



AUDIT COMMITTEE **TERMS OF REFERENCE 2018-19**

Introduction

1. The Trustees have resolved to establish an Audit Committee in accordance with the provisions of Articles 100 to 104 of the Articles of Association (2015).

Purpose of the Committee

2. The purpose of the Audit Committee is to advise the Trustees on:
 - a. Matters relating to the Trust's audit arrangements;
 - b. Systems of internal control

The Committee is required to fulfil its responsibilities set out in these terms within the terms of the appropriate Finance Manual, policies and procedures, and in compliance with the requirements of the Funding Agreement between the Trust and the Education and Skills Funding Agency (or any successor funding body).

Membership and Operation

The Board may co-opt persons to the Committee who are not Trustees. The Committee shall consist of a minimum of three and a maximum of six members (of whom at least two shall be Trustees and at least one of whom shall have the relevant skills and expertise).

1. The Chair of Trustees, the Chief Executive, Trustees who are members of any other Trust Committee and any Staff Trustee shall not be eligible for membership. Two members represent a quorum.
2. The term of office for any Committee member shall be 4 years. A Committee member may be re-elected subject to remaining eligible.
3. The Chair of the Committee shall be appointed by the Trust and will normally be a Trustee to allow effective feedback to the Trust. If the Chair is absent from a meeting, the members shall choose one of their number to act as Chair for that meeting.

The Committee shall undertake an annual review of these terms of reference, and recommend to the Trust for approval any changes needed.

Detailed Responsibilities

The duties of the Committee shall include:-

- a) advising the Board on the adequacy and effectiveness of the Trust's systems of internal control and its arrangements for risk management, control and governance processes including a review of the body's external financial statements and reports to ensure that they reflect best practice.

- b) advising the Board on the appointment, re-appointment, dismissal and remuneration of the external auditor and internal auditor (IA).
- c) advising the Board on the scope and objectives of the work of the IA and the external auditor.
- d) ensuring effective co-ordination between the IA and the external auditor.
- e) considering and advising the Board on the audit strategy for the external auditors and for the IA.
- f) advising the Trust on control issues included in the management letters of the IA and external auditor, and management's responses to these.
- g) monitoring, within an agreed timescale, the implementation of agreed recommendations relating to IA reports and the external auditor's management letter.
- h) establishing, in conjunction with the Chief Financial Officer, relevant annual performance measures and indicators and monitoring the effectiveness of the IA and external auditor through these measures and indicators and deciding, based on this review, whether a competition for price and quality of the audit service is appropriate.
- i) producing an annual report for the Board and accounting officer which should include the Committee's advice on the effectiveness of the Trust's risk management, control and governance processes and any significant matters arising from the work of the IA and the external auditor.
- j) considering and advising the Board on any alleged fraud and irregularity in the Trust's financial and other control systems and ensuring that all allegations of fraud and irregularity are properly followed up.
- k) being informed of all additional services undertaken by the IA and the external auditors. Any additional services undertaken by the external auditors in between meetings of the Committee shall not exceed £3,000 in value and shall be reported to the next meeting of the Committee.
- l) reviewing, and recommending to the Trust Board for approval, the annual financial statements.
- m) monitoring the Trust's whistle-blowing procedures and advising the Board on their effectiveness.
- n) reviewing annually the operation of the Trust's code of practice for Board members and code of conduct.
- o) considering any other matters where requested to do so by the Board.

Meetings

- a) The Committee shall meet as necessary but normally at least 3 times per year. The Chair or any two members may call a meeting.
- b) The meetings shall be timely with the work of the Trust's internal auditor (IA) and the external auditor.
- c) The external auditors have the right to request a meeting of the committee.



- d) Part of each meeting shall take place without Federation management present.
- e) Non-members may be invited to attend a meeting or part of a meeting.
- f) Other Board members may be invited to attend a meeting or part of a meeting.
- g) The Clerk to the Trust shall be the Clerk to the Committee, keeping appropriate records of the proceedings.
- h) The agendas and minutes of Committee meetings shall be circulated to all Board members. Papers (digital and hard-copy versions) shall be available not less than five working days before a meeting of the Committee.
- i) The minutes of Committee meetings shall be subject to public disclosure under the Freedom of Information Act 2000. Where requests are made, the Clerk shall, with legal advice where necessary, release such information as is not subject to exemption under the terms of the Act.

Delegated Functions

The Committee is authorised by the Trust to:

- a) investigate any activity within its terms of reference;
- b) seek any information it requires from the IA and the external auditor, Trustees, Committees and Trust employees, plus relevant information from sub-contractors and other third parties;
- c) obtain independent professional advice;
- d) seek any information it requires from staff, who are requested to co-operate with the Committee in the conduct of its inquiries.