

AUDIT COMMITTEE

1 Role of the Audit Committee

- 1.1 The role of the Audit Committee is to advise the Corporation on the adequacy and effectiveness of the College Corporation's assurance framework. In addition, the Audit Committee advises and supports the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities. It provides this role, in part, in order to hold the Executive Team, and where necessary individual senior post holders personally, to account.

The Corporation may add to the terms of reference set out below, however it must not add terms that:

- require the Audit Committee to adopt an executive role;
- require members of the Audit Committee to offer professional advice to the Corporation outside their role as Governors; or
- cause the Committee to lose its primary focus on the adequacy and effectiveness of the College's audit arrangements and risk management, internal control systems and governance processes.

2 Terms of Reference

The terms of reference of the Audit Committee will be published on the College's website.

2.1 The remit of the Audit Committee is:

- i) to advise the Corporation on the adequacy and effectiveness of the College Corporation's framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness;
- ii) to advise the Corporation on the appointment, reappointment, dismissal and remuneration and terms of engagement of the external auditor / reporting accountant and other assurance providers, including the internal audit service;
- iii) to establish, in conjunction with College management, relevant annual performance measures and indicators, and to monitor and review the effectiveness of the internal audit service and external auditor / reporting accountant, and decide, based on this review, whether a competition for price and quality of the audit service is appropriate;
- iv) to advise the Corporation on the scope and objectives of the work of the internal audit service and recommend the internal audit strategy and annual internal audit plan to the Corporation for approval;
- v) to advise the Corporation on the scope and objectives of the work of the funding auditor (where appointed by the College);
- vi) to report to the Corporation the scope and objectives of the work plans of the external auditor / reporting accountant;

- vii) to ensure effective coordination between the internal audit service, the funding auditor (where appointed) and the external auditor / reporting accountant including whether the work of the funding auditor should be relied upon for internal audit purposes; and advise on management's responses;
- viii) to advise the Corporation on controls and other issues included in the management letters and reports of the external auditor / reporting accountant, and any reports submitted by other providers of assurance (including internal audit) to the Corporation; and management's responses to these;
- ix) to advise the Corporation on the outcomes of all Skills Funding Agency PFA audits and/or other relevant third party reviews or investigations, including reports by the National Audit Office (NAO), and/or other funding bodies; and, where appropriate, management's response to these;
- x) to monitor, within agreed timescales, the implementation of recommendations arising from the management letters and reports of the external auditor / reporting accountant, and of any reports submitted by other providers of audit and assurance services to the College;
- xi) to produce an annual report and opinion for the Corporation which summarises the Audit Committee's activities relating to the College's financial year, including any significant issues up to the date of preparation of the report. The annual report should comply with the Joint Audit Code of Practice;
- xii) to recommend for Corporation approval, and oversee, the College's Fraud Policy and Procedures and the College's Whistleblowing Policy and Procedure, and to ensure that all allegations of fraud and irregularity are properly investigated, reported and concluded in a timely manner, in accordance with the College's Fraud Policy and Fraud Response Plan;
- xiii) to recommend for Corporation approval the College's Risk Management Policy, the annual Corporate Risk Register and Risk Management Plan including the Corporation Board Assurance Map, to monitor the Risk Management Plan on a regular basis, and report on the effectiveness of the College's risk management arrangements as required by the funding body;
- xiv) to inform the Corporation of the provision of any additional services by the external auditor / reporting accountant and other assurance providers, including the internal audit service, to recommend additional services for Corporation approval, and to explain (both in the annual report and the financial statements) how independence and objectivity have been safeguarded, taking into account relevant UK professional and regulatory requirements, and relevant ethical guidance;
- xv) to recommend to the Corporation Board for approval the Financial Statements, Management Letter and Letters of Representation of the external auditor / reporting accountant, having considered all aspects of

accounting and disclosure raised in the Financial Statements/Management Letter.

STANDING ORDERS

3 Composition of Committee and Quorum for Meetings

- 3.1 The Committee shall comprise four members, at least three of whom (i.e. the majority) shall be Independent Governors of the Corporation. Collectively, members of the Audit Committee must have recent, relevant ~~a range of skills and~~ experience in risk, governance, finance and audit and assurance ~~and~~ control. ~~At least one Committee member, whether Governor or not, will have recent and relevant accountancy, or audit and assurance experience.~~ This may be achieved through co-opting an external member to the Committee as set out in paragraph 3.3 below.
- 3.2 The Corporation shall determine membership and the quorum of the Committee, usually annually at the Corporation's last meeting of the academic year.
- 3.3 The Corporation may determine to vary the membership to include one external Co-opted Committee Member who is not a Governor of the Corporation. The Chair and Vice Chair of the Committee must however be Independent Governors of the Corporation.
- 3.4 The Corporation shall determine the appointment of the Chair and Vice Chair of the Committee, usually annually at the last meeting of the Corporation in any academic year.
- 3.5 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.
- 3.6 In order to maximise the Committee's independence and objectivity, the following people shall not be eligible for membership of the Committee:
- members of the College's Finance & Personnel Committee (if appropriate),
 - the Principal,
 - the Chair of Governors,
 - Governors who have significant interests in the College, and
 - the Company Secretary.
- 3.7 The Audit Committee's membership will be published on the College's website.
- 3.8 The meetings of the Committee shall be quorate if two or more of the four members are present including the Chair or Vice Chair of the Committee.
- 3.9 If the number of Committee members assembled for a meeting of the Committee does not constitute a quorum, the meeting will not be held. If, in the course of a meeting of the Committee, the number of members present ceases to constitute a quorum, the meeting will be suspended or terminated immediately.

- 3.10 If a meeting is inquorate or, as the case may be, cannot continue, the Chair may require that a special meeting should be held.

4 Meetings

- 4.1 The Committee will meet at least once in every term and will hold other meetings as necessary.
- 4.2 The Company Secretary will arrange all meetings. Committee members will receive written notice of the meeting and a copy of the agenda at least seven clear calendar days before the meeting.
- 4.3 The Chair of the Committee may call a special meeting of the Committee at any time. Where the Chair, or in his absence the Vice Chair, agrees that there are matters demanding urgent consideration, the written notice convening the meeting may be less than seven days.
- 4.4 The internal auditor, funding auditor (where appointed) or external auditor / reporting accountant 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 as set out by the funding body. A cycle of Committee Business is attached to the terms of reference.
- 4.5 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 quoracy set out above) to exclude any or all participants and observers, except the Clerk to the Committee (i.e. the Company Secretary).

5 Attendance at Meetings

- 5.1 The Company Secretary shall attend all meetings of the Committee as Clerk to the Committee.
- 5.2 The internal auditor shall be entitled to attend and speak at all meetings of the Committee (but not to vote) as shall the external auditor / reporting accountant and funding auditor (where appointed) where business relevant to them is being discussed.
- 5.3 The Deputy Principal: Finance & Corporate Development shall routinely attend Committee meetings and will receive papers.
- 5.4 Senior managers shall also be invited to attend meetings of the Committee where their area of responsibility is under discussion, and shall be entitled to attend and speak at such meetings but not to vote.
- 5.5 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).

6 Reporting to the Corporation

- 6.1 The Chair of the Committee will summarise the Committee's business to the next scheduled meeting of the Corporation.

- 6.2 All recommendations/resolutions of the Audit Committee are to be presented to the Corporation for approval in keeping with the Audit Committee's advisory rather than executive role.
- 6.3 If new information comes to light after a meeting of the Committee, and it is reasonable to suppose that this information could have an impact on the decision-making of the Corporation, the Chair of the Committee – or, in his absence, another member of the Committee – shall present this new information in addition to the Committee's resolution to the Corporation.
- 6.4 The Chair of the Committee will present the Committee's Annual Report to the December meeting of the Corporation before the statement of corporate governance and internal control in the annual accounts is signed. The Annual Report will summarise the Committee's activities relating to the financial year under review and be in line with the Joint Audit Code of Practice.
- 6.5 After discussion with members of the Committee, the Chair shall present the restricted section of the Annual Report to the Governance, Performance & Search Committee held in February/March each year on the:
- Performance issues concerning the Executive Team or individual Senior Post Holders, if any.
 - Adequacy and effectiveness of the College Corporation's framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness.
 - Management's response to the issues and concerns raised by the different auditors during the year.

7 Authority

- 7.1 The Committee is authorised by the Corporation to investigate any activity within its terms of reference. It is granted the right of access to obtain all the information and explanations it considers necessary, from whatever source, (e.g. from any Governor of the Corporation or employee of the College), and to consult the internal audit service, external auditor / reporting accountant and funding auditor (where appointed) directly in order to fulfil its remit.
- 7.2 The Committee is authorised to ask the Principal and/or the Company Secretary to arrange appropriate independent professional advice and to secure the attendance of outsiders, if so required.

8 Conflicts of Interest

- 8.1 Members of the Committee will make a declaration of interest at Committee meetings as appropriate and in accordance with the Instrument of Government, the Code of Conduct for Corporation Members and the Register of Interests and Confirmation of Eligibility declaration.

9 Proceedings of Meetings

- 9.1 Every question to be decided at a meeting of the 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 Chair of the meeting shall have a second or casting vote.

- 9.2 No member of the Committee may vote by proxy or by way of a postal vote.
- 9.3 No resolution of the Committee may be rescinded or varied at a subsequent meeting unless consideration of the rescission is a specific item of business on the agenda for that meeting.

10 Minutes

- 10.1 At every meeting of the Committee the minutes of the last meeting, if agreed to be accurate, shall be signed as a true record by the Chair of the meeting.
- 10.2 The Company Secretary will generally aim to circulate the draft minutes to Committee members within ten working days of a meeting.

11 Public Access to Meetings

- 11.1 Meetings of the Committee will not be open to persons other than the appointed Committee members and those stipulated in section 5 above, unless invited by special invitation.

12 Publication of Minutes and Papers

- 12.1 The agenda, supporting papers and the minutes of the Committee will remain confidential until they are reported to the Committee itself.

The minutes, once approved by the Chair of the meeting, will be presented to the next Corporation meeting whether or not they have been approved by a subsequent meeting of the Committee.

The approved, non-confidential minutes will be published on the College's website. All other non-confidential documentation will be available for inspection in the office of the Company Secretary during normal business hours.

- 12.2 Any minute which provides details of:
- i) a named person employed at, or proposed to be employed at, the College;
 - ii) a named student at, or candidates for admission to, the College;
 - iii) the Company Secretary; and
 - iv) any matter which is commercially sensitive

shall remain confidential.

