



# Audit Committee Terms of Reference

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## **1. Role of the Committee**

The role of the Committee is to advise the Board on the adequacy and effectiveness of the Group's systems of internal control and its arrangements for risk management, control and governance processes, and security, economy, efficiency and effectiveness (value for money).

## **2. Membership**

Members of the Committee shall be appointed by the Board. The Committee shall be made up of at least three members, one of which shall be appointed as Chair.

All members of the Committee shall be Governors with experience of managing risk and at least one and ideally all members of whom shall have recent and relevant financial experience.

The Chair of the Board shall not be a member of the Committee.

The Principal shall not be a member of the Committee but shall be invited to attend as a reporting officer to all meetings.

Only members of the Committee have the right to attend Committee meetings. However, other persons may be invited by the Committee to attend all or part of any meeting as appropriate.

The Internal Auditors and External Auditors shall be invited to attend the meeting on a regular basis.

## **3. Secretary**

The Clerk to the Board of Governors shall act as Secretary to the Committee.

## **4. Quorum**

The quorum for the conduct of any meetings of the Committee shall be two members.

## **5. Frequency of meetings**

The Committee shall meet at least three times per year, at appropriate times in the audit cycle and otherwise as required.

## **6. Notice of meetings**

Meetings of the Committee shall be called by the Secretary to the Committee at the request of any of its members or at the request of the External Auditors or Internal Auditors if they consider it necessary.

Unless otherwise agreed, notice of the meeting and papers shall be sent to members and other attendees at least 4 working days prior to the meeting.

## **7. Minutes of the meeting**

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

The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

## **8. Duties**

The Committee shall carry out the duties below for the Group and its subsidiaries and the Group as a whole, as appropriate.

### **8.1 Financial Reporting**

The Committee shall monitor the integrity of the financial statements of the Group, including its Annual Report & Financial Statements.

The Committee shall review, scrutinise and challenge where appropriate:

- i) The consistency of, and changes to, accounting policies both on a year-to-year basis and across the Group.
- ii) The methods used to account for significant or unusual transactions where different approaches are possible
- iii) Whether the Group has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account.

### **8.2 Internal Controls and Risk Management Systems**

The Committee shall:

- a) keep under review the effectiveness of the Group's internal controls and risk management systems; and
- b) review and approve the statements to be included in the annual report concerning internal controls and risk management.

### **8.3 Whistleblowing and Fraud**

The Committee shall:

- i) Review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoings in financial reporting and other matters. The Committee shall ensure these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action; and
- ii) Review the Group's procedures for detecting fraud.

### **8.4 Internal Audit**

The Committee shall:

- i) Monitor and review the effectiveness of the Group's internal audit function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management and other restrictions.
- ii) Review and assess the annual internal audit plan.
- iii) Review promptly all reports on the Group from the internal auditors.
- iv) Review and monitor management's responsiveness to the findings and recommendation of the internal auditor; and
- v) Meet the internal auditors at least once per year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the internal auditors shall be given the right of direct access to the Chair of the Board and to the Committee.

## 8.5 External Audit

The Committee shall:

- i) Consider and make recommendations to the Board, to be put to members for approval by the Board, in relation to the appointment, re-appointment and removal of the Group's external auditors. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- ii) Oversee the relationship with the external auditor including (but not limited to):
  - a. Approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - b. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - c. Assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - d. Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business);
  - e. Agreeing with the Board the policy on the employment of former employees of the Group's auditor, then monitoring implementation of this policy;
  - f. Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Group compared to overall fee income level of the firm, office and partner and other related requirements;
  - g. Assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
  - h. Seek to ensure co-ordination with the activities of the internal audit function;
  - i. Considering the risk of the withdrawal of the Group's present auditor from the market;
- iii) Consider and advise the Board on relevant reports by the Skills Funding Agency and Education Funding Agency and their successors and other funding bodies, and where appropriate management's responses to these;
- iv) Establish, in conjunction with the Group's management, relevant annual performance measures and indicators, and monitor the effectiveness of the internal audit service and external auditor;
- v) Meet periodically with the external auditor, including once per year at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet with the external auditor at least once per year without management being present, to discuss their remit and any issues arising from the audit;
- vi) Review and approve the annual audit plan and ensure that this is consistent with the scope of the audit engagement;
- vii) Review the findings of the audit with the external auditor. This shall include but shall not be limited to:
  - a) A discussion of any major issues which arose during the audit
  - b) Any accounting and audit judgements
  - c) Levels of error identified during the audit
  - d) The Committee shall also review the effectiveness of the audit.
- viii) Review any representation letter (s) requested by the external auditor before they are signed by management

- ix) Review the management letter and management's response to the auditor's findings and recommendations; and
- x) Develop and implement a policy on the supply of non-audit services, if applicable, taking into account any relevant ethical guidance on the matter.

## **8.6 Reporting Responsibilities**

The Chair of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee shall make whatever recommendations to the Board it deems appropriate on any are within its remit where action or improvement is needed.

The Committee shall complete a report on its activities to be included in the Group's annual report.

## **8.7 Other matters**

The Committee shall:

- i) Have access to sufficient resources in order to carry out its duties, including access to the Group's secretariat for assistance as required;
- ii) Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- iii) Give due consideration to relevant laws and regulation;
- iv) Be responsible for co-ordination of the internal and external auditors; and
- v) Oversee any investigation of activities which are within its terms of reference and act for internal audit purposes as a court of last resort.

## **9. Authority**

The Committee is authorised:

- i) To seek any information it requires from any employee of the Group in order to perform its duties;
- ii) To obtain, at the Group's expense, outside legal or other professional advice on any matter within its terms of reference; and
- iii) To call any employee to be questioned at a meeting of the Committee as and when required.

## **10. General**

The Committee is entitled, whenever it is satisfied that it is appropriate to do so, to go into confidential session and to exclude any, or all, participants and observers, except the Clerk to the Board.

The Committee shall undertake an annual review of these Terms of Reference and shall include a formal self-assessment of whether the Terms of Reference have been met and recommend any changes to the Board for approval.