



## GOVERNING BODY

### GROUP RISK & AUDIT COMMITTEE

#### TERMS OF REFERENCE

**NB it is a condition of funding that College Governing Body establish an Audit Committee**

#### **1 Membership**

- 1.1 The Committee shall be appointed by the Governing Body and shall consist of:
  - (a) a minimum of three members, a majority of whom must be independent governors and one should Chair the Committee, Membership excludes; the Chair of the Governing Body, the Principal, and governors who have related party interests.
  - (b) Co-opted member with required expertise.
- 1.2 The Committee has the responsibility to include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively, at least one member of the Committee should have recent, relevant experience in risk managements finance and audit and assurance.
- 1.3 The internal auditor shall be entitled to attend and speak at all meetings of the Committee (but not to vote) as shall the financial statements auditor and the funding auditor where business relevant to them is being discussed. Senior management should also be invited to attend meetings of the Committee, particularly where their area of responsibility is under discussion, and shall be entitled to attend and speak at such meetings but not to vote.
- 1.4 The term of office will be four years in line with their term on the Board.
- 1.5 A person shall be ineligible for appointment to the Committee if he or she has served more than eight years on the Committee.
- 1.6 A quorum shall be two members.

- 1.7 The Chair of the Committee shall be appointed by the Governing Body, and if the appointed individual does not arrive within fifteen minutes of the start of a meeting, remaining members shall select a Chair.
- 1.8 The CEO/Principal and the Executive Director Finance and Estates and a representative of the internal audit service shall normally attend meetings at the invitation of the Committee, and the Committee shall have the power to invite such other persons to attend meetings as may be desirable and necessary. Such persons shall not have a vote but shall be entitled to speak at the meeting.
- 1.9 Other Governing Body members shall have a right of attendance, save that the Committee, may, when they are satisfied that it is appropriate, meet with representatives of the internal audit service and/or the financial statements auditor without the Principal or staff or student members being in attendance.
- 1.10 The Clerk to the Governing Body shall be clerk to the Committee.
- 1.11 Meetings shall be held at least three times a year. The internal audit service, the financial statements auditor or the funding auditor may request a meeting if they consider that one is necessary and the Committee will endeavour to comply with such requests. In any event the Committee must consider a minimum number of items of business each year for it to be able to function effectively, and those items of business are currently set out in the table attached
- 1.12 The Standing Orders of the Governing Body & its Committees apply to both members and meetings of the Group Risk & Audit Committee. The Committee must also comply with the Code of Good Governance for English Colleges
- 1.13 The Committee shall be entitled, whenever it is satisfied that it is appropriate to do so, to go into confidential session and (subject to the rule as to quoracy) to exclude any or all participants and observers, except the clerk to the Committee.
- 1.14 The Auditors to be entitled to a closed session with Governors on the Committee in the absence of the College Executive. This session will be held before every Committee meeting.

## **2 Constitution**

- 2.1 The Governing Body hereby resolves to adopt the following terms of reference for the Group Risk & Audit Committee which shall be responsible for advising on matters relating to the Governing Body's audit arrangement

and systems of internal control and shall ensure that the internal control systems, including audit activities, of the Governing Body and any of its subsidiaries are monitored actively, independently and objectively in order to:

- (a) improve the effectiveness of the college's internal controls;
- (b) reinforce the independence and effectiveness of the internal audit function;
- (c) provide a sounding board for the college management on issues of concern in connection with the college's internal control systems;
- (d) advise on the reliability of the college's information systems; advise the Governing Body on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant and other assurance providers (if applicable) and establish that all such assurance providers adhere to relevant profession standards.
- (e) inform the Governing Body of any additional services provided by the external auditor, reporting accountant and other assurance providers (if applicable) and explain how independence and objectivity were safeguarded.
- (f) increase public confidence in the objectivity and fairness of the Governing Body's financial reports and in the quality of the college's corporate governance.

### **3 Terms of Reference**

- 3.1 The Committee shall operate in accordance with any requirements of the Funding Agency and is authorised by the Governing Body to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any Governing Body member, Committee of the Governing Body or employee of the college and to consult the internal audit service, financial statements auditor and funding auditor directly. All Governing Body members and employees of the college are directed to co-operate with any request made by the Committee.
- 3.2 The Committee is authorised by the Governing Body to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise if it considers this necessary.

- 3.3 The duties of the Committee shall be:
- 3.3.1 to advise the Governing Body on the appointment or re-appointment of the internal audit service for a five year term. When the end of the term coincides with that of the financial statements auditor, one appointment will be deferred for a year;
  - 3.3.2 to advise the Governing Body on the remuneration, dismissal, scope of work and other terms of engagement of the internal audit service;
  - 3.3.3 to advise the Governing Body on the scope and objectives of the work of the internal audit service, funding auditor and financial statements auditor;
  - 3.3.4 to advise the Governing Body on the effectiveness of the college's internal control systems, including controls for securing economy, efficiency and effectiveness;
  - 3.3.5 to consider and advise the Governing Body on the internal audit service reports and annual reports and on control issues included in the financial statements auditor's and funding auditor's management letters and on management's response to these;
  - 3.3.6 to monitor, at appropriate intervals after finalisation, the implementation of approved recommendations relating to the internal audit service reports, internal audit service annual reports, funding auditor's and financial statements auditor's management letters;
  - 3.3.7 to establish, in conjunction with college management, relevant performance measures and indicators, and to monitor the effectiveness of the internal audit service, funding auditor and financial statements auditor through these measures and indicators;
  - 3.3.8 to consider and advise the Governing Body on the audit needs assessment, and strategic and short term audit plans for the internal audit service;
  - 3.3.9 to discuss problems and reservations arising from the internal audit service reports and any matters which the internal auditor service may wish to discuss (in the absence of management where necessary);
  - 3.3.10 to ensure that the internal audit service is adequately resourced and has appropriate standing within the Governing Body;
  - 3.3.11 to advise the Governing Body on the appointment, remuneration and re-appointment of the financial statements audit service for a three year term;

- 3.3.12 to advise the Governing Body on the dismissal, scope of work and other terms of engagement of the financial statements audit service;
- 3.3.13 to consider and advise the Governing Body on financial statements audit reports and management letters;
- 3.3.14 to monitor, annually or more frequently if necessary, the implementation of approved recommendations relating to financial statements audit reports and management letters;
- 3.3.15 to monitor the effectiveness of the financial statements auditor;
- 3.3.16 to discuss with the financial statements auditor before the audit commences the nature and scope of the audit;
- 3.3.17 to ensure effective co-ordination between the internal audit service, funding auditor and financial statements auditor including whether the work of the funding auditor should be relied upon for internal audit purposes;
- 3.3.18 to consider and advise the Governing Body on any relevant reports or recommendations from the National Audit Office, the Funding Agency or other funding bodies and, where appropriate, management's response to these;
- 3.3.19 to provide advice on such financial issues as the Governing Body may request from time to time;
- 3.3.20 to consider and, if appropriate, investigate or commission investigations into, any complaints relating to alleged fraud or other financial irregularity or malpractice at the college in accordance with the college's code of practice and procedures;
- 3.3.21 to consider other topics, as determined from time to time by the Governing Body;
- 3.3.22 to advise the Governing Body on the scope and objectives of the work of the funding auditor;
- 3.3.23 to investigate any activity within its terms of reference, to seek information from the internal audit service;
- 3.3.24 the responsibilities of the Committee shall not extend to an executive role and shall not require the members of the Committee to offer the Governing Body professional advice;

- 3.3.25 to be informed of all additional services undertaken by the internal audit service, funding auditor and financial statements auditor.
- 3.3.26 to monitor & provide assurance over the risk control framework and its effectiveness.
- 3.3.27 to review key risks and effectiveness of mitigation.
- 3.3.28 to ensure that an appropriate risk management framework is in place at MKC and MKCTS, that it is fit for purpose and operating as intended and that the key risks to the achievement of MKC's objectives are managed to an acceptable level in line with the risk appetite of the governing body.
- 3.3.29 to ensure that a statement on internal controls explaining the risk management arrangements that are in operation is contained in the corporate governance section of the audited financial statements.
- 3.3.30 to produce an annual report for the Governing Body and accounting officer, which should include the Committee's advice on the effectiveness of the FE college's risk management, control and governance processes, any significant matters arising from the work of the Internal Audit Service (IAS), the funding auditors (where appointed) and the financial statements auditor, effective and efficient use of resources, the solvency of the institution and safeguarding their assets.
- 3.3.31 to be informed of all additional services undertaken by IAS, the financial statements auditors and the funding auditors (where appointed).
- 3.3.32 to comply with the requirements of section re, Financial Strategy and Audit of the Code of Good Governance for English Colleges
- 3.3.33 to comply with the requirements of the ESFA Provider accountability reviews.
- 3.3.34 to comply with the funding agencies mandatory requirements relating to audit including adherence to the current Post 16 Audit Code of Practice which sets out the minimum requirements. The board should approve an annual audit plan linked to the college's risk register and be confident in the expertise and quality of any internal auditors engaged by the college. The board should consider using different sets of expertise for different audit requirements.
- 3.3.35 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 and produce an annual audit report for the board.

3.3.36 to oversee the College's policies on fraud, irregularity, whistleblowing and any others required by the Governing Body.

3.3.37 An oversight responsibility for the obligations to the Office for Students (OfS) in respect of compliance and audit matters.

#### **4 Reporting Procedures**

4.1 The Clerk to the Committee shall circulate minutes of the meetings of the Committee to all Governing Body members.

4.2 The Committee shall provide a report of its work to the Governing Body, annually or more frequently if necessary, which includes the Committee's opinion on the adequacy and effectiveness of the Governing Body'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 its assets. It should also incorporate any significant matters arising from the work of the internal audit service, the funding auditor and the financial statements auditor.

4.3 The Committee shall recommend the annual financial statements to the Governing Body for approval in accordance with the requirements of the college accounts direction .

#### **5 Cycle of Group Risk and Audit Committee business**

5.1 The Group Risk & Audit Committee must consider a minimum number of items of business each year for it to be able to function effectively. These are set out in the table below together with indicative timings.

**The Minimum cycle of Group Risk & Audit Committee Business follows on pages 8 & 9.**

## Minimum cycle of Group Risk &amp; Audit Committee Business

Current year item of business	Indicative timings (√)						To recommend to the Governing Body for approval
	Previous year	Current year			Following year		
	Summer	Autumn	Spring	Summer	Autumn	Spring	
1 Consideration of the latest Risk Register (Full Register in Spring (Feb)	√ or Autumn	√ or Summer	√	√	√	√ Feb	
2 Appointment & reappointment or dismissal & remuneration of internal auditors	√	√					Yes
3 Internal audit needs assessment, strategic plan & annual plan		√ Oct					Yes
4 Risk management annual report from college management				√ or Autumn	√ or Summer		Yes
5 Appointment & reappointment or dismissal & remunerating of financial statements auditors			√ or Summer	√			Yes
6 Interim regularity audit opinion				√	Nov		Yes
7 Review of performance of the internal audit service & establishment of annual performance indicators for the following year				√ or Autumn	√ Nov		No

8 Funding auditor interim opinion & management letter *					√ Joint meeting Nov		Yes
<b>Current year item of business</b>	<b>Indicative timings (√)</b>						<b>To recommend to the Governing Body for approval</b>
	<b>Previous year</b>	<b>Current year</b>			<b>Following year</b>		
	<b>Summer</b>	<b>Autumn</b>	<b>Spring</b>	<b>Summer</b>	<b>Autumn</b>	<b>Spring</b>	
9 internal audit service annual report *		Oct			√ Oct		Yes
10 Financial Statements audit management letter *					√ Joint meeting Nov		Yes
11 Annual report of the Risk & Audit committee *					√ Nov		Yes
12 Recommendation of approval to the Governing Body of annual financial statements (may be the role of the finance committee or equivalent) including regularity audit option.					√ Joint meeting Nov		Yes
13 Funding auditor final opinion & management letter					Joint meeting Nov	√	Yes
14 Review of performance if the financial statements auditors & establishment of annual performance indicators for the following year.						√ Feb Confidential item	No

15 Closed session without Executive members.		√	√	√			
16 Internal audit reports on reviews and progress update.		√	√	√			No
	Depends on timing of reports						
17 Consideration of funding auditor franchise and partnership spot-check reports (where applicable).		√	√	√			No
	Depends on timing of reports						

\*Governing Body must have these reports available before approving the financial statements and the statements included therein on corporate governance, responsibilities of members of the Governing Body and the system of internal control. The Governing Body must approve the annual financial statements to meet the funding agencies deadline.

Reviewed at R&A Committee 7 October 2016  
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