funding auditor (where appointed) including whether the work of the funding auditor should be relied upon for internal audit purposes.
- 3.5 To consider and advise the governing body on the audit strategy and annual internal audit plans for the IAS based on the college's risk register.

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- 3.6 To review, consider and advise the governing body on internal audit assignment reports and annual reports and on control issues included in the management letters of the EA (including their work on regularity audit), and the funding auditor (where appointed) and management's responses to these, agreeing management responses and recommendations actioned.
- 3.7 To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, the funding auditor's management letter and spot-check reports (where appropriate).
- 3.8 To consider and advise the governing body on relevant reports by the National Audit Office (NAO), the Education & Skills Funding Agency (ESFA), other funding bodies and where appropriate, management's response to these.
- 3.9 To consider elements of the annual financial statements in the presence of the external auditors, including the auditors' formal opinion, the statement of members' responsibilities, the statement of internal control, in accordance with the regulator's accounts directions.
- 3.10 To establish, in conjunction with College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the IAS and EA through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.
- 3.11 Oversee additional matters such as data breaches, GDPR issues and health and safety incidents.
- 3.12 To produce an annual report for the governing body, 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
  - The number of meetings held in the year, and attendance records of 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
  - 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 for 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. To recommend the annual financial statements to the governing body for approval.
  - Inform the governing body of all additional services undertaken by the IAS, the EA and other assurance providers, explaining how independence and objectivity were safeguarded.
- 3.13 Monitor the College's strategic risk areas and Risk Management Policy and to advise the Corporation as necessary.
- 3.14 Ensure compliance with VAT and PAYE regulations.
- 3.15 Oversee the Corporation's policies on fraud, irregularity and whistleblowing and ensure that all are properly followed up. Including being notified of any action taken under the policies and ensure the proper, proportionate and independent investigation of all allegations and instances of fraud, irregularity (including bribery) and whistleblowing and that investigation outcomes are to be reported to the Committee.
- 3.16 To consider other topics, as determined from time to time by the Corporation.

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- 3.17 To review its terms of reference annually and recommend any changes needed to the Corporation for approval.
- 3.18 Conduct a review of the declarations of interest, any related party transactions and the register of hospitality and gifts reported by members of the governing board and members of the senior management team.
- 4. Membership and Operation**
- 4.1 The Committee shall comprise of at least three members (who may or may not be members of the Corporation).
- 4.2 The Committee will have the power to co-opt non-governors with relevant finance/auditing experience.
- 4.3 To maximise the Committee's independence and objectivity, the following people shall not be eligible to sit on the Committee as members:
- Those with executive responsibilities at senior level;
  - Members of the College Finance & Corporate Services Committee or equivalent;
  - The Chair of the Corporation
  - Any individual who has any significant interests in the Chesterfield College Group or any of its constituent parts.
- 4.4 The Principal and other senior post holders may not be members of the Committee but other members of staff may sit on the Committee provided they do not have significant executive, management, financial or budgetary responsibilities.
- 4.5 The Chair of the Committee will be appointed by the Corporation.
- 4.6 The Audit Committee will select its own members.
- 4.7 The Head of Governance shall act as Clerk to the Committee.
- 4.8 The Committee will meet at least 3 times per year. The internal auditor, funding auditor or financial statements auditor 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
- 4.9 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 quorum set out below) to exclude any, or all, participants and observers, except the Clerk to the Committee.
- 4.10 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 and funding auditor (where appointed) where business relevant to them is being discussed.
- 4.11 Senior management should also 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.
- 4.12 The Committee may invite the Corporation's advisers or other third parties to attend meetings of the Committee as appropriate (such persons shall not have a vote but shall be entitled to speak at the meeting).
- 4.13 The Committee shall be granted rights of access to obtain all the information it considers necessary from members of the staff and governors of the Corporation, and to consult the IAS, financial statements auditor and funding auditor directly.

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4.14 Voting will be by a show of hands unless a ballot is called for. If immediately after a vote is taken, any governor so requires, the way in which he/she voted (or abstained) will be recorded in the minutes of that meeting. In the event of there being a tied vote, the Chair of the meeting shall have a second or casting vote regardless of whether he/she has voted when the motion or amendment was put to the vote.

4.15 Co-opted members shall have voting rights.

### **5. Quorum**

The quorum for a meeting shall be two members of the Committee.

### **6. Frequency of Meetings**

The Audit Committee shall meet at least three times per year.