



Committee

Terms of Reference

Committee	Audit & Risk Committee
Version	Version 3.0
Approved by	Audit & Risk Committee - 26 November 2024
Date approved	10th December 2024 (Corporation Board)
Lead responsibility	Audit & Risk Committee Chair

1. Purpose

The Articles of Government require the Corporation to establish a committee, to be known as the “Audit Committee”, to advise on matters relating to the Corporation’s audit arrangements and systems of internal control. The AoC Code of Good Governance outlines the need of corporations to:

- a) Advise the corporation on the adequacy and effectiveness of the college’s assurance framework.
- b) Advise and support the corporation in explaining in its annual report and accounts and the measures it has taken to ensure it has fulfilled its statutory and regulatory responsibilities.
- c) Support the Board and the Principal & CEO by reviewing the comprehensiveness, reliability and integrity of assurances, including the College’s governance, risk management, and internal control framework.
- d) Adopt effective systems of control and risk management that promote value for money, efficient use of capital estate and technology, meet mandatory audit requirements, and produce accurate and quality-assured college data.

2. Remit

The Audit Committee must advise the corporation on the adequacy and effectiveness of the corporation’s assurance framework. The audit committee must play a robust role in good stewardship and risk management and may refer to the ESFA’s guidance on the scope of work of audit committees and internal auditors in college corporations. In addition, the audit committee advises and supports the corporation 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 the ESFA’s specific requirements including the required format of the corporation’s statement of corporate governance and internal control.

The Audit Committee is named and established in accordance with paragraph 6 the Articles of Government and the Financial Memorandum. The Post-16 Audit Code of Practice (ACOP) outlines the specific requirements for assurances, accountability, and audit arrangements for providers of post-16 education and training and the broad framework in which they should operate. This includes setting out the responsibilities of the audit committee. These should reflect accepted good practice for audit committees of publicly funded organisations and as a minimum set out:

- a) the committee’s right to investigate any activity within its terms of reference
 - i. Corporations should be mindful of the insolvency regime of further education bodies.
 - ii. HM Treasury’s audit committee handbook may be a useful reference point.
 - iii. The committee’s right to access all the information and explanations it considers necessary, from whatever source, to fulfil its remit.
 - iv. A requirement for the corporation to appoint a minimum membership of three, a majority of whom must be governors, which must not include the Chair of the Corporation or Principal.
 - v. A responsibility for the corporation, in appointing members, to maintain the committee’s independent and objectivity.
 - vi. A requirement for the corporation to 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.
 - vii. A restriction on the committee not to adopt an executive role.

In accordance with the Post-16 Audit Code of Practice and the AoC Code of Good Governance, the role of the audit committee includes:

- b) 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. 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.
- c) 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. Corporations should consider whether staff-governor members of an audit committee meet good practice standards of independence and objectivity.
- d) 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.
- e) 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 are safeguarded.
- f) Review and consider the reports of the external auditor, reporting accountant, internal audit (as applicable), and other assurance providers (as applicable), and monitor the implementation of recommendations to agreed timescales.
- g) Oversee the corporation's policies on and processes around fraud, irregularity, impropriety, and whistleblowing, and ensure:
 - i. the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity;
 - ii. that investigation outcomes are reported to the audit committee;
 - iii. that the external auditor (and internal auditor if applicable) are informed of investigation outcomes and other matters of fraud, irregularity and impropriety, and that appropriate follow-up action has been planned/actioned;
 - iv. that 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 ESFA, and other relevant funding authority, as soon as possible;
 - v. risks around fraud have been identified and controls put in place to mitigate them;
 - vi. produce 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 during the year;
 - the number of meetings held in the year, and attendance records for each audit 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 the audit and assurance providers. Corporations should refer to the whistleblowing requirements set out in their funding agreements;
- 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 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.

The annual report to the corporation must be submitted to the corporation before the statement of corporate governance and internal control in the annual accounts is signed.

3. Authority

The Audit Committee has authority to investigate any activity within its terms of reference and has the right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit.

The Committee is established in accordance with Article 6 of the Articles of Government of Derwentside College Further Education Corporation. Its name shall be the Audit & Risk Committee (the Committee).

The Committee is a committee of the Derwentside College Further Education Corporation and as such its actions are open to scrutiny and approval by the full Corporation. The delegation of functions does not absolve the Corporation from accountability for the conduct and decisions of its committees. The Corporation remains responsible for the proper conduct of the College for undertaking its duties under the instruments and articles of government and for complying with other legislation to which it is subject. The Terms of Reference of the Committee may be varied at any time by the Corporation.

4. Composition

The Committee shall comprise minimum of three members, at least two governors. The Committee may invite the Corporation's advisers or other third parties to attend meetings as appropriate (such persons shall be entitled to speak at the meeting, but not to vote). The following people may attend, but shall not, in the interests of the independent nature of the committee, be eligible to serve as members of the Committee:

- Members of the Finance & Resources Committee
- The Chair of the Corporation
- The Principal & CEO and senior leaders
- The staff member (if perceived to be independent and objective)
- The student member.

Co-opted members with relevant expertise may be appointed.

5. Frequency of Meetings

The Committee will meet not less than three times a year. The Committee can meet with the Auditors without the executive present, at least once per year.

6. Quorum

The quorum for meetings shall be 40% of committee membership, subject to minimum of two including co-opted members – the majority of whom shall be Corporation members.

7. Chair

The Chair of the Committee will be selected by Committee members and appointed by Corporation for a term of four-years. The retiring Chair will be eligible for re-appointment. In the absence of the Chair from a meeting, the Committee will appoint another member to act as Chair for that meeting.

8. Clerk

The Head of Governance shall act as Clerk to the Committee.

9. Term of Office

Appointments of members of the Committee will cease at the end of their term of office as a Governor, although they will be eligible for re-appointment if their membership of the Corporation is renewed. Co-opted members will be appointed for a term of one-year and will be eligible for re-appointment if their membership is approved by the Corporation. Members may terminate their membership by notice of resignation to the Head of Governance.

10. Other Arrangements

To exercise its role, the Audit Committee has the power to:

- a) Investigate any activity within its terms of reference. Seek any information it requires directly from the governors, committee and college employees, plus relevant information from subcontractors and other third parties and consult the internal audit service, the financial statement auditor, and the funding auditors.
- b) Obtain external professional advice.
- c) Go into confidential sessions (subject to the rules on quorum) to exclude any, or all, participants, and observers, except the Clerk to the Committee.
- d) A responsibility to maintain its independence in appointing members.

Papers, unless confidential will be placed on the governor's portal. The Committee shall report to the Corporation by circulating minutes/a verbal report from the Committee Chair.

11. Attendance

The Corporation attendance target is 80%. Committee members are therefore expected to attend all scheduled meetings.

12. Lead Officers

The Lead Officer is the Vice Principal – Finance & Resources (CFO).