



## **AUDIT AND RISK COMMITTEE**

### Terms of Reference

The Audit and Risk Committee (the “**Committee**”) is a Committee of the Board established under the terms of clause 6 of the Articles of Government.

#### **OBJECTIVE**

To discharge the Board’s duty required as a condition of funding and by both the [Post-16 Code of Practice](#) and the College’s [Instrument and Articles](#).

To advise the Board on the adequacy and effectiveness of the Board’s assurance framework and to work continuously to improve the effectiveness of the Board’s internal controls and audit arrangements and increasing public confidence in the objectivity and fairness of the Board’s financial reports.

The Audit and Risk Committee must play a robust role in good stewardship and risk management and should refer to [ESFA’s guidance](#) on the scope of work of Audit and Risk Committees and internal auditors in college Boards. In addition, the Audit and Risk Committee advises and supports the Board in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities. The [College Accounts Direction](#) sets out ESFA’s specific requirements, including the required information to be included in the Board’s statement of corporate governance and internal control.

The Committee also advises the Board on the appointment of Internal Auditors and Financial Statement Auditors and oversees their work.

#### **1. MEMBERSHIP**

The Committee shall consist of a minimum of four members appointed by the Board who may not be the Chair of the Board or the Principal and CEO.

The Board has a responsibility to maintain the Audit and Risk Committee’s independence and objectivity.

The Audit and Risk 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. The abilities of the membership of

the Audit and Risk Committee should reflect the needs of the Board and should extend to expertise in all relevant financial and non-financial areas.

## **2. TERMS OF OFFICE**

Terms of office of the members shall be contiguous with their membership of the Board. Membership of Committees is reviewed by the Search, Governance and Remuneration Committee and members may be asked to move to another Committee should this serve the Board more appropriately.

## **3. APPOINTMENT OF COMMITTEE CHAIR**

The Board shall appoint the Committee Chair. In the absence of the Chair, the remaining members present shall elect one of themselves to chair the meeting.

The Chair shall serve for a term of one year and can be eligible for reappointment within the overall conditions of their membership of the Board.

Co-opted members shall not be appointed Chair, except in exceptional circumstances.

## **4. COMMITTEE PROCEDURES**

### **QUORUM**

Quorum will be 40% of the members to include co-opted members with at least three independent members present.

### **CLERKING**

All meetings will be clerked by the Director of Governance. In their absence the Committee will appoint a Clerk.

### **FREQUENCY OF MEETINGS**

The Committee shall meet at least three times a year, at appropriate times during the meetings schedule.

### **ATTENDANCE AT MEETINGS**

The Exec Director of Finance and Estates and representatives of Internal Audit and the Financial Statements Auditors will attend meetings of the Committee.

Other Corporation members shall have a right of attendance where approved by the Committee.

The Director of Governance will attend the Committee.

Senior managers shall attend and speak at a meeting of the Committee where business relevant to them is being discussed or where their attendance has been requested by the Committee.

The Committee may invite the Board's advisors or third parties to attend meetings of the Committee where business relevant to them is being discussed or where their attendance has been requested by the Committee.

Attendees do not have voting rights.

## **NOTICE OF MEETINGS**

Meetings of the Committee shall be convened by the Director of Governance.

The agenda for each meeting shall be approved by the Chair.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and any person required to attend, no later than seven days before the day of the meeting. Supporting papers shall be sent to Committee Members, and other attendees as appropriate.

## **MINUTES**

The Director of Governance shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.

Draft minutes of Committee meetings shall be circulated promptly to the Chair for review and then onto Committee members.

The draft minutes of the Committee meetings shall be presented to the next meeting of the Committee for approval and open minutes published on the governance pages of the Group website.

## **REPORTING PROCEDURES**

The Chair of the Committee shall present a summary report of the Committee's agenda at the subsequent Board meeting and the minutes of the meetings will be available to the Board.

## **5. PURPOSE OF COMMITTEE**

The Committee is given authority by the Board and reports to the Board. The Committee shall act in an advisory capacity, making recommendations to the Board in respect of areas within its remit, specifically those set out below.

1. To assess and provide the Board with an opinion on the adequacy and effectiveness of the Board's assurance arrangements 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.
2. 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 and Risk Committee identifies a gap in its existing skillset, training and development should be provided to address this in the first instance.
3. To advise the Board on the appointment, reappointment, dismissal and remuneration of the external auditor and internal Audit Service and other assurance providers (as applicable) and establish that all such assurance providers adhere to relevant professional standards.
4. To advise the Board on the scope and objectives of the work of the internal and external Audit Service and other assurance providers and establish that all such assurance providers adhere to professional standards.
5. To inform the Board of any additional services provided by the external auditor, and internal Audit Service and other assurance providers and explain how independence and objectivity are safeguarded.
6. To ensure effective co-ordination between the Internal Audit Service and the external auditor
7. To consider and advise the Board on the audit strategy and annual internal audit plans for the Internal Audit Service.
8. To review and consider the reports of the external auditor, internal Audit Service and other assurance providers and management's response to these and monitor the implementation of recommendations to agreed timescales.
9. To recommend the annual financial statements and the Financial Statement Auditor's Management Letter to the Board for approval.
10. To review the self-assessment questionnaire completed by the Board prior to submission to the Financial Statements Auditor.
11. Oversight of risk management processes of the Group and monitor the Group risk register.
12. To establish, in conjunction with management, relevant annual performance measures and indicators and to monitor the effectiveness

- of the Internal Audit Service, and external auditor through these measures and indicators and to decide, based on this review, whether a competition for price and quality of the audit service is appropriate.
13. To meet regularly, and at least once a year, with internal and external audit, without the presence of management.
  14. To consider and advise the Corporation on relevant reports issued by the National Audit Office, and current education funding bodies and where appropriate, management's response to these.
  15. To oversee the Board's policies on and processes around fraud, irregularity, impropriety and whistleblowing, and ensure:
    - the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity
    - investigation outcomes are reported to the Audit and Risk Committee
    - 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
    - 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 ESFA and other relevant funding authorities, as soon as possible. Please report any actual or suspected cases of significant fraud, including cybercrime, to ESFA via the 'allegations' mailbox at [allegations.mailbox@education.gov.uk](mailto:allegations.mailbox@education.gov.uk).
    - risks around fraud have been identified and controls put in place to mitigate them.
  16. To review policies in line with the Board's Policy Framework
  17. To produce an annual report for the Board, 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 the meetings held in the year, and attendance records for each Audit and Risk Committee member
    - any significant issues arising up to the date of preparation of the report or any significant matters of internal control included in the reports of Audit and Risk and assurance providers
    - details of the date of appointment of the external auditors and the remaining term of the contract
    - 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 Board'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. The annual report to the Board must be submitted to the Board before the statement of corporate governance and internal control in the annual accounts is signed.

### **Further requirements on the Audit and Risk Committee from the Post-16 Code of Practice**

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 Board. In addition to the mandatory responsibilities of an Audit and Risk Committee outlined above, as best practice Audit and Risk Committee will also oversee additional matters such as data breaches, GDPR issues and health and safety incidents.

The Board does not routinely need to notify ESFA of a change in auditor at the expiry of their agreed term in office. However, the Audit and Risk Committee must notify ESFA immediately of the resignation of external auditors' mid-term, or in the rare circumstance where the Board removes the external auditors, before the expiry of their term of office. Where auditors have resigned, other than at the end of their agreed term, the Audit and Risk Committee must copy to ESFA an explanation from the auditors. Where the Board elects to remove the auditors, the Audit and Risk Committee must notify ESFA of these reasons.

The Audit and Risk Committee must ensure that there is a policy for regular retendering of the external Audit and Risk service. The Audit and Risk Committee should consider the quality of the Audit and Risk service required as well as the price. Corporations should ensure that the external Audit and Risk 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.

### **6. AUTHORITY**

The Committee is authorised by the Board to obtain outside legal or other independent

professional advice at the expense of the Group, and to secure the attendance of outsiders

with the relevant experience and expertise if it considers necessary.

### **6. REVIEW**

The Committee shall conduct an annual self-assessment to assess its contribution and

effectiveness in fulfilling its terms of reference.

The Committee shall review annually its terms of reference to ensure that it is operating at maximum effectiveness recommending any changes to the Board for approval.

<b>Date</b>	<b>Version</b>	<b>Summary of changes</b>	<b>Changes made by</b>
18/09/2024	Annual review	Updates in line with legislation. Changes made across all terms of reference to align the format and include all areas of the Committee's remit	Audit and Risk Committee
09/10/2024	Approve		Board