

DN COLLEGES GROUP

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

1. Background and Purpose

- 1.1 The Audit and Risk Committee is formally established by the DN Colleges Group Board, in line with the requirements of its Instrument and Articles of Government; it is a condition of funding that an audit committee is in place.
- 1.2 Overall, under the Post-16 Audit Code of Practice (ACOP), the Audit Committee's role shall be to:
 - advise the Corporation 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, and the safeguarding of assets
 - advise and support the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.

2. Membership and Terms of Appointment

- 2.1 The membership of the Audit and Risk Committee shall be at least 6 members appointed by the Corporation (one of whom may be an external co-opted member); notwithstanding this, the Audit and Risk Committee has a responsibility (under the ACOP) to maintain its independence in appointing members.
- 2.2 Members shall normally serve for a period of two College years and, subject to consideration by the Search and Governance Committee, shall be eligible for re-appointment by the Corporation.
- 2.3 The Chair of the Corporation and the Chief Executive cannot be members of the Audit and Risk Committee.
- 2.4 Staff Governors will not be members of the Audit and Risk Committee (the ACOP guidance advises that staff *should* not be members; the Corporation Board had agreed that at DN Colleges Group, the membership *will* not include staff governors).
- 2.5 The Audit and Risk Committee should include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively, Committee Members should have recent, relevant experience in risk management, finance and audit, and assurance (gained in both the public and private sectors).
- 2.6 The Committee should 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.

2.7 The Clerk to the Corporation (or a nominee) shall act as clerk for all meetings.

2.8 The Chief Operating Officers will attend all meetings of the Committee. Other Members of the DN Colleges Group Board, assurance providers, and appropriate staff may attend meetings by arrangement / agreement with the Clerk to the Corporation and the Chair of the Audit and Risk Committee but shall not have a vote or count towards the quorum.

3. Election of Chair and Vice Chair

3.1 The Chair of the Committee shall be elected every two years. Where possible there will be continuity of the Chair.

3.2 The Vice Chair of the Committee shall be elected every two years.

3.3 Only External Governor Members are eligible for appointment as Chair and Vice Chair.

4. Frequency and Conduct of Meetings

4.1 The Committee shall meet at least once per term (scheduled annually in advance) to align with timely reporting to the next meeting of the DN Colleges Group Board.

4.2 Committee meetings will be conducted in accordance with the Instrument and Articles of Government, the Post-16 Audit Code of Practice, Corporation Standing Orders, and these Terms of Reference.

4.3 The Audit and Risk Committee may convene meetings / identify confidential agenda items to enable private and candid discussions / questioning with auditors and management, or without management present.

5. Quorum

5.1 The quorum for meetings of the Audit and Risk Committee shall be 40% of committee membership, at least 3 external governors.

5.2 To avoid a meeting being cancelled due to quoracy issues, other Corporation Board members can be called to attend a meeting at short notice.

6. Responsibilities of the Audit and Risk Committee

6.1 The Committee has the authority to investigate any activity within its terms of reference (which may involve engaging a third party to assist) and the right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit.

6.2 The Committee must not adopt an executive role.

Commissioning Assurance

6.3 To determine, implement and evaluate an annual workplan to achieve the

responsibilities of the Audit and Risk Committee, including its responsibility to advise the Corporation on the adequacy and effectiveness of the Corporation's assurance framework.

- 6.4 To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the financial statements and regularity auditors and any other assurance providers the Corporation determines are required to deliver the assurances needed for its assurance framework, and to establish that all such assurance providers adhere to relevant professional standards. (NB it is not mandatory to appoint an Internal Audit Service (IAS) and the Audit and Risk Committee shall advise the Corporation on how best to fulfil its obligations to secure the proper, economic, efficient and effective use of resources and to safeguard the DN Colleges Group assets.
- 6.5 To advise the Corporation on the scope and objectives of the financial statements' auditor and the funding auditor and the work of the IAS (if and when appointed).
- 6.6 To ensure effective co-ordination between the IAS, the funding auditor (where appointed) and the financial statements auditor including whether the work of the funding auditor should be relied upon for internal audit purposes.
- 6.7 To consider and advise the Corporation on the audit strategy and annual internal audit plans for the IAS (if and when appointed).

Receiving Assurance

- 6.8 To receive all reports commissioned from the range of assurance providers per the Committee's annual workplan and from other Committees, (internal audit assignments, reports and annual reports and comments on control issues included in the management letters of the financial statements auditor and the funding auditor (where appointed), and management's responses to these, and agree their implications for the assurance framework and the Committee's own workplan (i.e. whether additional assurances need to be commissioned during the year).
- 6.9 To monitor the Group's Health and Safety Policy and procedures, including Health and Safety Management and to recommend the Health and Safety Policy to the Board for approval.
- 6.10 To receive and consider any other reports from management that provide assurance on other aspects of Group activity (e.g. procurement; value for money).
- 6.11 To monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, the financial statements and regularity auditor's management letter and reports, and of any reports submitted by other providers of audit and assurance services to the Corporation.
- 6.12 To consider the implications for the assurance framework of relevant reports by the National Audit Office, the Education and Skills Funding Agency (ESFA), other funding bodies, assurance providers' generic sector reports, and, where appropriate, management's response to these.

6.13 To oversee and review the Corporation'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 and Risk Committee.
- That the external auditors (and internal auditors where appointed) have been informed, that the implications for the assurance framework are understood and acted upon, and that appropriate follow-up action has been planned / implemented.
- That all significant cases of fraud or suspected fraud or irregularity are reported to the Chief Executive of the appropriate funding body.
- That risks around fraud have been identified and controls put in place to mitigate them.

6.14 To review, the risk management policy and monitor its implementation.

6.15 To ensure efficient GDPR controls are monitored by the designated Data Protection Officer and to ensure that all breaches are investigated and reported to the ICO where applicable.

Reporting Assurance

6.16 To advise the Corporation on the implications for the Corporation's assurance framework of all the reports it receives and management's responses to these, whether commissioned from assurance providers, submitted by other third parties (e.g. the National Audit Office, the ESFA, other funding bodies), or received as a result of internal investigations.

6.17 To assess and provide the Corporation with an annual opinion on the adequacy and effectiveness of the Corporation'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 assets.

6.18 To advise the Corporation on its Statement of Corporate Governance and Internal Control.

6.19 To produce an annual report for the Corporation and accounting officer. The annual report must summarise 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 audit and assurance providers.
- 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 sub-contracting, its framework of governance, risk management and control processes for the effective and efficient use of resources, and solvency of the institution and the safeguarding of its assets

The Report is required to be submitted to the Corporation before the Statement of Corporate Governance and Internal Control in the annual accounts is signed.

Monitoring Quality of Assurance providers

- 6.20 To re-tender the external audit service at least once every five-years, considering the quality of the audit service required as well as the price, in accordance with the Post-16 Audit Code of Practice
- 6.21 To establish, in conjunction with college management, relevant annual performance measures and indicators, and to monitor the effectiveness of the financial statements' auditors, regularity auditors and the IAS (if appointed) through these measures and indicators and decide, based on this review, whether a competition for price and quality of each audit service is appropriate.
- 6.22 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.

Other responsibilities

- 6.23 To determine, implement and evaluate an annual work plan to achieve the responsibilities of the Committee.
- 6.24 To conduct an annual review of its performance against these terms of reference and the annual work plan.
- 6.25 To participate in related training and development activities in order to fulfil its remit effectively.

7. Powers

- 7.1 The Audit and Risk Committee shall have the powers shown in the table at **Annex A**, as set out within the Scheme of Delegation.

8. Reporting to the DN Colleges Group Board

- 8.1 Draft minutes of Audit and Risk Committee meetings (agreed by the Chair) shall be submitted for information at the subsequent meeting of the DN Colleges Group Board.
- 8.2 Any items recommended by the Committee for approval, shall be the subject of a report to the Board.

SUMMARY OF THE COMMITTEE'S RESPONSIBILITIES

STRATEGY / POLICY / PROCEDURE	APPROVED BY THE COMMITTEE	REVIEW AND / OR RECOMMEND TO THE BOARD FOR APPROVAL
Appointment of independent assurance providers, e.g. internal audit, external audit etc.	✓	
Whistleblowing Policy		✓
Fraud Policy	✓	
Risk Management Policy	✓	
Health and Safety Policy		✓
Annual Financial Statements and Regularity Assurance Report		✓
Audit Committee Annual Report		✓
Health and Safety Annual Report		✓
Sub-Contracting Annual Audit Control Report	✓	
Procurement Annual Report	✓	
Auditor KPIs	✓	
Risk Register monitoring	✓	
Strategic Risk Register		✓

STRATEGY / POLICY / PROCEDURE	APPROVED BY THE COMMITTEE	REVIEW AND / OR RECOMMEND TO THE BOARD FOR APPROVAL
Committee Terms of Reference and annual cycle of business		✓