

## AUDIT COMMITTEE

### Terms of Reference and Standing Orders

#### 1 Introduction

- 1.1 The Terms of Reference and Standing Orders of the Audit Committee may be varied at any time by the Corporation.
- 1.2 The Terms of Reference and Standing Orders of the Audit Committee are subject, at all times, to the provisions of the Instrument and Articles of Government of the Corporation
- 1.3 Members are required to make known if they or a person with whom they have a close connection (e.g. spouse/partner or child) has a personal interest (be it financial or otherwise) in a matter before the Committee.
- 1.4 The Committee has the authority to investigate any activity within its terms of reference which may involve engaging a third party to assist in the process. The Committee has the right of access to all the information and explanations it considers necessary, from whatever sources to fulfil its remit.
- 1.5 The Committee will not adopt an executive role and must play a robust role in good stewardship and risk management. The appointment of internal auditors, although not required, is likely to assist the Committee in the effective discharge of its duties.

#### 2 Terms of Reference of the Audit Committee

- 2.1 Through the annual report of the Committee to assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Group's audit arrangements, framework of governance, risk management and control, and processes for securing economy, efficiency and effectiveness.
- 2.2 To advise the Governing Body on the appointment, reappointment, dismissal and remuneration of the financial statements and regularity auditors and other assurance providers including the internal auditors and establish that all such assurance providers adhere to professional standards.
- 2.3 To advise the Governing Body on the scope and objectives of the work of all the financial statements and regularity auditor and other assurance providers.
- 2.4 To ensure effective coordination between all assurance providers, and the financial statements and regularity auditor including whether the work of the funding auditor (where appointed) should be relied upon for internal audit purposes.
- 2.5 To consider and advise the Governing Body on the Audit Strategy and Annual Audit Plans as appropriate.

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- 2.6 To advise the Governing Body on matters of internal control and other issues included in the management letters and reports of the financial statements and regularity auditor, and of any reports submitted by other providers of audit and assurance services to the Group, and management's responses to these.
- 2.7 To monitor, within an agreed timescale, the implementation of agreed recommendations arising from management letters and reports of the financial statements and regularity auditors, and of any reports submitted by other providers of audit and assurance services to the Group.
- 2.8 To consider and advise the Governing Body on relevant reports by the National Audit Office (NAO), the Chief Executive of Skills Funding, other funding bodies and where appropriate, management's response to these.
- 2.9 To establish, in conjunction with Group's management, relevant annual performance measures and indicators, and to monitor the effectiveness of the financial statements and regularity auditor and other assurance providers through these measures and indicators and decide, based on this review, whether a competition for price and quality of the assurance services is appropriate;
- 2.10 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 for each Audit Committee member.
  - any significant issues arising from up to the date of the preparation of the report;
  - any significant matters of internal control included in the management letter and reports from auditors and other 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 Group's audit arrangements including assurance over subcontracting arrangements, its framework of governance, risk management and control and its processes for securing economy, efficiency and effectiveness;
  - submit the annual report to the Corporation before the Statement of Corporate Governance and internal control in the annual accounts is signed;
  - details of the date of the appointment of the Financial Statements and Regularity Auditors and the remaining term of contract.
- 2.11 To oversee the Group's policies on fraud and irregularity and whistleblowing, and ensure:
- the proper, proportionate and independent investigation of allegations and instances of fraud and irregularity;
  - that investigation outcomes are reported to the Committee;
  - that the external auditors, and internal auditors, where appointed, have been informed;
  - that appropriate follow up action has been planned/actioned;

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- that all significant cases of fraud or suspected fraud or irregularity are reported to the Chief Executive of the appropriate funding body as per Fraud Response Procedure:
  - risks around fraud have been identified and controls put in place to mitigate them.
- 2.12 To advise the Corporation on the provision of additional services by the financial statements, regularity and other audit and assurance providers and to explain how independence and objectivity have been safeguarded.
- 2.13 To advise and support the Board of the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regularity responsibilities.
- 2.14 To recommend the annual financial statements to the Governing Body for approval.
- 2.15 To monitor and review the Group's Financial Regulations, as appropriate, making recommendations to the Corporation.
- 2.16 To monitor and review the Board Assurance and Risk Management Framework and Policy as appropriate, making recommendations to the Corporation.
- 2.17 To monitor and review the Annual Value for Money Report, as appropriate, making recommendations to the Corporation.
- 2.18 To monitor and review the Data Protection Policy as appropriate, making recommendations to the Corporation. To receive a termly report from the Data Protection officer outlining key activities relating to data protection including data breaches.
- 2.19 To undertake an annual self-assessment of the effectiveness of the Committee's operations.
- 2.20 To consider the development of members and put in place appropriate training to ensure their skills and knowledge are up to date. Where there is a gap in the Committee's existing skills set, training and development will be provided to address this in the first instance.
- 2.21 To notify the Chief Executive of Skills Funding immediately of the resignation of auditors, or where the Corporation removes the auditors, before the expiry of their Term of Office.
- 2.22 Ensure that a policy is in place for the regular (at least every five years) retesting of the external audit services, taking in to account the quality of the audit service required as well as price.

### 3 Membership of the Audit Committee

- 3.1 The Committee shall comprise 6 members (who may or may not be members of the Corporation). In appointing members to the Committee, the Board of the Corporation has a responsibility to maintain the Committee's independence.
- 3.2 The Committee membership will include individuals with an appropriate mix of skills and experience in order to allow the Committee to discharge its duties effectively. Collectively members of the Committee will have recent relevant experience in risk management, finance and assurance. The abilities of the membership of the Committee will reflect the needs of the Corporation and extend to expertise in all relevant financial and non-financial areas. Members should be prepared to support, challenge and warn the Board of Governors.
- 3.3 The assurance providers 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. Members of the Executive Leadership Team 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.
- 3.4 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).
- 3.5 The Principal and Chief Executive Officer 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.
- 3.6 In order to maximise the Committee's independence and objectivity, the following people shall not be eligible to sit on the Committee:
- those with executive responsibilities at senior level;
  - members of the Group's Resources Committee or equivalent;
  - the Chairperson of the Corporation; and
  - Governors who have significant interests in the Group.
- 3.7 The Committee will meet at least once each term. The assurance providers and/or financial statements and regularity 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.
- 3.8 The Committee shall be entitled, whenever it is satisfied that it is appropriate to do so, to go into confidential session and to exclude any, or all, participants and observers, except the Corporation Secretary.

#### **4 Term of Office**

- 4.1 The term of office of members of the Audit Committee will normally be four years unless determined otherwise by the Corporation.
- 3.2 A member of the Audit Committee may resign from membership of the Committee by giving notice in writing to the Corporation Secretary.
- 4.3 A vacancy which arises during the period of office of the Committee will be filled by the appointment of a new member by the Corporation.

#### **5 Appointment of Chairperson and Vice Chairperson**

- 5.1 The members of the Committee will appoint a Chairperson and Vice Chairperson from amongst their number subject to them being members of the Corporation.
- 4.2 The Chairperson and Vice Chairperson shall hold office for two years. Normally the period of office will commence at the first meeting of the academic year.
- 5.3 If both the Chairperson and Vice Chairperson are absent from any meeting of the Committee, members of the Committee present shall choose one member to act as Chairperson of that meeting having regard to the provisions of paragraph 5.1.
- 5.4 The Chairperson and Vice Chairperson may at any time resign their respective offices by notice in writing to the Corporation Secretary.
- 5.5 The Chairperson and Vice Chairperson retiring at the end of their respective terms of office shall be eligible for reappointment.

#### **6 Quorum**

- 6.1 Meetings of the Committee shall be quorate if 2 or more members are present.
- 5.2 If the number of members of the Committee assembled for a meeting of the Committee does not constitute a quorum thereof, the meeting shall not be held. If in the course of a meeting the number of members present ceases to constitute a quorum, the meeting shall be terminated forthwith.
- 6.3 If for the lack of a quorum a meeting cannot be held or, as the case may be, cannot continue, the Chairperson shall, if he or she thinks fit, cause a special meeting to be summoned as soon as practicable.

## **7 Proceedings and Reporting of Meetings of the Audit Committee**

- 7.1 Every question to be decided at a meeting of the Audit Committee shall be determined by a majority of the votes of the members present and voting on the question. Where there is an equal division of votes the Chairperson of the meeting shall have a second or casting vote.
- 6.2 No resolution of the Audit Committee may be rescinded or varied at a subsequent meeting of the Committee unless consideration of the rescission or variation is a specific item of business on the agenda for that meeting.
- 7.3 The proceedings of the meetings of the Audit Committee will be recorded in the minutes prepared by the Corporation Secretary. Minutes of meetings (regardless of whether or not they have been confirmed as being a true record) will be presented to the subsequent meeting of the Corporation.
- 7.4 The minutes of every meeting of the Audit Committee will be presented to the Board of the Corporation at the next available opportunity. The Chairperson of the Committee will provide members of the Board of the Corporation with a verbal report of the meetings considerations and key matters.

## **8 Secretary to the Audit Committee**

- 8.1 The Secretary to the Audit Committee will be the Corporation Secretary or in their absence the Deputy Corporation Secretary.

## **9 Public Inspection**

- 9.1 The Audit Committee's terms of reference, together with the Committee's advice to the Board of the Corporation, will be made available for inspection to any members of the public during normal office hours and on the Group's website