

Terms of Reference of Audit Committee

1. Membership/Attendance

- a) The Committee shall comprise of at least three non-executive Board Members, one of whom will be appointed Chair.
- b) Members of the Resources and General Purposes Committee and Finance Committee or anyone with executive authority should not normally be members of the Audit Committee. Where this is unavoidable for mandatory or practical reasons, such members must be in the minority and must not hold the chair of the Audit Committee.
- c) The Principal of The Regional College – New College Lanarkshire – is the Chief Officer of the Lanarkshire Board. He/she must not be a member of the committee but should be in attendance. Any other member of the College's Senior Management Team must not be a member of the Committee though they may be in attendance at Committee meetings at the discretion of the Committee.
- d) The Chair of The Lanarkshire Board should not normally be a member of the Audit Committee but may be in attendance.
- e) No connected party such as an employee or partner of the Lanarkshire Colleges' solicitors, bankers, auditors, insurers or other professional advisers should be a member of the Committee.
- f) The Committee may, if it considers it necessary or desirable, co-opt non-executive members who are not members of The Lanarkshire Board but have particular relevant experience or expertise. Such members will not normally be appointed Chair of the Committee and will not have a vote.
- g) Members may be excluded from membership of the Committee if (based on objective criteria) their membership is perceived as compromising the Committee's objectivity or independence. Such a decision will require the approval of The Lanarkshire Board.
- h) The External and Internal Auditors shall be offered the opportunity to hold discussions at least once per year with the Committee without anyone with an executive responsibility being present.
- i) The New College Lanarkshire's Internal Auditors will attend meetings as required by the Committee.
- j) Individuals may remain members of the Committee for as long as they are Board members.
- k) The Chair of SLC's Audit Committee or nominee can be invited to attend and /or there may be a joint meeting with the SLC Audit Committee where there is pan –Lanarkshire business to discuss

2. **Quorum**

The quorum for meetings of the Audit Committee shall be three members.

3. **Proceedings of the Committee**

- a) The Committee shall meet not less than three times per year timed to coincide with the planning and reporting cycles of internal and external audit as well as reporting deadlines for meetings of The Lanarkshire Board.
- b) The external and internal auditors must attend meetings where relevant matters are being discussed. Examples of such matters are planned audit coverage, the audit report on the financial statements and the audit management letter.
- c) The Committee has the authority to investigate any matters within its terms of reference.
- d) The Secretary to The Lanarkshire Board will normally act as Secretary of the Committee unless The Lanarkshire Board decides that this is inappropriate.
- e) The Committee may receive reports from the appropriate Committee of SLC and when discussing RSB business the Chair of the SLC Committee or nominee may attend the meeting or there may be a joint meeting with the SLC Committee

4. **Reporting by the Committee**

- a) The Chair of the Committee will report on every meeting of the Committee to The Lanarkshire Board. This will include circulation of committee meeting minutes to Board Members.
- b) The Audit Committee will produce an annual report for The Lanarkshire Board as detailed in the Financial Memorandum.

5. **Duties of the Audit Committee**

The Committee shall take the Code of Good Governance into full consideration in its business and shall be responsible for the following matters:-

Internal Control

- To review and advise The Lanarkshire Board of the Internal Audit Service's and the external auditor's assessment of the effectiveness of the regional college's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness.
- To review and advise The Lanarkshire Board of the Internal Audit Service's and the external auditor's assessment of the effectiveness of the assigned college's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness. This will be by receipt of reports from the assigned college's internal and external auditors and the Audit Committee of the assigned college.

- To review and advise The Lanarkshire Board on the effectiveness of the Risk Management Process within the Regional College and the overall regional risk (including the assigned college risks) as reported to the committee by the Regional Risk Management Group.
- To review and advise The Lanarkshire Board on its compliance with corporate governance requirements and good practice guidance including the Code of Good Governance.

Internal Audit

- To advise The Lanarkshire Board on the selection, appointment or reappointment and remuneration, or removal of the Internal Audit Service (IAS) provider to the regional college where the service is contracted-out. The responsibility regarding selection of a contracted-out provider may be delegated to an Evaluation Committee
- To advise The Lanarkshire Board on the terms of reference for the IAS.
- To review the scope, efficiency and effectiveness of the work of internal audit, considering the adequacy of the resourcing of internal audit and advising The Lanarkshire Board on these matters
- To advise The Lanarkshire Board of the Audit Committee's approval of the basis for and the results of the internal audit needs assessment and the strategic and operational planning processes
- To approve the criteria for grading recommendations in assignment reports as proposed by the Head of IAS
- To review the IAS's monitoring of management action on the implementation of agreed recommendations reported in internal audit assignment reports and internal audit annual reports
- To consider salient issues arising from internal audit assignment reports, progress reports, annual reports and management's response thereto and informing The Lanarkshire Board thereof
- To inform The Lanarkshire Board of the Audit Committee's approval of the internal audit service's annual report
- To ensure establishment of appropriate performance measures and indicators to monitor the effectiveness of the IAS
- To secure and monitor appropriate liaison and co-ordination between internal and external audit
- To ensure good communication between the Committee and the Head of IAS and
- To respond appropriately to notification of fraud or other improprieties received from the Head of IAS or other persons.

- To receive audit reports and information from the assigned South Lanarkshire College and to report on the regional position to the Lanarkshire Board to fulfil the Regional College's Regional Strategic Body responsibilities.

External Audit

- To consider the Regional College's annual financial statements and the external auditor's report prior to submission to The Lanarkshire Board by the Finance Committee. 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;
- To review the external auditor's annual Management Letter and monitor management action on the implementation of the agreed recommendations contained therein;
- To advise The Lanarkshire Board of salient issues arising from the external auditor's management letter and any other external audit reports, and of management's response thereto;
- To review the statement of corporate governance;
- To establish appropriate performance measures and indicators to monitor the effectiveness of the external audit provision;
- To review the external audit strategy and plan;
- To hold discussions with external auditors and ensure their attendance at Audit Committee and Board of Management meetings as required;
- To consider the objectives and scope of any non-statutory audit work undertaken or to be undertaken, by the external auditor's firm and advise The Lanarkshire Board of any potential conflict of interest; and
- To secure appropriate liaison and co-ordination between external and internal audit.
- To receive audit reports and information from the assigned South Lanarkshire College and to report on the regional position to the Lanarkshire Board to fulfil the regional college's Regional Strategic Body responsibilities.

6. **Management Review**

- a) To receive reports from the Chief Officer of the Lanarkshire Board/ Principal of the Regional College and/or Financial Services Manager in relation to formal Audit Reports and other ad hoc issues as required.
- b) To receive reports from the Principal of the Assigned College and/or Financial Services Manager in relation to formal Audit Reports and other ad hoc issues as required.
- c) To review regularly the action planned, and taken, by the Lanarkshire Colleges' management to remedy any weaknesses in their financial management systems as identified by the External or Internal Auditors.
- d) To investigate any matters within the Terms of Reference, to apply the resources which it needs to do so, and to access any information, including obtaining external professional advice and inviting outsiders with relevant experience to attend meetings if necessary.
- e) To investigate any matters relevant to the financial viability of the Lanarkshire Colleges.
- f) To oversee the operation of risk management within New College Lanarkshire and to receive reports from South Lanarkshire College

7. **Effectiveness of the Audit Committee**

Assessment of the effectiveness of the Committee will comprise:

- a) Self-assessment by the Committee and feedback from the Regional College's senior management.
- b) Feedback from the Audit Committee and senior management of the Assigned College
- c) Feedback from Internal and External Auditors
- d) A review by The Lanarkshire Board.
- e) The assessment will include checking compliance with the Code of Good Governance.

The assessment may be carried out by external consultants provided that they are not the provider of the internal or external audit service.

Approved by the Board 21st March 2016