

Heart of Yorkshire Education Group

Audit Committee

Terms of Reference 2021/22

1 Objectives

- 1.1 The Audit Committee (**Committee**) shall advise the Corporation of the Heart of Yorkshire Education Group (to be referred to as the corporation) on the adequacy and effectiveness of the Group's assurance framework. In particular, the Committee shall advise and support the Corporation in fulfilling its roles and responsibilities, including its responsibility for providing the assurances required in the Statement of Corporate Governance and Internal Control in the annual accounts.

2 Membership

- 2.1 The Committee shall be appointed by the Corporation on the advice of the Search Committee and shall consist of:
- 2.2.1 up to 5 Corporation members;
 - 2.2.2 or a minimum of 3 members and up to 2 external co-opted members.
- 2.3 Membership precludes the Chair of the Corporation, Staff Governors, the Principal and other senior postholders, and Governors with significant interests in the Group.
- 2.4 A quorum shall be 3 members, and for a meeting to be quorate there must always be a majority of Corporation Members present.
- 2.5 The Committee must ensure that it maintains its independence when considering the appointment of members.
- 2.6 The Committee must 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, audit and assurance.

- 2.7 The Committee must not adopt an executive role.
- 2.8 Co-opted External Members will have voting rights on this Committee.

3 Appointment of Chair and Vice Chair

- 3.1 At the first meeting of the Committee of each year, the members shall appoint a Chair and Vice Chair from among their number.
- 3.2 The Chair and Vice Chair shall hold office for two years, and until the first meeting of the Committee of subsequent year (although the Committee shall have the discretion to appoint a Chair and Vice Chair for shorter periods where it sees fit).
- 3.3 At the end of the term of office the Chair and Vice Chair shall be eligible for re-appointment.
- 3.4 If the Chair and Vice Chair are absent from any meeting of the Committee, the members shall choose one of their number to act as Chair for that meeting.
- 3.5 The chair must be a member of the corporation. External co-opted members shall not be appointed Chair or Vice Chair of the Committee.
- 3.6 The Committee should consider the Chair has the skills and experience required for this role.

4 Meetings

4.1 Attendance

- The Executive Director Finance and Resources shall normally attend meetings of the Committee.
- At the invitation of the Committee, further senior members of staff may also attend.
- The Committee shall have the power to invite such other persons to attend meetings as may be desirable and necessary, including representatives of the external and/or internal auditors.
- Other Corporation 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 external and/or internal auditors without elected staff or student members being in attendance.

- The Committee shall be entitled whenever it is satisfied that it is appropriate to do so, to go into confidential session and, subject to quoracy rules, to exclude any or all participants and observers.
- The Clerk to the Corporation shall be the Clerk to the Committee.
- Co-opted External Members do not have a right to attend other Committee or Corporation meetings

4.2 Frequency of Meetings

- Meetings shall be held not less than four times per year.
- One of these meetings may be a joint session, in part, with the Finance Committee to receive and review the External Auditors Findings and initial presentation of the report and accounts.
- The external auditor and reporting accountant may request a meeting of the Committee or with the Chair of the Committee should they consider that one is necessary. The meetings may be held with or without other participants, as appropriate.

5 Authority

- 5.1 The Committee is authorised by the Corporation to obtain external legal or other independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise if it considers this necessary.
- 5.2 The Committee may consider and, if appropriate, investigate, or commission investigations into any activity within its terms of reference, including, any complaints relating to alleged fraud or other financial irregularity or malpractice at the College in accordance with the College's financial regulations and procedures.
- 5.3 The Committee has the power to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit.

6 Duties

- 6.1 The duties of the Committee shall be:
- (i) to assess and provide the Corporation with an annual opinion on the adequacy and effectiveness of the College's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency and the safeguarding of its assets;

- (ii) to review the Board Assurance Framework on behalf of the Corporation and approval of risk and assurance framework under delegated authority from Board, providing oversight and reviewing the key risks to which the College is exposed, approving the risk management policy, risk register and action plan against significant risks, and monitoring the action plan against significant risks;
- (iii) Monitoring and receiving assurances on the ongoing operation of the risk management and assurance framework from: Management; other Board Committees; independent 3rd parties and Considering the source / breadth / timeliness of assurances being received
- (iv) [Where relevant] refers issues arising to other Committees for consideration
- (v) to consider the development of members and put in place appropriate training to ensure their skills and knowledge are up to date. Where the Committee identifies a gap in its existing skillset, training and development should be provided to address this in the first instance;
- (vi) to advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, regularity auditor, reporting accountant, internal audit and other assurance providers and establish that all such assurance providers adhere to relevant professional standards;
- (vii) To advise the Corporation on the scope and objectives of the work of the financial statements and regularity auditors and internal auditors (where appointed)
- (viii) to ensure that there is a policy in place for regular retendering of the external audit service, to consider the quality of the audit service required as well as the price and to advise the Corporation in relation to its duty to ensure that the external audit contract is put out to tender at least every 5 years.
- (ix) To recommend to the board for approval the annual audit plans for both the external auditor and reporting accountant and internal auditor; and review the audit strategy.
- (x) To ensure effective co-ordination between the internal auditors and the financial statements and regularity auditors.
- (xi) to inform the Corporation of any additional services provided by the external auditor, reporting accountant, internal audit and other assurance providers, and to explain how independence and objectivity have been safeguarded;

- (xii) to advise the Corporation on matters of internal control and other issues included in the management letters and reports of the external auditor and reporting accountant and of any reports submitted by other providers of audit and assurance services to the College, and management's responses to these;
- (xiii) to review and consider the reports of the external auditor, reporting accountant, internal audit and other assurance providers, and monitor the implementation of recommendations to agreed timescales;
- (xiv) to monitor, within agreed timescales, the implementation of recommendations arising from any reports of audit and assurance providers;
- (xv) to establish, in conjunction with College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the external auditor and reporting accountant and internal auditor through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate;
- (xvi) to 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 the 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;
 - 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 must be submitted to the Corporation before the Statement of Corporate Governance and Internal Control in the accounts is signed. A copy of the Committee's Annual Report must be submitted to the relevant funding body with the annual accounts;

- (xvii) to consider and advise the Corporation on relevant reports from the National Audit Office (NAO), the Education Skills Funding Agency (ESFA) the

Office for Students (OfS), funding bodies and other ad hoc reports, and, where appropriate, management's response to these;

- (xviii) to oversee the College's policies on 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 auditor (and internal auditor if applicable) have been 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, major weaknesses or breakdown in the accounting or other control framework are reported to the ESFA as soon as possible;
 - risks around fraud have been identified and controls put in place to mitigate them.
- (xix) to recommend the annual Report and Financial Statements to the Board for approval;
- (xx) to consider other matters, as determined from time to time by the Corporation.
- (xxi) The audit committee must consider the development of members, in conjunction with the Search and Governance Committee, and put in place appropriate training to ensure their skills and knowledge are up to date (for both their own committee and the governing board). Where the audit committee identifies a gap in its existing skillset, training and development should be provided to address this in the first instance.
- (xxii) Review the Use of Funds as required by the Office for Students and compliance with required statements and returns.
- (xxiii) To review the Risk Register, and reports from the Risk Group, providing assurance and highlighting concerns to the Corporation.

7 Reporting Procedures

- 7.1 The Clerk to the Committee shall circulate minutes of the meetings of the committee to all committee Members. The committee will consider which items are private business.

- 7.2 The Committee shall provide a report of its work to the Corporation, annually or more frequently, if necessary. The Chair of the Audit Committee will provide reports and updates to the Corporation Board following each committee meeting.
- 7.3 The Chair of the Audit Committee will provide an annual report to the Corporation.
- 7.4 The Committee will ensure the board includes an external review of governance as recommended in the latest Code of Practice within the recommended timescales.

8. Equality and Diversity Statement

The corporation welcomes and celebrates equality and diversity. We believe that everyone should be treated equally and fairly, regardless of their age, disability, gender, gender identity, race, religion or belief, sexual orientation and socio-economic background. We seek to ensure that no member of the College community receives less favourable treatment on any of these grounds which cannot be shown to be justified.

This document is written with the above commitment, to ensure equality and diversity is at the centre of working life at the Heart of Yorkshire Education Group.

9. Safeguarding Policy

The corporation recognises its moral and statutory responsibility to safeguard and promote the welfare of students. We work to provide a safe and welcoming environment where students are respected and valued. We are alert to the signs of abuse, neglect, radicalisation and extremism and follow our procedures to ensure our students receive effective support, protection and justice. The corporation expects Governors, staff and volunteers working on behalf of the college to share this commitment.

10. Fraud, Bribery & Corruption

The Fraud Act 2006 introduces a new offence of fraud, which can be committed in three ways:

- Fraud by false representation
- Fraud by failing to disclose
- Fraud by abuse of a position of trust

All offences occur where the act or omission is committed dishonestly and with intent to cause gain or loss. The gain or loss does not have to succeed, as long as there is intent.

The Bribery Act 2010 makes it a criminal offence to bribe or be bribed by another person by offering or requesting a financial or other advantage as a reward or incentive to perform a relevant function or activity improperly performed.

Further information, including how to raise concerns, is included within the Anti-Fraud and Anti-Bribery & Anti-Corruption Policies.