**AUDIT COMMITTEE**

**TERMS OF REFERENCE: Version 2020 1**

**RATIFIED BY THE CORPORATION BOARD ON: July 6th, 2020**

**NEXT REVIEW DUE: July 2021**

1. **CONSTITUTION**

1.1 The Corporation Board hereby resolves to establish a Committee of the Corporation Board to be known as the Audit Committee (The Committee). The Committee is an independent member committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference.

1. **PURPOSE**
   1. The purpose of the Audit Committee is to review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the Institution’s activities that supports the achievement of the Institution’s objectives.
   2. The Committee is authorised by the Corporation Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee. The Committee is authorised by the Corporation Board to obtain outside legal or independent advice and to see the attendance of outsiders with relevant experience and expertise if it considers necessary.
2. **MEMBERSHIP**
   1. The Committee shall be appointed by the Corporation Board from amongst the independent members and shall consist of not less than four members at least one of whom has recent, relevant financial experience.
   2. No staff or student governors are eligible to be a member of the Audit Committee.
3. **ATTENDEES**
   1. The Vice Principal Resources and the Head of Governance shall normally attend meetings.
   2. Representatives of the external auditor and internal audit will attend. The Committee will meet in private with the internal and external audit representatives at every meeting.
   3. Neither the Chairman of the Corporation Board nor Principal should routinely attend the Committee. The Principal will be invited to attend each meeting and should discuss at least annually with the Committee the process for assurance that supports the Annual Governance Statement. He should also attend when the Committee considers the draft internal audit plan and the annual accounts.

4.4 Other staff should be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that member of staff.

1. **ATTENDANCE**
   1. It is expected that each member attends a minimum of 75% of meetings and performance will be reported for each member in terms of attendance at the end of each financial year.
2. **QUORUM**
   1. The Committee has no decision making authority unless 3 members are present.
3. **FREQUENCY OF MEETINGS**

7.1 The Committee will meet three times a year additional meetings may be arranged as required. Meetings will be expected to last no more than 2 hours routinely.

1. **CHANGES TO TERMS OF REFERENCE**

8.1 Changes to the terms of reference including changes to the Chair or membership of the Committee are a matter reserved to the Corporation Board.

1. **ADMINISTRATIVE ARRANGEMENTS**
   1. The Chair of the Committee will agree the agenda for each meeting with the Head of Governance and the Vice Principal Resources. The Committee shall be supported administratively by the Head of Governance whose duties in this respect will include:

* Agreement of agenda with Chair and attendees and collation of papers
* Taking the minutes
* Keeping a record of matters arising and issues to be carried forward
* Advising the committee on pertinent issues / areas
* Enabling the development and training of Committee members

All papers presented to the Committee should be prefaced by a summary of key issues and clear recommendations setting out what is required of the Committee.

1. **ANNUAL CYCLE OF BUSINESS**

10.1 The Committee will develop an annual cycle of business for approval by the Corporation Board meeting at its first meeting of the financial year. The Committee work plans informs the standing agenda items as described within the terms of reference, to ensure that all regulatory and legislative items are adequately reviewed and acted upon.

1. **REPORTING TO THE CORPORATION BOARD**
   1. The Chair of the Audit Committee will provide a verbal update to the Corporation Board outlining key actions taken with regard to the issues, key risks identified and key levels of assurance given.
2. **STATUS OF THE MEETING**

12.1 All Committees of the Corporation Board will meet in private. Matters discussed at the meeting should not be communicated outside the meeting without prior approval of the Chair of the Committee.

1. **MONITORING**

13.1 The Committee will provide the Corporation Board with an Annual Report setting out the issues that have been considered by the Committee and details of assurance provided. This will include reporting at least annually on its work in support of the Annual Governance Statement, specifically commenting on the completeness of risk and governance systems are integrated and embedded in the Institution and the appropriateness of evidence compiled to demonstrate fitness to register with the Office for Students.

1. **DUTIES**

**Governance, Risk Management and Internal Control**

The Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the Institution activities that supports the achievement of the Institution objectives.

In particular, the Committee will review the adequacy and effectiveness of:

* all risk and control related disclosure statements (in particular the Annual Governance Statement), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to submission to the Corporation Board;
* the underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
* the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certifications;
* the policies and procedures for all work related to counter fraud and security.

In carrying out this work the Committee will primarily utilise the work of internal audit, external audit and other assurance functions, but will not be limited to these sources. It will also seek reports and assurances from managers as appropriate, concentrating on the overarching systems of governance, risk management and internal control, together with indicators of their effectiveness.

**Internal Audit**

The Committee shall ensure that there is an effective internal audit function that meets the *Public Sector Internal Audit Standards 2013* and provides appropriate independent assurance to the Committee, Accountable Officer and Corporation Board. This will be achieved by:

* consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal
* review and approval of the internal audit plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the Institution as identified in the assurance framework
* consideration of the major findings of internal audit work (and management’s response), and ensure co-ordination between the internal and external auditors to optimise audit resources
* ensuring that the internal audit function is adequately resourced and has appropriate standing within the Institution
* monitoring the effectiveness of internal audit and carrying out an annual review.

**External Audit**

The Committee shall review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process. In particular, the Committee will review the work and findings of the external auditors and consider the implications and management’s responses to their work. This will be achieved by:

* consideration of the appointment and performance of the external auditors, as far as the rules governing the appointment permit, including the formation of an Audit Appointment Panel as set out in the Local Audit and Accountability Act 2014
* discussion and agreement with the external auditor, before the audit commences, on the nature and scope of the audit as set out in the annual plan and ensuring coordination, as appropriate, with other external auditors in the local health economy
* discussion with the external auditors of their local evaluation of audit risks and assessment of the Corporation and associated impact on the audit fee;
* reviewing all external audit reports, including the report to those charged with governance
* Agreement of the annual audit letter before submission to the Board
* Any work undertaken outside the annual audit plan, together with the appropriateness of management responses

**Other Assurance Functions**

The Committee shall review the findings of other significant assurance functions, both internal and external to the Institution, and consider the implications to the governance of the Institution.

These will include, but will not be limited to, any reviews by regulators/inspectors (e.g. Ofsted, Office for Students etc.), and professional bodies with responsibility for the performance of staff or functions (e.g. accreditation bodies, etc.).

In addition, the Committee will review the work of other committees within the Institution, whose work can provide relevant assurance to the Committee’s own scope of work. In particular this will include the Governance & Search Committee.

**Counter Fraud**

The Committee shall satisfy itself that the Institution has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work.

**Whistleblowing**

The Committee shall satisfy itself that the Institution has an up to date policy for whistle blowing and shall review the outcomes where the policy is applied and cases where the policy is not complied with.

**Management**

The Committee shall request and review reports and positive assurances from managers on the overall arrangements for governance, risk management and internal control.

They may also request specific reports from individual functions within the Institution.

**Financial Reporting**

The Audit Committee shall monitor the integrity of the financial statements of the Corporation and any formal announcements relating to the Institution’s financial performance.

The Committee should also ensure that the systems for financial reporting to the Corporation Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided.

The Committee shall review the Annual Report and Financial Statements and approve the annual accounts before submission to the Corporation Board, focusing particularly on:

* the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee
* changes in, and compliance with, accounting policies, practices and estimation techniques
* unadjusted mis-statements in the financial statements
* significant judgements in preparation of the financial statements
* significant adjustments resulting from the audit
* Letters of representation
* Qualitative aspects of financial reporting

**Version Control:**

Version 2020 1

Adopted by Corporation Board on July 6th, 2020

Next review due July 2021

**Members**

The Group membership is as follows:

Ian Swain – Chair

Kieron Goldsborough - Independent Member

Phil Trotter - Independent Member

David Hughes - Independent Member

Vacancy