



SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE
FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

TERMS OF REFERENCE

1. **MEMBERSHIP**

1.1 The Committee:

- a. Shall consist of at least three and up to five external members of the Corporation. In addition, up to two external co-opted members may be appointed.
- b. 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. The abilities of the membership of the Audit Committee 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.

1.2 Members of the Audit Committee shall be appointed annually by the Corporation. There is a responsibility for the Corporation, in appointing members, to maintain the Committee's independence and objectivity.

1.3 The Chair of the Audit Committee shall be appointed/reappointed annually by the Corporation.

1.4 If appointed, a co-opted external member shall serve for a term not exceeding 4 years. Reappointment thereafter will be considered on the advice of the Search Committee.

1.5 A co-opted external member of the Audit Committee should not normally be appointed as its Chair, since the Chair has to be able to attend, as of right, all meetings of the Corporation.

1.6 The Chair of the Corporation, the Clerk, the Group CEO & Executive Principal, College Principal and other senior management staff must not be members of the Audit Committee. Also, the Audit Committee should not include Staff Corporation members.

2. **ACCOUNTABILITY AND PURPOSE**

2.1 The Audit Committee is responsible to the Corporation. The Audit Committee must not adopt an executive role. The main purpose of the Committee is to advise the Corporation on the adequacy and effectiveness of the College's assurance framework and the provision of the opinion in the annual accounts.

2.2 The Audit Committee has the authority to investigate and/or scrutinise any activity within its terms of reference, which may involve engaging a third party to assist.

2.3 The Audit Committee has the right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit.

3. **THE ROLE OF THE COMMITTEE**

3.1 To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the College's¹ assurance arrangements, assurance over subcontracting, and framework of governance. This may include the board assurance framework, risk management and control processes for the effective and efficient use of resources, solvency and the safeguarding of assets. Audit Committees should take a holistic view with all aspects and systems, financial and non-financial, being in scope depending on their impact and effect on the Corporation.

3.2 To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable) and establish that all such assurance providers adhere to relevant professional standards.

3.3 To consider and advise the Corporation on the audit strategy and annual internal audit plans for the internal audit service.

3.4 To review and consider the reports of external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable), and monitor the implementation of recommendations to agreed timescales.

3.5 To consider and advise the Corporation on relevant reports by the National Audit Office and other funding bodies and, where appropriate, management's response to these.

3.6 To oversee additional matters such as data breaches and GDPR issues together with Freedom of Information compliance and recommend the College Group's policies on Data Privacy and Protection and Freedom of Information to the Corporation for approval.

3.7 To establish, in conjunction with College management, relevant annual performance measures and indicators and to monitor the effectiveness of the internal audit service and the external auditor through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.

3.8 To produce an annual report for the Corporation, summarising the committee's activities relating to the financial year under review, including:

¹ Any reference to College also includes any subsidiary companies.

- 3.8.1 a summary of the work undertaken by the committee during the year, the number of meetings held in a year, and attendance records for each Audit Committee member;
 - 3.8.2 any significant issues arising up to the date of preparation of the report;
 - 3.8.3 any significant matters of internal control included in the reports of audit and assurance providers;
 - 3.8.4 details of the date of appointment of the external auditors and the remaining term of the contract;
 - 3.8.5 the committee's view of its own effectiveness and how it has fulfilled its terms of reference;
 - 3.8.6 the committee's opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, assurance over subcontracting (if and when applicable), framework of governance, risk management and control processes for the effective and efficient use of resources, solvency, and the safeguarding of assets;
 - 3.8.7 submit the annual report to the Corporation before the statement of corporate governance and internal control in the annual accounts is signed
- 3.9 To oversee the College's policies on and processes around fraud, irregularity, impropriety and whistleblowing, and ensure:
- 3.9.1 the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity;
 - 3.9.2 that investigation outcomes are reported to the Audit Committee;
 - 3.9.3 that the external auditor (and internal auditor if applicable) is informed of investigation outcomes and other matters of fraud, irregularity and impropriety, and that appropriate follow-up action has been planned/actioned;
 - 3.9.4 that all significant cases of fraud or suspected fraud, theft, bribery, corruption, irregularity, cybercrime, major weaknesses or breakdown in the accounting or other control framework are reported to the ESFA, and other relevant funding authority, as soon as possible.
 - 3.9.5 risks around fraud have been identified and controls put in place to mitigate them.
- 3.10 To inform the Corporation of any additional services provided by the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable) and explain how independence and objectivity were safeguarded.
- 3.11 To advise the Corporation, and the Directors of any subsidiary companies on audit matters relating to the subsidiary companies, as required.
- 3.12 To recommend the annual consolidated financial statements to the Corporation for approval.
- 3.13 To review and recommend changes to the Financial Regulations to the Corporation for approval.
- 3.14 To consider 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.

- 3.15 The Audit Committee must notify the ESFA immediately of the resignation of auditors, or in the rare circumstance where the Corporation removes the auditors, before the expiry of their term of office. Where auditors have resigned, other than at the end of their agreed term, the Audit Committee must copy to the ESFA an explanation from the auditors. Where the Corporation elects to remove the auditors, the Audit Committee must notify the ESFA of these reasons. A change of auditor at the expiry of their agreed term of office does not require notification to the ESFA by the Corporation.
- 3.16 The Audit Committee must ensure that there is a policy in place for regular retendering of the external audit service. The Audit Committee should consider the quality of the audit service required as well as the price. Corporations should ensure that the external audit contract is put out to tender at least every 5 years, though for the avoidance of doubt this does not necessarily require a different firm of auditors to be appointed.
- 3.17 If and when applicable, the Committee must receive the independent report providing assurance on subcontracting arrangements in order for it to be included in the Committee's annual report.
- 3.18 Dealing with other such matters as the Corporation may ask it to as long as it does not compromise the independence of the Committee.

4. MEETINGS AND QUORUM

- 4.1 The Committee shall meet at least three times each year to consider matters arising from its terms of reference, or matters placed on the agenda at the request of the Corporation or of the Chair or any member of the Committee. Where three meetings were not held, an explanation must be provided within the Audit Committee's annual report.
- 4.2 The Group CEO & Executive Principal and/or the College Principal shall normally be in attendance.
- 4.3 College staff may be invited to attend Audit Committee meetings, particularly where their area of responsibility is under discussion.
- 4.4 The internal audit service (IAS) and the external auditor shall be invited to attend meetings as appropriate and be given the opportunity to raise any issues they wish to discuss in the absence of College Management.
- 4.5 The Internal Audit Service or external auditor may request a meeting of the Audit Committee if they consider one is necessary.
- 4.6 The quorum for meetings shall be any three members, at least two of which should be a member of the Corporation.

- 4.7 All meetings shall be conducted to an agenda approved by the Chair.
- 4.8 The agenda of each meeting shall be prepared by the Clerk in consultation with the Auditors and Chair of the Committee, and circulated together with all relevant agenda papers to all members of the Committee normally seven days before each meeting.
- 4.9 Where matters of a sensitive or confidential nature are to be discussed at a meeting the Clerk, in consultation with the Chair, shall reserve these matters to a confidential agenda. Details and papers of such agenda shall not be circulated unless the circumstances which caused them to be considered sensitive or confidential no longer pertain.

5. **REPORTING PROCEDURES**

- 5.1 The Clerk to the Corporation shall be the Clerk to the Audit Committee.
- 5.2 Audit Committee minutes shall be included in Corporation papers and reported upon at Corporation meetings.

Originator:	Clerk to the Corporation
Date of latest review:	June 2023
Date of last approval:	6 July 2023
Approved by:	Corporation
Review interval:	Annually
Next review due by:	July 2024

Revised and approved by Corporation, 25 April 2013, to increase membership to up to 5 members.

Revised and approved by Corporation, 3 July 2014.

Revised and approved by Corporation, 28 April 2016.

Revised and approved by Corporation, 12 October 2017.

Revised and approved by Corporation, 5 July 2018

Revised and approved by Corporation, 4 July 2019

Revised and approved by Corporation, 8 July 2021

Interim revision and approved by Corporation 28 April 2022

Revised and approved by Corporation 7 July 2022

Revised and approved by Corporation 6 July 2023