



**Audit Committee
Terms of Reference**

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1. Definitions

Definitions of auditors used in these terms of reference are as follows:

- External Auditor: the appointed Financial Statements and Regulatory Auditor
- Internal Auditor: the appointed Internal Audit Services Auditor
- Funding Auditor: the Funding agency or an auditor appointed by the funding agency to audit the funding provided to North Kent College

2. Membership and Operation

- 2.1 The Audit Committee (“the Committee”) shall comprise five members; at least three members of the Committee must be members of the Corporation. The Committee should include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively, members of the Committee should have recent, relevant experience in risk management, finance and audit and assurance.
- 2.2 The internal auditors (where appointed) shall be entitled to attend and speak at all meetings of the Committee (but not to vote) as shall the external auditor and funding auditor (where appointed) 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.
- 2.3 The Committee may invite the Corporation’s advisers or other third parties to attend meetings of the Committee as appropriate (such persons shall not have a vote but shall be entitled to speak at the meeting).
- 2.4 The Chief Executive/Chief Accounting Officer and other senior post holders may not be members of the Committee.
- 2.5 In order to maximise the Committee’s independence and objectivity, the Committee must not adopt an executive role and the following people shall not be eligible to sit on the Committee:
- 2.5.1 The Chair of the Corporation; and

2.5.2 Governors who have significant interests in North Kent College

- 2.6 The Chair of the Committee will be selected by the Audit Committee.
- 2.7 The quorum for the meetings of the Committee shall be three.
- 2.8 The Clerk & Governance Advisor to the Corporation shall act as Clerk to the Committee.
- 2.9 The Committee will meet at least three times per year. The internal auditor, funding auditor or financial statements auditor may request a meeting of the Committee if they consider that one is necessary and the Committee will endeavour to comply with such request.
- 2.10 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 rules as to quoracy set out above) to exclude any, or all, participants and observers, except the Clerk to the Committee.
- 2.11 The Committee has authority to investigate any activity within its terms of reference. The Committee shall be granted rights of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit. This may include access to members of the staff and governors of the Corporation, and consultation with the internal auditors, external auditor and funding auditor directly.

3. Terms of Reference

- 3.1. To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets;
 - 3.1.1. To assess and provide the Corporation with an opinion on the oversight of subcontracted provision to ensure that it is delivered responsibly. Specific assurance activities in this area require providers to comply with the funding agreement annual subcontracting assurance clause. This clause requires the College to obtain an independent report that provides assurance on the arrangements in place to manage and

control subcontractors. This report must be provided to the audit committee to be included in the Annual Audit Committee report.

- 3.2. To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditors and other assurance providers (where appointed), including internal auditors, and establish that all such assurance providers adhere to relevant professional standards;
- 3.3. Advise the Corporation on the scope and objectives of the work of the internal auditors (where appointed), the external auditor and the funding auditor (where appointed);
- 3.4. To ensure effective co-ordination between the internal auditors, the funding auditor (where appointed) and the external auditor including whether the work of the funding auditor should be relied upon for internal audit purposes;
- 3.5. To consider and advise the Corporation on the audit strategy and annual internal audit plans for the internal auditors;
- 3.6. To advise the Corporation on internal audit assignment reports and annual reports and on control issues included in the management letters of the external auditor (including their work on regularity) and the funding auditor (where appointed), and management's responses to these;
- 3.7. To monitor, within agreed timescales, the implementation of recommendations arising from the management letters and reports of the External Auditor, and of any reports submitted by other providers of audit and assurance providers to the college;
- 3.8. To consider and advise the Corporation on relevant reports by the National Audit Office ("NAO"), the Education Skills Funding Agency ("ESFA"), Office for Students ("OfS"), other funding bodies and where appropriate, management's response to these;
- 3.9. To establish, in conjunction with North Kent College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the internal auditors and external auditor through these measures and indicators and to decide, based on this review, whether a competition for price and quality of the audit service is appropriate;

- 3.10. To oversee the College's approach and adherence to "Value for Money" ensuring that Economy, Efficiency and Effectiveness are being practiced in conjunction with the Financial Regulations
- 3.11. To produce an annual report for the Corporation. The annual report must summarise the committee's activities relating to the financial year under review, including any significant issues arising up to the date of preparation of the report, and any significant matters of internal control included in the management letters and reports from auditors or other assurance providers. It must include the Committee's view of its own effectiveness and how it has fulfilled its terms of reference. The report must include the Audit Committee's opinion on the adequacy and effectiveness of the college's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness. The annual report must be submitted to the corporation before the Statement of Corporate Governance and Internal Control in the accounts is signed. A copy of the audit committee's annual report must be submitted to the relevant funding body with the annual accounts.
- 3.12. To advise the Corporation on the college's overall risk appetite, tolerance and strategy, taking account of the current financial environment.
- 3.13. Oversee and advise the Corporation on the current risk exposures of the college and future risk strategy.
- 3.14. To keep under review the college's overall risk assessment processes that inform the Corporation's decision making, ensuring both qualitative and quantitative metrics are used;
- 3.15. To set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
- 3.16. To review the college's capability to identify and manage new risk types [in conjunction with the Corporation Board]
- 3.17. Review reports on any material breaches of risk limits and the adequacy of proposed action.
- 3.18. To provide qualitative and quantitative advice to the Search Governance & Remuneration committee on risk weightings to be applied to performance objectives incorporated in senior post holders remuneration.

- 3.19. Review the adequacy and security of the college's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 3.20. To oversee the college's policies on fraud and irregularity 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 Audit Committee; that the external auditors (and internal auditors where appointed) have been informed, and that appropriate follow-up action has been planned / actioned, and that all significant cases of fraud or suspected fraud or irregularity are reported to the chief executive of the appropriate funding body;
- 3.21. To inform the Corporation of any data breaches, GDPR issues and Health & Safety Incidents.
- 3.22. To inform the Corporation of any additional services provided by the financial statements, regularity and other audit and assurance providers and explain how independence and objectivity were safeguarded;
- 3.23. To recommend the annual financial statements to the Corporation for approval.
- 3.24. To advise the Corporation, the Senior Leadership Team and the Directors and employees of any subsidiary trading companies on audit matters relating to the subsidiary companies, as required.

4. Committee Membership

- 4.1. Chair of Committee
External Governor with Finance expertise, where possible.
- 4.2. Governors
Five external Governors
- 4.3. College Senior Leadership Representation
Deputy Chief Executive and the Deputy Executive Principal, Strategy and Development North Kent College/Gravesend
- 4.4. External Representation
The Internal Audit Services is provided by Scrutton Bland and Financial Statements Services is provided by Buzzacott.
- 4.5. Clerk & Governance Advisor to the Corporation

5. Audit Committee Annual Business Plan

- 5.1 Autumn Term
 - 5.1.1 Confidential session with IAS and FSA;
 - 5.1.2 Internal Audit Report;
 - 5.1.3 Internal Audit Services Annual Report;
 - 5.1.4 Financial Statements Audits;
 - 5.1.5 Annual Management Report;
 - 5.1.6 Regularity Audit Report;
 - 5.1.7 Annual Audit Committee Report to the Board & Chief Executive/Executive Principal;
 - 5.1.8 Annual Performance review of audit providers;
 - 5.1.9 Risk Register update and review;
 - 5.1.10 Disclosures Update;
 - 5.1.11 Risk Management Policy & Procedures;
 - 5.1.12 Outstanding Internal Audit Recommendations; and
 - 5.1.13 Monitoring of College performance – Audit
- 5.2 Spring Term
 - 5.2.1 Confidential session with IAS and FSA
 - 5.2.2 Private session prior to meeting with Members & IAS and FSA
 - 5.2.3 Internal Audit Report
 - 5.2.4 Outstanding Internal Audit Recommendations
 - 5.2.5 Risk Register update and review
 - 5.2.6 POLICIES for review
 - 5.2.7 PIDA Whistle Blowing
 - 5.2.8 Anti-Fraud Policy
 - 5.2.9 Anti-Bribery Policy
 - 5.2.10 Gifts & Hospitality Policy
 - 5.2.11 Financial Regulations
 - 5.2.12 Monitoring of College performance – Audit
- 5.3 Summer Term
 - 5.3.1 Confidential session with IAS and FSA;
 - 5.3.2 Internal Audit Report;
 - 5.3.3 Outstanding Internal Audit Recommendations;
 - 5.3.4 Internal Audit Services Strategic Plan for the next year;
 - 5.3.5 Financial Statement Audit Strategy;
 - 5.3.6 Monitoring of College performance – Audit; and
 - 5.3.7 Risk Register update and review.

Reviewed 24 November 2022
Approved by the Board 15.12.2022