



Portsmouth College Corporation

Terms of Reference for the Audit Committee

Date of Policy:	July 2018
Policy Review Date:	July 2019
Route for Approval:	Governors' Audit Committee, Full Board
Review Cycle:	Annual Review
Date of Approval:	4 July 2018

1. Membership

- 1.1. The Committee shall comprise of at least four governors appointed by the Corporation, on the recommendation of the Search Committee in consultation with the Chair of the Audit Committee.
- 1.2. The members will have an appropriate mix of skills and experience and collectively have recent, relevant experience in risk management, finance and assurance.
- 1.3. The Committee shall maintain its independence in appointing members.
- 1.4. The internal auditors shall be entitled to attend and speak at all meetings of the Committee (but not to vote) as shall the financial statements auditor and funding auditor where business relevant to them is being discussed.
- 1.5. The Committee may invite senior management, advisers or other third parties to attend meetings as appropriate (such persons shall not have a vote but shall be entitled to speak at the meeting).
- 1.6. In order to maximise the Committee's independence and objectivity, the following people shall not be eligible to sit on the committee:
 - the Principal
 - senior post holders and members of staff who have significant executive, management, financial or budgetary responsibilities
 - members of the Finance and Resources Committee
 - the Chair of the Corporation
 - governors who have significant interests in the College.
 - staff governors.
- 1.7. The Chair of the Committee shall be selected by the Corporation.
- 1.8. The Clerk to the Corporation shall act as Clerk to the Committee.

2. Quorum

- 2.1. The quorum for meetings of the committee shall be three governors.

3. Frequency of Meetings

- 3.1. The committee will meet at least termly. The auditors may request a meeting of the Committee 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 annual work plan.
- 3.2. 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.

4. Notice of Meetings

- 4.1. Meetings of the committee shall be called by the Clerk to the Committee at the request of the Committee Chairman or at the request of the external or internal auditors, if they consider it necessary.
- 4.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend no later than seven days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

5. Minutes of Meetings

- 5.1. The Clerk to the Committee shall minute the proceedings and decisions of all committee meetings, including the names of those present and in attendance.
- 5.2. Draft minutes of committee meetings shall be agreed with the Committee Chairman and then circulated promptly to all members of the Corporation unless it would be inappropriate to do so.

6. Terms of Reference

- 6.1. To assess and provide the Corporation with an opinion 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 of the institution and the safeguarding of its assets.
- 6.2. To monitor the integrity of the financial statements and review and report to the Corporation on significant financial reporting issues and judgements.
- 6.3. To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant and other assurance providers and establish that all such assurance providers adhere to relevant professional standards.
- 6.4. To develop and oversee the selection procedure for the appointment of the auditors.
- 6.5. If an external auditor resigns, to investigate the issues leading to this and decide whether any action is required.
- 6.6. To inform the Corporation of any additional services provided by the external auditor, reporting accountant and other assurance providers and explain how independence and objectivity were safeguarded.
- 6.7. To assess annually the external auditor's independence and objectivity. To satisfy itself that there are no relationships between the auditor and the College which could adversely affect the auditor's independence and objectivity. To monitor the auditor's process for maintaining independence and compliance with professional standards including the rotation of audit partner and staff.
- 6.8. To monitor, within agreed timescales, the implementation of recommendations arising from any reports of audit and assurance providers.
- 6.9. To ensure effective co-ordination between the different auditors.

- 6.10. To review and advise the Corporation on the external audit strategy and internal audit plan, ensuring they are appropriate for the current needs of the College and that the internal audit plan is aligned to the key risks. Consider factors that could affect audit quality.
- 6.11. To keep under review the internal controls systems that identify, assess, manage and monitor risks and review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement.
- 6.12. To advise the Corporation on internal audit reports and control issues included in the management letters of the financial statements auditor and the funding auditor, and management's responses to these.
- 6.13. To monitor and review the effectiveness of internal and external audit and ensure the auditors have the necessary scope, resources, qualifications, expertise and access to information to enable them to fulfil their mandate.
- 6.14. To oversee the Corporation's policies on fraud, irregularity, anti-bribery and whistleblowing, and ensure:
 - 6.14.1. The proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity.
 - 6.14.2. That investigation outcomes are reported to the Audit Committee.
 - 6.14.3. That the external auditor and internal auditor has been informed, and that appropriate follow-up action has been planned / actioned.
 - 6.14.4. That all significant cases of fraud or suspected fraud or irregularity are reported to the appropriate funding body.
 - 6.14.5. That risks around fraud have been identified and controls put in place to mitigate them
 - 6.14.6. That the College's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters are adequate and secure. That they allow proportionate and independent investigation of such matters and appropriate follow up action.

7. Reporting

- 7.1. The Committee shall produce an annual report for the Corporation, summarising the Committee's activities relating to the financial year under review, including:
 - 7.1.1. A summary of the work undertaken by the Committee during the year.
 - 7.1.2. Any significant issues arising up to the date of preparation of the report.
 - 7.1.3. Any significant matters of internal control included in the reports of audit and assurance providers.
 - 7.1.4. The Committee's view of its own effectiveness and how it has fulfilled its terms of reference

- 7.1.5. The Committee's opinion on the adequacy and effectiveness of the Corporation's audit arrangements, its 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, and its processes for securing economy, efficiency and effectiveness.
- 7.1.6. Submit the annual report to the Corporation before the statement of corporate governance and internal control in the annual accounts is signed

8. Other Matters

8.1. The Committee shall:

- 8.1.1. Have access to sufficient resources in order to carry out its duties.
- 8.1.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 8.1.3. Give due consideration to relevant laws and regulations.
- 8.1.4. Have the right to investigate any activity within its terms of reference.
- 8.1.5. Work and liaise with all other committees, taking particular account of the impact of risk management and internal controls being delegated to different committees.
- 8.1.6. Arrange for periodic reviews of its own performance, and at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Corporation.

8.2. The Committee shall not adopt an executive role.

9. Authority

9.1. The Committee is authorised to:

- 9.1.1. Access all the information and explanations it considers necessary, from whatever source, to fulfil its remit. Seek any information it requires from any employee of the College in order to perform its duties.
- 9.1.2. Obtain, at the College's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so.
- 9.1.3. Have the right to publish in the annual report, details of any issues that cannot be resolved between the Committee and the Corporation.

10. **Annual Schedule of Business**

AUTUMN TERM
Election of Chair
Financial Statements Audit and Management Report from External Auditors, including Regularity Audit
Risk management report including review of risk register
Board assurance update
Agree internal audit plan for current year
Latest internal audit report including follow up on implementation of internal audit recommendations
Committee self-assessment exercise
Audit Committee annual report
Policies for review/approval
SPRING TERM
Risk management report including review of risk register
Latest internal audit report including follow up on implementation of internal audit recommendations
Follow up on implementation of external audit recommendations
Review of effectiveness of the external audit and performance of the financial statement auditors. Discuss appointment of financial statement auditors
Review of performance and annual appointment of internal auditors
Policies for review/approval
SUMMER TERM
Review terms of reference
Latest internal audit report including follow up on implementation of internal audit recommendations
Assessment of internal audit needs
Follow up on implementation of external audit recommendations
Risk management report including review of risk register
Draft board assurance report

Plan for Financial Statements Audit – review scope of audit, independence and objectivity of financial statement auditors.
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Policies for review/approval

Review of relevant risks
