

Kirklees College

## **AUDIT COMMITTEE (“COMMITTEE”) – TERMS OF REFERENCE**

It is a condition of funding and the Post-16 Audit Code of Practice 2020/21 (“ACOP”), that the Corporation establishes an Audit Committee. These Terms of Reference comply with the ACOP. They must be read in conjunction with the Instrument and Articles of Government, the Corporation’s Standing orders and the College’s Financial Regulations from time to time. They may only be varied by the Corporation.

### **1. Constitution**

- 1.1. A minimum of four members, a majority being Governors.
- 1.2. The Committee must not adopt an executive role or be charged with making or endorsing any decision.
- 1.3. The following shall not be eligible to sit on the Committee:
  - the Principal/Chief Executive and other Senior Post Holders;
  - members of the Finance Committee;
  - Staff Governors;
  - the Chair of the Corporation.
- 1.4. To discharge its duties effectively, the Committee must have an appropriate mix of skill and experience, including recent, relevant experience in risk management, finance and assurance. The skills mix should also reflect the needs of the Corporation and extend to expertise in all relevant financial and non-financial areas.
- 1.5. The Committee will consider the development of its members and put in place appropriate training to ensure their skills and knowledge are up to date.
- 1.6. The internal auditor shall be invited to attend all meetings; the external auditor and other assurance providers shall be invited to attend when relevant.
- 1.7. Senior leaders shall be invited to attend meetings to present information when their area of responsibility is to be discussed.

### **2. Chair**

- 2.1. The Committee Chair shall be elected by the Committee on an annual basis.

### **3. Quorum**

- 3.1. Three members.

### **4. Frequency of Meetings**

- 4.1. At least once per term to coincide with the planning and reporting cycles of internal and financial statements and regularity audit. The internal auditors or the external auditors may request a meeting if considered necessary.

## **5. Terms of Reference:**

The Committee will advise and support the Corporation as follows:

### **5.1 Assurance arrangements, framework of governance, risk management and control processes**

- 5.1.1 Assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, which 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.

### **5.2 Auditors and other assurance providers**

- 5.2.1 Advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant, internal auditor and other assurance providers (as applicable);
- 5.2.2 Ensure there is a policy in place for the regular retendering of the external audit service (at least every five years) and advise the Corporation whether and when a competition for price and quality of the audit service is appropriate;
- 5.2.3 Establish, in conjunction with College management, relevant annual performance measures and indicators to monitor the effectiveness of the internal auditor and the external auditor;
- 5.2.4 Establish that assurance providers adhere to relevant professional standards;
- 5.2.5 Advise the Corporation on the scope and objectives of the work of the external auditor, reporting accountant, internal auditor and other assurance providers (as applicable);
- 5.2.6 Inform the Corporation of any additional services provided by the external auditor, reporting accountant, internal auditor and other assurance providers (as applicable) and explain how independence and objectivity are safeguarded;
- 5.2.7 Ensure effective co-ordination between the internal auditor and the external auditor, including whether their work should be relied upon for internal audit purposes;
- 5.2.8 Consider and advise the Corporation and the accounting officer on the internal audit strategy and periodic internal audit plans, forming a view on how well they reflect the Corporation's risk exposure;
- 5.2.9 Advise the Corporation on internal audit assignment reports and annual reports and on control issues included in the management letters of the financial statements and regularity auditors and management's responses to these;
- 5.2.10 Review and consider the reports of the external auditor, reporting accountant, internal auditor and other assurance providers (as applicable) and monitor the implementation of recommendations to agreed timescales;
- 5.2.11 Notify the ESFA where the external auditor's service contract is terminated, other than at the expiry of the agreed term of office.

### **5.3 External reports and guidance**

- 5.3.1 Consider and advise the Corporation on relevant reports by the National Audit Office, the ESFA and other funding bodies, and where appropriate, management's response.

## **5.4 Fraud, irregularity, impropriety and whistleblowing**

5.4.1 Oversee the Corporation's policies on and processes around fraud, irregularity, impropriety and whistleblowing and ensure that:

- there is proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity (including bribery);
- investigation outcomes are reported to the Committee;
- the external auditor and internal auditor are 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, major weakness or breakdown in the accounting or other control framework are reported to the Education and Skills Funding Agency ("ESFA"), any other relevant funding authority and the College's principal charity regulator (as appropriate);
- risks around fraud have been identified and controls put in place to mitigate them.

## **5.5 Financial Regulations**

5.5.1 Maintain a continuous review of the Financial Regulations through the Executive Director of Finance, advising the Corporation of any additions or changes necessary;

5.5.2 In exceptional circumstances, authorise a departure from the Financial Regulations, to be reported to the Corporation without delay;

5.5.3 Notify the Corporation of any breach of the Financial Regulations which results in disciplinary action against a member of staff under the Disciplinary Policy.

## **5.6 Value for Money**

5.6.1 Monitor whether satisfactory arrangements are in place to promote economy, efficiency and effectiveness;

## **5.7 On a Merger or Dissolution of the College**

5.7.1 In the event of the merger or dissolution, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.

## **5.8 Additional Matters**

5.8.1 Advise the Corporation on data protection compliance, including oversight of any reportable breaches or serious concerns;

5.8.2 Ensure effective arrangements are in place for the management and quality assurance of data;

5.8.3 Advise the Corporation on health & safety compliance, having oversight of any reportable incidents or serious concerns;

5.8.4 Advise the Corporation on any other issues or matters in respect of which the Corporation has requested the Committee's opinion.

## 5.9 Annual Report

5.9.1 Submit an annual report for the Corporation, summarising the Committee's activities relating to the financial year under review, including:

- a summary of the work undertaken by the Committee;
- the number of meetings held, with an explanation where any meetings could not be held, and attendance records for each Committee member;
- any significant issues arising up to the date of preparation of the report;
- any significant matters of internal control included in the reports of audit and assurance providers;
- a statement on data quality;
- 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; and
- the Committee's view of 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.

## 5.10 Annual Financial Statements

5.10.1 Advise the Corporation on the annual Financial Statements, having:

- reviewed the audit and control aspects, including the external audit opinion, the statement of Governors' responsibilities, the statement of internal control and any relevant issue raised in the external auditors' management letter;
  - considered whether the Corporation has adopted and applied appropriate accounting policies and principles;
  - considered management's critical accounting estimates and judgements;
  - reviewed the clarity and completeness of disclosures and considered whether the disclosures made are set properly in context;
  - reviewed related information presented with the Financial Statements, including corporate governance statements relating to the audit and to risk management
- and provide a recommendation to the Corporation as to whether the annual Financial Statements may be approved and, if unsatisfied with any aspect of the proposed financial reporting, report its views to the Corporation.

## 6. The Committee's Rights

6.1 The Audit Committee has the right to:

- where satisfied that it is appropriate to do so, go into confidential session and exclude any, or all, participants and observers, except the Clerk to the Committee;
- scrutinise any activity within its terms of reference, which may involve engaging a third party to assist; and
- access all the information and explanations it considers necessary, from whatever source, to fulfil its remit.

Approved by the Corporation on 21 May 2021