

Audit Committee - Constitution and Terms of Reference

It is a condition of College funding, the Post-16 Audit Code of Practice and Article 4 of the Articles of Government that the Corporation must establish an Audit Committee. The Corporation, in appointing Committee members has a responsibility to maintain the Committee's independence and objectivity.

The Corporation has adopted the FE Governance Code and the Committee will work to meet the principles set out in the Code.

The Corporation must set out clear terms of reference for the Committee. These should reflect accepted good practice and must set out, as a minimum, the requirements included within the Post-16 Audit Code of Practice. The Committee, where appropriate will also take into account relevant HM Treasury guidance following the ONS reclassification of FE Colleges. The Committee must not adopt an executive role.

1. Purpose

- 1.1 The Audit Committee is established to exercise independent scrutiny to:
 - 1.1.1 advise the Corporation on the adequacy and effectiveness of its internal control, risk management and assurance framework;
 - 1.1.2 play a robust role in good stewardship and risk management and should refer to the ESFA's guidance on the scope of work of audit Committees and internal auditors in college corporations; and
 - 1.1.3 advise and support the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.
- 1.2 The Committee has the right to:
 - 1.2.1 scrutinise any activity within its terms of reference, which may involve engaging a third party to assist; and
 - 1.2.2 access all the information and explanations it considers necessary, from whatever source, to fulfil its remit.

2. Duties

2.1 Delegation

The Corporation shall delegate such matters to the Committee as are set out in its Scheme of Delegation, including the approval or recommendation of specific College policies.

2.2 Effectiveness and Financial Control

The Committee shall be responsible for:

- 2.2.1 Assessing and providing the Corporation with an opinion on the adequacy and effectiveness of its assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and safeguarding of its assets.
- 2.2.2 Producing an annual report for the Corporation, summarising the Committee's activities relating to the financial year under review, including:
 - i. a summary of the work undertaken by the Committee during the year;
 - ii. the number of the meetings held in the year, and attendance records for each audit Committee member;
 - iii. any significant issues arising up to the date of preparation of the report;
 - iv. any significant matters of internal control included in the reports of audit and assurance providers;
 - v. details of the date of appointment of the external auditors and the remaining term of the contract;
 - vi. the Committee's view of its own effectiveness and how it has fulfilled its terms of reference;
 - vii. 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 of resources, solvency, and the safeguarding of assets.

- 2.2.3 Submitting its annual report to the Corporation before the statement of corporate governance and internal control in the annual accounts is signed.
- 2.2.4 Reviewing and scrutinising the annual regularity self-assessment questionnaire to support the drafting of the statement of regularity, propriety and compliance (RSAQ).
- 2.2.5 Taking a holistic view with all aspects and systems, financial and non-financial, being in scope depending on their impact and effect on the Corporation

2.3 Risk Management

The Committee shall be responsible for:

- 2.3.1 Ensuring Corporation policies provide for the development and implementation of a robust and embedded risk management strategy which:
 - i. set out proactive and effective processes for identifying potential risks, ensuring key risk are not overlooked;
 - ii. provide for the detailed and objective assessment and evaluation of identified risks, their impact and likelihood;
 - iii. require the identification and implementation of actions to mitigate risks; and
 - iv. ensure risks are understood and managed at all relevant organisational levels.
- 2.3.2 Undertaking a regular review of strategic risks and receive reports on mitigating actions taken, make recommendations to the Corporation for further action and provide adequate information in a timely manner to the Corporation on the status of risks and controls.

2.4 GDPR and Information Governance

The Committee shall be responsible for :

- 2.4.1 Overseeing the College's GDPR control framework and compliance with the UK GDPR.

2.5 Internal Audit

The Committee shall be responsible for:

- 2.5.1 Advising the Corporation of the appointment, re-appointment, dismissal and remuneration of the internal auditor, and other assurance providers and establish that all such assurance providers adhere to relevant professional standards.
- 2.5.2 Informing the Corporation of any additional services provided by the internal auditor, and other assurance providers and explain how independence and objectivity were safeguarded.
- 2.5.3 Considering and advising the Corporation on any internal audit and assurance provider reports, annual reports and on control issues included within internal audit and assurance provider reports and management's responses to these.
- 2.5.4 Monitoring within agreed timescales, the implementation of recommendations arising from audit and assurance provider reports.
- 2.5.5 Considering and advising the Corporation on an audit needs assessment and recommend the approval of the three year internal audit strategy and annual internal audit plan.
- 2.5.6 Monitoring the effectiveness of the internal audit service and any assurance provider.
- 2.5.7 Informing the ESFA as to any change in internal auditors, in accordance with the Audit Code of Practice.

2.6 External Audit

The Committee shall be responsible for:

- 2.6.1 Advising the Corporation of the appointment, re-appointment, dismissal and remuneration of the external auditor (reporting accountant), and establish it adheres to relevant professional standards.
- 2.6.2 Informing the Corporation of any additional services provided by the external auditor (reporting accountant) and explain how independence and objectivity were safeguarded.
- 2.6.3 Considering and advising the Corporation on any external audit reports, including the annual audit findings report and on control issues included within those reports and management's responses to these.

- 2.6.4 Monitoring within agreed timescales, the implementation of recommendations arising from audit provider reports.
- 2.6.5 Monitoring the effectiveness of the external audit service.
- 2.6.6 Informing the ESFA as to any change in external auditors, in accordance with the Audit Code of Practice.
- 2.6.7 Ensuring the regular re-tendering of the external audit service, at least every 5 years.
- 2.6.8 The Audit Committee should consider the quality of the audit service required as well as the price.

2.7 Policies

The Committee shall be responsible for:

- 2.7.1 Overseeing the Corporation's policies on fraud, irregularity, impropriety and whistleblowing and ensure:
 - i. the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity;
 - ii. investigation outcomes are reported to the Committee;
 - iii. the external auditor (and internal auditor if applicable) has been informed;
 - iv. appropriate follow-up action has been planned / actioned; and
 - v. 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 authorities as soon as possible; and
 - vi. risks around fraud have been identified and controls put in place to mitigate the risk.
- 2.7.2 Scrutinising and recommending to the Corporation for approval, the policies set out in the Scheme of Delegation.

2.8 Other

The Committee shall be responsible for:

- 2.8.1 Undertaking an annual review of its effectiveness.
- 2.8.2 Receiving regular briefings and updates on matters relating to the Committee's remit and scope of responsibility.
- 2.8.3 Scrutinising on an annual basis, Members' expense claims.
- 2.8.4 Considering the development of members and put in place appropriate training to ensure their skills and knowledge are up to date. Where the audit committee identifies a gap in its existing skillset, training and development should be provided to address this in the first instance.

3. Frequency of Meetings

- 3.1 The Committee will meet as often as is necessary to fulfil its responsibilities, and at least once each term at appropriate intervals in the financial reporting and auditing cycle. Work scheduled will be consistent with the Corporation's annual governance business plan.
- 3.2 The Audit Committee is required by the Post-16 Audit Code of Practice, to meet at least three times a year. Where this requirement has not been met, an explanation (such as that it was not possible to achieve a quorum) must be provided within the Audit Committee's Annual Report.

4. Constitution and Membership

- 4.1 The Corporation shall appoint between three and five members to the Committee, the majority of whom should be external Members, on the recommendation of the People Strategy & Governance Committee.
- 4.2 The Corporation Chair, Principal, Staff and Student Members may not be appointed to the Committee.
- 4.3 To avoid potential conflicts of interest, Committee members should not be members of the Resource Committee and vice-versa.

- 4.4 To allow the Committee to discharge its duties effectively it should include individuals with an appropriate mix of skills and experience. Collectively, Committee members should have recent, relevant risk management, finance, audit and assurance experience. The abilities of the membership should reflect the needs of the Corporation and should extend to expertise in all relevant financial and non-financial areas. Audit Committees will be most effective when they are staffed by individuals who are prepared to support, challenge, and warn the Corporation.

5. Quorum

- 5.1 The Committee shall be quorate when 2 members are present.
- 5.2 Where there are only two Members present and in the event the Committee, in line with its delegated powers, is required to make a decision, the Committee in its discretion shall either:
- i. make the decision as long as both Members agree; or
 - ii. defer that decision to the next scheduled committee meeting; or
 - iii. call for an electronic resolution where the decision is time sensitive.

6. Appointment of Chair and Deputy Chair

- 6.1 At the first meeting of each academic year, the Committee shall appoint a Chair and Deputy Chair from its External Members.
- 6.2 In the absence of the Chair, the Deputy Chair shall chair the meeting. In the absence of both the Chair and the Deputy Chair, the members in attendance shall appoint a Chair from those External members present.

7. Attendance at Meetings

- 7.1 Attendance will generally be limited to Committee members, the Clerk, the Chief Operating Officer, Director of Finance and any persons expressly invited to attend all or part of a meeting. Corporation Members who are not committee members may also attend.
- 7.2 The Committee:
- i. will invite the Principal to at least one meeting a year; generally when it receives the draft Financial Statements and agrees its annual report for the Corporation;
 - ii. may invite other members of staff to attend, to discuss matters for which they have relevant responsibility.
- 7.3 Representatives from the external and internal auditor services will be invited to attend meetings.

8. Reporting Procedures

- 8.1 Minutes of the meeting, following the agreement of the Committee Chair, will be presented to the subsequent Corporation meeting, regardless of whether they have been confirmed as being a true record by the Committee.
- 8.2 The Committee Chair shall complete an assurance report which, together with Committee minutes, will be presented to the next scheduled Corporation meeting. The Committee Chair will present the assurance report to the Corporation, highlight relevant matters and make whatever recommendations the Committee deems appropriate, on any area within its remit where action or improvement is needed.
- 8.3 The Committee Chair shall present the Annual Audit Committee Report and formally report to the Corporation as to how the Committee has discharged its responsibilities and (where relevant) highlight:
- i. significant issues the Committee considered in relation to the financial statements and how these were addressed;
 - ii. the Committee's assessment of the effectiveness of the external audit process;
 - iii. the approach taken to the appointment or re-appointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - iv. any other issues on which the Corporation has requested the Committee's opinion.

9. Clerking Arrangements

- 9.1 The Committee clerk will be the Clerk to the Corporation.
- 9.2 In the absence of the Clerk, the Principal in consultation with the Committee Chair shall make arrangements for another person to carry out the role.

Resource Committee - Constitution and Terms of Reference

As a matter of good practice, and as permitted under Article 4 of the Articles of Government, the Corporation has determined to establish a Resource Committee.

The Corporation has adopted the FE Governance Code and the Committee will work to meet the principles set out in the Code.

The Committee will also take into account, where relevant, HM Treasury guidance following the ONS reclassification of FE Colleges.

1. Purpose

1.1 The Resource Committee is established to provide assurance to the Corporation that:

- i. the College's financial strategy and policies are appropriate, within the context of the College's overall strategic plan;
- ii. College resources (including its estate) are being used effectively and efficiently, the College is solvent and sustainable and College assets and are being safeguarded; and
- iii. strategic risks, which relate to the Committee's terms of reference, are being effectively managed.

2. Duties

2.1 Delegation

The Corporation shall delegate such matters to the Committee and to the Chair of the Resource Committee as are set out in its Scheme of Delegation, including the approval or recommendation of specific College policies.

2.2 Financial Performance

The Committee shall be responsible for:

2.2.1 Reviewing, advising on and recommending for approval to the Corporation:

- i. a three year medium term business plan;
- ii. an annual income and expenditure budget;
- iii. a capital expenditure budget,
- iv. appropriate performance indicators for monitoring performance.

2.2.2 Reviewing and challenging the monthly financial performance report including; management accounts; cash flow; contract performance; capital expenditure update; balance sheet; income generation report and key performance indicators including financial health.

2.2.3 Scrutinising forecasting activity and recommending any relevant action.

2.2.4 Reviewing, advising and recommending on arrangements for securing and maximising government, student loan, commercial, charitable, ESF and other sources of income / funding.

2.2.5 Reviewing, advising and recommending on the maximisation of income from the College's fixed assets, especially the capital estate.

2.2.6 Reviewing the annual financial statements.

2.2.7 Regularly monitoring the financial position relating to projects / developments approved by the Corporation.

2.3 Commercialisation and Partnership Developments

2.3.1 The Committee shall be responsible for taking a corporate view of the College's commercialisation and partnership developments to ensure they contribute effectively to the delivery of the Colleges business needs and corporate strategy.

2.3.2 Key areas of focus will include overseeing the financial implications and associated risks relating to any College subsidiary companies which have been established and other relevant partnerships, and ensuring financial performance of such activities meet relevant targets / objectives.

2.4 Human Resources

2.4.1 The Committee shall be responsible for taking a corporate view of the College's human resource strategies and policies to ensure they contribute effectively to the delivery of the Colleges business needs and corporate strategy.

2.4.2 Key areas of focus will include:

- i. reviewing and overseeing the development, implementation and operation of the Workforce Strategy including staff wellbeing and development;
- ii. considering the framework for staff pay and conditions and where relevant making recommendations to the Corporation on any whole College pay increase;
- iii. receiving and scrutinising annual staff survey outcomes, implications and action plans;
- iv. receiving and scrutinising termly reports to monitor relevant activity, risks, key performance indicators and benchmarking data;
- v. consideration of issues relating to equality, diversity and inclusion;
- vi. seeking assurance the College is complying with relevant legal and regulatory requirements;
- vii. receiving updates and briefings on changes to HR legislation and regulation, the implications of these changes and management responses.

2.5 Health and Safety

2.5.1 The Committee shall provide assurance to the Corporation as to the extent the College is complying with relevant legislation, regulation, policies, procedures and working practices regarding health and safety.

2.5.2 Key areas of focus will include:

- i. receiving and scrutinising termly reports to monitor relevant activity, risks, key performance indicators and benchmarking data;
- ii. receiving updates and briefings on changes to health and safety legislation and regulation, the implications of these changes and management responses.

2.6 IT / Digital

2.6.1 The Committee shall be responsible for taking a corporate view of the College's IT / Digital strategies and policies to ensure they contribute effectively to the delivery of the College's business needs and corporate strategy.

2.6.2 Key areas of focus will include:

- i. reviewing and overseeing the development, implementation and operation of the IT / Digital Strategy;
- ii. considering the financial implications of IT investment and associated opportunities and risks and making relevant recommendations to the Corporation;
- iii. overseeing legal and regulatory compliance.

2.7 Estates

2.7.1 Overseeing any College estates or campus developments which do not fall under the remit of a specially convened Task and Finish Group.

2.8 Sustainability

2.8.1 The Committee shall provide assurance to the Corporation as to the extent the College is complying with relevant sustainability legislation, regulation, policies, procedures and working practices regarding sustainability. Key areas of focus will include:

- overseeing the implementation and operation of the sustainability strategy;
- receiving and scrutinising termly reports to monitor relevant activity, risks, key performance indicators and benchmarking data, and making relevant recommendations to the Corporation.

2.9 Other

2.8.1 The Committee shall be responsible for undertaking an annual review of its effectiveness.

3. Frequency of Meetings

- 3.1 The Committee will meet as often as is necessary to fulfil its responsibilities and at least once each term. Work scheduled will be consistent with the Corporation's annual governance business plan.

4. Constitution and Membership

- 4.1 The Corporation shall appoint between three and five members to the Committee, (at least one of whom must be a qualified accountant) the majority of whom should be external Members, on the recommendation of the People Strategy & Governance Committee.
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