

BOARD OF MANAGEMENT

AUDIT AND RISK COMMITTEE REMIT

Composition and Membership

The Board of Management will establish a Committee to the Board to be known as the Audit and Risk Committee.

The Committee and its Chair will be appointed by the Board and will consist of members with no executive responsibility for the management of the College. There shall be not less than three members. A quorum shall be three members. At least one member should have a background in finance, accounting or auditing but membership should not be drawn exclusively from people with such a background. The Committee may, if it considers it necessary or desirable, co-opt members with particular expertise to assist its work but co-opted members shall not count towards the quorum, nor shall they have voting rights. The Principal and the Chairing Member of the Board of Management cannot be members of the Audit and Risk Committee. No member of the Committee can also be a member of the Finance and Resources Committee.

In terms of the Audit & Assurance Handbook, Elected Staff and Student Board Members, being classified as executive members, should not normally be appointed to membership of this Committee but if any such are appointed then non-executive members must constitute a majority both of the committee itself and of those present and voting.

The Principal and the Vice Principal of Finance, Resources and Sustainability should normally attend each meeting at the request of the Chair.

Attendance of other Board Members shall be entirely at the discretion of the Committee Chair

The Committee will hold annually a private meeting (without College Executives present) with internal and external auditors to discuss audit issues. Audit and Risk Committee Members or the internal or external auditors may request an additional private meeting at any time should there be issues that require to be discussed.

Purpose

The purpose of the Audit and Risk Committee is to assure the Board of Management that the College has in place a system of governance, internal control and risk management which is being maintained and developed to meet legislation and regulations applying to the sector. The Committee must support the Board and the Principal by reviewing the comprehensiveness, reliability and integrity of assurances: the College's governance, risk management and internal control framework. Further detail is provided in Annex A.

Alignment with Strategic Priorities

The Audit and Risk Committee is aligned to the College's latest strategic priorities of:

- Student Experience
- Culture and People Development
- Growth and Innovation
- Sustainability

With a particular focus on the following values:

- Passionate about our roles and responsibilities
- Continually improving Delivering community and social value reducing our environmental impact.

Terms of Reference

The role of this Committee is to provide oversight and challenge regarding the progress the college is making against the duties outlined below but in addition the Committee shall consider any issues relating to strategic risk as may have been referred to it by any other Committee or by Management

Equalities

In addition to the overarching role in respect of Audit & Risk, the Committee is required to consider the implications of all decisions and recommendations being considered from the perspective of Equalities – and this will be a standing item on all committee papers.

In addition to the protected characteristics as defined by the Equalities Act 2010, the Committee shall consider equality of opportunity for all, irrespective of socio-economic background.

In the event that the Committee identifies any concerns with Equalities, the same shall be referred as appropriate to the Learning Teaching and Student Experience Committee and/or the People and Culture Committee

Collaboration and Partnership

The Committee is required, wherever possible and appropriate, to work in partnership with neighbouring Colleges, Local Authorities and Local Community Bodies to achieve the best learning outcomes for students and the most cost- effective use of resources.

Proceedings

The Committee should normally meet four times a year. The internal auditor should normally attend all Audit Committee meetings, together with other staff invited to attend. The external auditor should normally attend any meetings where external audit issues are being considered or otherwise at the request of the Chair.

Authority

The Committee is authorised by the Board to investigate any activity within the terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary.

Duties of the Audit Committee (see Annex B)

The duties of the Committee are as follows:

Effectiveness and Financial Control

- Reviewing the processes for ensuring the effectiveness of the financial and other internal control systems;
- Ensuring that all significant losses and cases of impropriety have been properly investigated and that the internal and external auditors, the Board of Management, [the Regional Strategic Board] and SFC have been fully informed of the matter where appropriate;
- Approving and monitoring of the College's policy on fraud, irregularity and whistleblowing, and how they are applied;
- Reviewing and advising the Board of Management on its compliance with corporate governance requirements and good practice guidance;
- Monitoring, annually or more frequently, if necessary, the implementation of approved recommendations relating to both internal and external audit services and promote coordination of the two services;
- As regards securing Value for Money, ensuring that the College has systems and procedures to promote economy, efficiency and effectiveness. This may require identifying specific value for money studies.

Risk Management

- Advising the Board of Management on the concepts and requirements of risk management;
- Acting as a catalyst for risk management activity across the institution;
- Ensuring appropriate audit work on risk management;
- Bringing higher level risks, as identified in the Risk Register and discussed at Audit and Risk Committee meetings, to the attention of the Board of Management.
- For the avoidance of doubt, Risk will be a standing item on all Board and Committee agendas.

Internal Audit

- Advising the Board on the criteria for the selection, appointment and remuneration of the internal auditor;
- Considering and advising the Board of Management on the audit needs assessment and the strategic and annual audit plans;
- Considering and advising the Board of Management on internal audit reports;
- Receiving an annual report from the internal auditor, which should include an opinion on the degree of assurance that can be placed on the systems of internal control.

External Audit

- Whilst it is now the responsibility of Audit Scotland to appoint the College's external auditors, the Audit Committee should review the remuneration of the external auditor and the scope of their work, including any non-audit services provided;
- Reviewing the external auditor's Management Letter and management response and having direct access to the external auditor; reporting to the Board where contents of Management Letter contains references to lack of effectiveness of financial controls;
- Considering and advising the Board of Management on external audit reports and management letters taking into account: comments on accounting policies; compliance with accounting standards and the most recent SFC Accounts Direction; estimates and judgements used in the preparation of the financial statements; completeness of disclosure and context; and the statements on corporate governance, risk management and internal control;
- Considering the College's financial statements in conjunction with the Finance Committee and recommending, in tandem with the Finance and Resources Committee, that the Board of Management approve the Annual Report and Financial Statements each year;
- Facilitating one meeting per annum without the attendance of College officers, between Committee members and the external and internal audit providers to discuss the work undertaken during the year and any issues that may have arisen.

Other Duties

- Reviewing relevant reports from the Scottish Funding Council, Audit Scotland, the Scottish Government and other organisations;
- Monitoring the performance and effectiveness of external and internal audit, and reporting on this to the Board of Management;
- Meeting with audit providers at the joint meeting with the Finance Committee, and as required, outwith the presence of College staff, to discuss, in particular, the remit of the Committee or issues arising from the audit of the financial statements.
- Monitoring the performance and effectiveness of the College's procurement arrangements, as measured via audits and reviews undertaken by APUC;
- Monitoring the College's compliance with the Code of Good Governance for Scotland's Colleges
- Considering the College's risk appetite annually or as deemed appropriate, during the year and make a recommendation to the Board of Management for its approval;
- To engage with other Committees and escalate matters for their review and consideration as appropriate.

Reporting Procedures

The Committee should direct the minutes and appropriate papers of its meetings to the Board of Management for approval. After approval, the Committee's minutes, and any appropriate papers, must then also be published on the College's website subject only to the statutory exemptions contained within the Freedom of Information Act 2000.

The Committee will produce an annual report which it will submit to the Board, accompanied by the internal auditor's annual report. A copy of this annual report must be submitted to the Funding Council within one month of being presented to the Board of Management.

Effectiveness of the Committee

The Committee shall refer to the Code for Good Governance for Scotland's Colleges and:

- Undertake an annual self-evaluation exercise of the performance of the Audit and Risk Committee which will be forwarded to the Board of Management for their information
- Prepare an annual report for the Board of Management on the performance and duties undertaken by the Committee.

ANNEX A

Terms of Reference

Terms of reference take due cognisance of the current version of the following:

- “Statement of Responsibilities of Auditors and of Audited Bodies” (Audit Scotland);
- “Audit Committee Handbook” (Scottish Government);
- “Statement of Recommended Practice – Accounting for Further and Higher Education” (HE / FE SORP Board);
- “Code of Audit Practice” (Audit Scotland);
- “Financial Memorandum”
- “UK Corporate Governance Code” (Financial Reporting Council);
- “Scottish Public Finance Manual” (Scottish Government);
- “Government Financial Reporting Manual” (FreM) (UK Government)
- Financial Reporting Standards (FRS 102)
- Code of Good Governance for Scotland’s Colleges

The main consideration is to ensure that the Audit Committee is independent and has sufficient authority and resources to form an opinion and to report on adequacy and effectiveness of the internal control system, including risk management and governance.

Responsibility for internal control remains fully with management, who should recognise that internal audit can only provide ‘reasonable assurance’ and cannot provide any guarantee against material errors, loss or fraud. Internal audit also plays a valuable role in helping management to improve systems of internal control and so to reduce the potential effects of any significant risks faced by the College. Risk management provides the opportunity for internal audit work to be efficient and focused. It does not necessarily imply that internal audit activity has to be increased.

Internal audit can also provide independent and objective consultancy advice specifically to help management improve the internal control system, including risk management and governance. In such circumstances, internal auditors apply their professional skills in a systematic and disciplined way to contribute to the achievement of corporate objectives. Such advisory work contributes to the opinion that internal audit provides on internal control, including risk management and governance.

ANNEX B

Audit Appointment – Internal Audit

- The overview of the tender process for the appointment of internal audit providers, deciding the length of the agreement and any other pertinent factors to be considered
- The consideration of the appointment of the internal audit providers following the tender process and the subsequent recommendation to the Board.
- Review of the draft plan for work presented by the internal audit providers for the term of their appointment

Governance

- Review of the remit of the Audit and Risk Committee (annually – May / June)

Also Annually

(a) Duties related to the review of the annual audited financial statements (at the October / November meeting)

- Review of the Annual Report of the to the Board of Management and the Auditor General for Scotland (the “Annual Report”). This is to be done in conjunction with the review of the audited Financial Statements. The Committee has to agree that the draft Financial Statements can be considered by the Finance Committee. The Committee must also agree to forward the Annual Report to the Board of Management for their approval.
- Review of the external audit report of consolidated accounts
- Discussion of matters of concern with the College’s external and internal audit providers that may have arisen during the year. This should be done in the absence of College staff and executive officers.

(b) Other annual duties

- Preparation of the Annual Report of the Audit and Risk Committee to the Board of Management (October / November meeting)
- The determination of the external audit fee, the range of which is advised by Audit Scotland, and the external audit plan (May / June meeting)
- Review of the draft plan for work presented by the internal audit providers for the following year, with reference to the initial appointment documentation (August / September meeting)
- Review of the audit programme of the College’s Quality Audit Group (October/ November meeting)
- Completion of the self-assessment checklist from the Audit and Assurance Committee Handbook (February / March meeting)
- Consideration of Risk Appetite (May / June meeting)

Quarterly meetings

Consideration of :

- internal audit reports, including an update on progress of the annual cycle of internal audits
- College Risk Register
- the Technical Bulletins issued by Audit Scotland
- audits undertaken by external organisations such as Skills Development Scotland and the local authorities
- audits undertaken by the College’s own Quality Audit Group