

THE CORPORATION
of
THE SIXTH FORM COLLEGE, COLCHESTER



AUDIT COMMITTEE

TERMS OF REFERENCE AND STANDING ORDERS 2022 -2023

The responsibilities of corporation's stem from education legislation applicable in England, including the Further and Higher Education Act 1992 and charity law (as applicable to exempt charities)

General responsibilities of corporations are set out in their instrument and articles of government. which complement the duties of governors as charity trustees (under Sections 22 and 33 of the Further and Higher Education Act), the DfE statutory governance guide and the conditions of funding as set out in funding agreements and contracts with the ESFA.

The grant funding agreements and contracts with the ESFA set out in detail the requirements placed on, and responsibilities of, corporations. Any mandatory requirements of the Post 16 Audit Code of Practice (ACoP) form a condition of that funding. It is a condition of funding that the Corporation must establish an audit committee.

The Terms of Reference for the audit committee should reflect accepted good practice for the audit committees of publicly funded organisations.

'The Audit Committee must advise the Corporation on the adequacy and effectiveness of the corporation's assurance framework and 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 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.' *Para 22 Post 16 Audit Code of Practice 2021-22*

Terms of Reference

The Committee has scope over all financial and other management systems and controls within the College, including the activities of Fuel Channel Limited, and any other activities for which the Corporation has legal responsibility.

The Committee has been delegated the authority to scrutinise any activity within its terms of reference which may involve engaging a third party to assist.

The Committee has a right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit and has delegated authority to seek any information it requires from the external auditor, governors, other committees and college employees, plus relevant information from sub-contractors and other third parties and to obtain external advice.

- a) To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant (and other assurance providers, including internal auditors (as applicable), and establish that all such assurance providers adhere to relevant professional standards.
- b) To inform the Corporation of any additional services provided by the external auditor, reporting accountant and any other assurance providers including internal auditors (as applicable) and explain how independence and objectivity are safeguarded.

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- c) To receive reports and advise the Corporation on any control issues included in the management letters of the external auditor (including their work on regularity), reporting accountant and other assurance providers including internal auditors (if applicable), and the management's response to these.
- d) To review and consider the reports of the external auditor, reporting accountant, internal audit and other assurance providers (as applicable) and monitor, the implementation of recommendations arising from any reports of audit and assurance providers to agreed timescales.
- e) To establish and maintain a policy for the regular retendering of the external audit service. The policy will require the Committee to consider, annually auditor performance, the quality of the audit service required, as well as fees. The Committee will ensure that the external audit contract is put out to tender at least every 5 years.
- f) To receive and discuss the external auditors' findings report in advance of the auditor's presentation to the Corporation
- g) To review annually the accounting policies and make any recommendations for change to the Corporation
- h) To scrutinise the Annual Report and Financial Statements, prior to being placed for Corporation approval
- i) To periodically review the Risk Register and to consider at each meeting the Board Assurance Framework and reports from college managers, to determine if any additional assurance is required.
- j) To review at least annually the College's Disaster Recovery Plan
- k) To review at least annually the Financial Regulations for recommendation to the Corporation
- l) To oversee and approve as applicable the Corporation's strategies, policies 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
 - that investigation outcomes are reported to the Committee
 - that the external auditors (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,
 - that 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 the ESFA as soon as possible.
 - that risks around fraud have been identified and controls put in place to mitigate them
- m) In accordance with best practice, to oversee additional matters such as GDPR, Health & Safety, and Cyber Security
- n) To produce an annual report for the Corporation summarising the Committee's activities relating to the financial year under review, including:

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- 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 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
 - 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, including training undertaken by members
 - the Committee's opinion on the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of assets. The Committee will 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.
- o) The Committee will ensure its membership includes individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. The Committee will consider the development of its members and will 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 will be provided to address this in the first instance.
- p) To consider and advise the Corporation on relevant reports by the Education and Skills Funding Agency and other external funding bodies and where appropriate the management's response to these.

Standing Orders

Membership

The Committee will have a maximum membership of 7 persons.

The Corporation will appoint a minimum of 3 members of the corporation to the committee.

The Committee may also appoint up to two co-opted committee members.

At all times the number full members of the Corporation (governors and trustees) serving the committee must be the majority.

Appointments to the committee are reviewed annually by the Corporation

Co-opted appointment(s) will be for one year and co-opted members will have full voting rights

Co-opted appointments will usually be made in the context of skills gaps, which may be identified by the committee or suggested by the Search and Governance committee.

The Corporation will be mindful that 'Audit committees will be most effective when they are staffed by individuals who are prepared to support, challenge, and warn the board.' *Para 24 Post 16 Audit Code of Practice 2021-22*

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The Corporation, in appointing the membership will be mindful of the need to maintain the Committee's independence and objectivity. The Chair of the Corporation and the Principal are not eligible to be members of the Committee. The Post 16 Audit Code of Practice states that staff governors should not be members of the committee and in this context the Corporation will consider whether appointing staff governors to the Committee meets the expected standards of independence and objectivity.

The Committee will ensure its membership includes individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. The abilities of the membership of the Committee will reflect the needs of the Corporation and will extend to expertise in all relevant financial and non-financial areas. Collectively members of the Committee will have recent, relevant experience in risk management, finance and assurance

Members of the College staff, and assurance providers are invited to attend meetings as appropriate.

Chair and Vice Chair

The Committee will elect a Chair and Vice-Chair who will normally act as Chair and Vice-Chair for a two-year period, and will then be eligible for re-election.

Quorum

A quorum shall consist of 40% of the committee membership; a minimum of three members of the committee must be in attendance. The majority of the committee members present at any meeting must be full members of the Corporation.

Clerking

The Clerk to the Corporation will clerk all meetings. If the Clerk is required to withdraw for a section of the meeting the committee will appoint a clerk from amongst those present at the meeting.

The minutes of the committee shall be kept by the Clerk to the Corporation and with the exception of any confidential papers will be circulated to all members of the Corporation.

Resolutions

Decisions shall be made by a simple majority (ordinary resolution) unless legislations or statutory guidance indicates that a special resolution is required.¹

Frequency of Meetings

The Committee shall meet three times in each academic year.

The Committee will meet with the auditor without an executive or staff member of the college present at least once in each academic year. The auditors may request a meeting at any time if they consider that one is necessary

¹ Special resolution [Sect. 283 (4)]