



## **AUDIT & RISK ASSURANCE COMMITTEE TERMS OF REFERENCE**

### **1. PURPOSE**

- 1.1 To review the effectiveness of the college's governance arrangements, financial systems, internal control environment and risk management arrangements and provide appropriate assurances to the Board of Management on these areas.

### **2. AUTHORITY**

- 2.1 The Committee operates under the authority of, and reports to, the Board.

### **3. DUTIES**

#### **3.1 GENERAL COMMITTEE REMIT**

- review and consider the changing context in which the College operates; (for example, changes in the environment, legislation, government and awarding bodies policies);
- challenge and support Management in developing appropriate responses in line with the College Vision and Mission;
- review the College Strategies to ensure they take account of the changing context;
- monitor the implementation of the strategies and advise the College Executive on tactics to deploy in achieving targets;
- the committee should periodically review its own effectiveness and report the results of that review to the Board and Accountable Officer;
- at each meeting, the Committee should receive reports on updates on risk management arrangements and progress reports from the Internal and external Audit functions.

#### **3.2 SPECIFIC COMMITTEE ROLE & REMIT**

On behalf of the Board, the Committee is specifically charged with:

## **Internal Control**

- 3.2.1 reviewing and advising the Board of Management of the Internal Auditor's and the External Auditor's assessment of the effectiveness of the college's financial and other internal control systems, including controls specifically to prevent or detect fraud, cyber security risks or other irregularities as well as those for securing economy, efficiency, effectiveness and best value; and
- 3.2.2 reviewing and advising the Board of Management on its compliance with Corporate Governance requirements and good practice guidance.

## **Internal Audit**

- 3.2.3 advising the Board of Management on the selection, appointment or reappointment and remuneration, or removal of the Internal Auditors where the service is contracted-out. The responsibility regarding selection of a contracted-out provider may be delegated to a Selection/Evaluation Committee;
- 3.2.4 advising the Board of Management on the terms of reference for the Internal Auditors;
- 3.2.5 reviewing the scope, efficiency and effectiveness of the work of internal audit, considering the adequacy of the resourcing of internal audit and advising the Board of Management on these matters;
- 3.2.6 advising the Board of Management of the Audit & Risk Assurance Committee's approval of the basis for and the results of the internal audit needs assessment and the strategic and operational planning processes;
- 3.2.7 approving the criteria for grading recommendations in assignment reports as proposed by the Internal Auditors;
- 3.2.8 reviewing the Internal Auditors monitoring of management action on the implementation of agreed recommendations reported in internal audit assignment reports and internal audit annual reports;
- 3.2.9 considering salient issues arising from internal audit assignment reports, progress reports, annual reports and management's response thereto and informing the Board of Management thereof;
- 3.2.10 informing the Board of Management of the Audit & Risk Assurance Committee's approval of the internal audit's annual report;
- 3.2.11 ensuring establishment of appropriate performance measures and indicators to monitor the effectiveness of the Internal Auditors;
- 3.2.12 securing and monitoring appropriate liaison and co-ordination between internal and external audit;
- 3.2.13 ensuring good communication between the Committee and the Head of Internal Auditors; and
- 3.2.14 responding appropriately to notification of fraud or other improprieties received from the Internal Auditors or other persons.

## **External Audit**

- 3.2.15 considering the College's annual financial statements and the external auditor's report prior to submission to the Board of Management. If

- within its terms of reference, the Committee should consider the external audit opinion, the Statement of Members' Responsibilities and any relevant issue raised in the external auditor's management letter;
- 3.2.16 reviewing the external auditor's annual Management Letter and monitoring management action on the implementation of the agreed recommendations contained therein;
  - 3.2.17 advising the Board of Management of salient issues arising from the external auditor's management letter and any other external audit reports, and of management's response thereto;
  - 3.2.18 reviewing the statement of corporate governance;
  - 3.2.19 establishing appropriate performance measures and indicators to monitor the effectiveness of the external audit provision;
  - 3.2.20 reviewing the external audit strategy and plan;
  - 3.2.21 holding discussions with external auditors and ensuring their attendance at Audit & Risk Assurance Committee and Board of Management meetings as required;
  - 3.2.22 considering the objectives and scope of any non-statutory audit work undertaken or to be undertaken, by the external auditor's firm and advising the Board of Management of any potential conflict of interest; and,
  - 3.2.23 securing appropriate liaison and co-ordination between external and internal audit.

### **Best Value**

- 3.2.24 establishing and overseeing a review process for evaluating the effectiveness of the college's arrangements for securing the economical, efficient and effective management of the college's resources and the promotion of best practice and protocols, and reporting to the Board of Management thereon;
- 3.2.25 advising the Board of Management on potential topics for inclusion in a programme of value for money reviews and providing a view on the party most appropriate to undertake individual assignments considering the required expertise and experience; and
- 3.2.26 advising the Board of Management of action that it may wish to consider in the light of national value for money studies in the further education sector.

### **Advice to the Board of Management and Accountable Officer**

- 3.2.27 reviewing the college's compliance with the Code of Good Governance for Scotland's Colleges and advising the Board of Management on this;
- 3.2.28 producing an annual report for the Board of Management;
- 3.2.29 advising the Board of Management of significant, relevant reports from the Funding Council and Audit Scotland and successor bodies and, where appropriate, management's response thereto; and
- 3.2.30 reviewing reported cases of impropriety (including fraud) to establish whether they have been appropriately handled;

- 3.2.31 the Committee should report to the Board and Accountable Officer after each meeting. Minutes of the meeting may form the basis of such a report;
- 3.2.32 the Committee shall ensure that a well-designed assurance framework, identifying all the key sources of assurance in the college, is appropriately implemented;
- 3.2.33 the Committee shall provide constructive challenge to the Accountable Officer in order to ensure that effective assurances are in place, and that all aspects of risk management, governance and control are functioning appropriately.

#### **Access**

- 3.2.34 the representatives of Internal and External Audit will have free and confidential access to the Chair of the Committee;
- 3.2.35 the representatives of Internal and External Audit shall meet on an annual basis with members of the Committee.

### **4. RISK**

- 4.1 The Committee will be responsible to the Board for the consideration and assessment of the strategic risks identified for it by the Board;
- 4.2 The Committee will be responsible for satisfying itself that risks are being managed and will seek assurances on the adequacy of their management, including from Internal and External Auditors and the Executive Team.

### **5. DELEGATION OF POWERS/AUTHORITIES FROM BOARD OF MANAGEMENT**

- 5.1 The following decision making authorities and powers are delegated from the Board of Management to the Committee:
  - 5.1.1 The Committee is authorised by the Board of Management to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the College, and all employees are directed to co-operate with any request made by the Committee.
  - 5.1.2 The Committee is authorised by the Board of Management to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise at its meetings if it considers this necessary.

### **6. REPORTING ARRANGEMENTS**

- 6.1 The Committee will prepare an annual report of its activities for the Board. The report will demonstrate to the Board how the Committee has fulfilled its general and specific roles and remits.

## **7. MEMBERSHIP**

- 7.1 The members of the Committee shall be at least three members of the Board of Management (other than the Chair and the Principal and Chief Executive) at least one of whom will have a recent and relevant background in finance, account and/or auditing.
- 7.2 The Chair of the Board shall be invited to observe one meeting of the Audit & Risk Assurance Committee per academic year. Subject to the approval of the Committee Chair, the Chair of the Board may be invited to observe additional meetings of the Committee on request.
- 7.3 Attendees should include the Accountable Officer, the Chief Operating Officer and a representative from both Internal and External Audit.
- 7.4 The Chief Operating Officer will be an adviser to the Committee.
- 7.5 Members may be co-opted to the Committee as it thinks necessary. The appointment of co-opted members must be ratified by the Board of Management.
- 7.6 Co-opted members and advisers to the Committee will be entitled to attend and speak at meetings of the Committee but will not be entitled to vote.
- 7.7 The Committee may require the attendance of any member of staff to provide information and give explanation in relation to matters under its consideration.
- 7.8 The Committee may request that some regular attendees who are not members of the Committee should withdraw in order to allow an open and frank discussion of certain matters as appropriate.
- 7.9 The skills and knowledge of the Committee is considered by the Nominations Committee in consultation with the Committee Chair.

## **8. CHAIR**

- 8.1 The Board shall appoint and may remove the Committee Chair.
- 8.2 Where the Chair ceases to be a member of the Committee, that individual shall cease to be Chair.

## **9. CLERK**

- 9.1 The Board Secretary will act as Clerk to the Committee.

## **10. QUORUM**

10.1 A quorum shall consist of two members of the Committee.

## **11. FREQUENCY OF MEETINGS**

11.1 The Committee shall meet at least four times a year, in line with the College Financial Year.