

AUDIT & RISK COMMITTEE
TERMS OF REFERENCE 2023-24

The **Committee's role** is to:

1. advise the Corporation on matters relating to its audit and risk arrangements and systems of internal control. Its minimum terms of reference are determined by the Post-16 Audit Code of Practice.

The Corporation is also bound by HM Treasury's 'Managing Public Money' (MPM) and other obligations arising from reclassification of the sector into the public domain

The Committee notes the MPM requirements relating specifically to:

- College requirements relating to borrowing
- College requirements for write-offs and losses
- College requirements for special payments, including severance, compensation and ex-gratia payments
- College requirements for indemnities, guarantees and letters of comfort
- College requirements for novel, contentious and repercussive transactions
- College requirements for asset disposals

The Committee is an advisory Committee of the Corporation. Its **responsibilities** are:

1. To advise the Corporation on the adequacy and effectiveness of the College's assurance arrangements, framework of governance, risk management and control processes (including any subcontracting arrangements) and assess their application in practice, for the effective and efficient use of resources, solvency of the College and the safeguarding of its assets.
2. To adopt standards and frameworks which enable effective implementation of the College's environmental sustainability strategy.
3. To advise the Corporation on the appointment, reappointment, adequacy, dismissal and remuneration of the financial statements auditor, and to have oversight of the organisation(s) to be used for external assurance, to ensure they adhere to relevant professional standards and to safeguard independence and objectivity.
4. To notify the ESFA of the resignation or removal of auditors, but not where a routine change of auditors has taken place.
5. To advise the Corporation on the scope and objectives of assignments to provide assurance on internal controls and the financial statements auditor.
6. To consider and advise the Corporation on the audit strategy and annual plans for assurance on internal controls,
7. To advise the Corporation on assurance of external controls assignment reports and on control issues included in the management letters of the financial statements auditor, including regularity audit, and management's responses to these.

8. To monitor, within an agreed timescale, the implementation of agreed recommendations relating to assurance of external controls assignment reports, and the financial statements auditor's management letter.
9. To consider and advise the Corporation on relevant reports by the National Audit Office and funding bodies, and where appropriate management's response to these.
10. To establish, in conjunction with College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the financial statements auditors, and arrangements to secure assurance on internal controls through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service and assurance on internal controls is appropriate.
11. To ensure that the external audit is put out to tender at least every 5 years, balancing the need to ensure value for money and a quality audit product with the cost of the tender process and a possible period of adjustment where a newly-appointed firm builds its knowledge of the Corporation. The College must ensure there is a policy in place for regular retendering of the external audit service, which should consider the quality of the service on offer as well as the price.
12. To produce an annual report for the Corporation and Accounting Officer, to 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 financial statements auditor and assurance on external controls assignments.
13. To oversee the College's policies on fraud and irregularity and whistleblowing, and ensure the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity and ensure all allegations of fraud and irregularity are properly followed up.
14. To be informed of any significant breaches of legislation or major incidents and to review the actions taken by the College in response to those occurrences and to report onwards to the Corporation.
15. To be informed of all additional services undertaken by the financial statements auditors.
16. To consider the development of members and put in place appropriate training to ensure their skills and knowledge are up to date. Where the Committee identifies a gap in its existing skillset, training and development should be provided to address this in the first instance.
17. To ensure that departing Accounting Officers provide a statement on regularity, propriety and compliance covering the reporting period up to the date of departure where possible
18. To ensure that external auditors will present their findings annually to the Corporation.

MEMBERSHIP

- The Committee shall comprise a minimum of four External or Parent Governors. The Committee must include 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.

- Membership of the Committee will exclude the Chair of the Corporation, staff and student Governors and the Principal. The Principal may attend part of a Committee meeting to present specific papers relating to risk and other internal control frameworks.
- The quorum will be 3 and at least two of those present must be either External Governors or co-opted members.
- The Committee may co-opt up to three people whose expertise may be of assistance to the Committee. Co-option may be for two years, but will be reviewed on an annual basis.
- The Chair shall be elected by Governors of the Committee at the first meeting of each academic year. Co-opted Members may not be elected as Chair.
- In the absence of the Chair from any meeting, a Chair shall be chosen by those present to conduct that meeting.
- A member who ceases to be a member of the Corporation for whatever reason will automatically cease to be a member of this Committee, unless the Corporation has approved their nomination to join the Committee as a Co-opted Member.
- Agendas for the meetings shall be distributed 7 days ahead of a meeting.
- The Committee should meet at least three times a year, or else provide an explanation of the reason for this in its annual report. The Committee may meet more often if necessary, to meet its responsibilities. Any variation to the meeting pattern is subject to discussion and approval of the Corporation.

BEHAVIOURS

- The Committee will be most effective when it includes members who are prepared to support, challenge, and warn Governors, and ask the right questions at the right time
- In planning for a Committee meeting, the Chair especially should be very clear as to why a matter is on the agenda, what the executive management's insights and recommendations are and what decisions the Committee is being asked to make.
- The Committee members, through the Chair, should make clear their expectations in terms of the information to be included in the meeting pack.
- The Committee has a 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 Committee has a responsibility for the Corporation, in appointing members, to maintain the Committee's independence and objectivity.
- The Committee must not adopt an executive role.