

Audit Committee Meeting

Date of Meeting	Tuesday 5 December 2017
Paper Title	Annual Review of Committee Effectiveness
Agenda Item	16
Paper Number	AC2-L
Responsible Officer	Penny Davis, Board Secretary
Status	Disclosable
Action	For Discussion

1. Report Purpose

- 1.1. Reflect on the Committee’s effectiveness and suggest improvements for its future operation.

2. Recommendations

2.1 The Committee is invited to:

- **review** its work during the past year and key decisions taken (the Committee Annual Report is provided as a separate paper);
- **consider** how well it has fulfilled its terms of reference and **identify** any changes to its terms of reference it wishes to recommend to the Board;
- **discuss** the performance of the Committee Chair; and
- **identify** improvements to be made to how it conducts its business.

3. Terms of reference

- 3.1. The Committee’s current terms of reference are attached as an annex to this paper.
- 3.2. The Committee are asked to consider how well it has fulfilled its terms of reference and identify any changes to its terms of reference it wishes to recommend to the Board.

4. Evaluation of Committee Chair

- 4.1. To inform the GCRB Chair’s appraisal of members who are Committee chairs, in compliance with the Code of Good Governance, the following arrangements were agreed by the Board in 2016.
 - As part of its own annual self-evaluation, each committee will hold a discussion without its Chair present to allow for consideration of the Committee Chair’s performance.

- A member of the Committee will then meet with the Committee Chair to discuss the Committee's observations. This feedback will then be used to inform discussions and compliment individual member self-appraisal during the appraisal meeting between the GCRB Chair and the Committee Chair.

4.2. It is proposed that the Committee undertakes the first part of this process at its meeting on 5 December 2017, and that feedback will be provided to the Committee Chair and then Board Chair prior to one-to-one meetings between the Board Chair and all members taking place in 2018.

5. Risk Analysis

5.1. Effective evaluation procedures help to mitigate *GCRB Risk 011, The capacity and capability of the Board is inadequate and standards of governance fall below the level required*, and *GCRB Risk 012, There is a breach of legislation/guidance/code of practice and this results in a failure of governance*.

6. Legal Implications

6.1. There are no specific legal implications associated with this paper.

7. Resource Implications

7.1. There are no resource implications associated with this paper.

8. Strategic Implications

8.1. There are no specific implications for the Regional Outcome Agreement or Strategic Plan associated with this paper.

Glasgow Colleges' Regional Board

Audit Committee Terms of Reference

1. CONSTITUTION

- 1.1** The audit committee is constituted as a committee of the Board of the Glasgow Colleges' Regional Board (hereinafter referred to as the Board).
- 1.2** The committee's terms of reference may be amended at any time by the Board.
- 1.3** The committee may from time to time investigate, discuss or review matters outside its terms of reference if required to do so by the Board.

2. AUTHORITY

- 2.1** The committee is authorised:
 - a) to seek any information it requires from any employees of Board in order to perform its duties;
 - b) to obtain, at the Board's expense, outside legal or other professional advice on any matter within its terms of reference;
 - c) to co-opt members for a period of time (not exceeding a year, and with the approval of the Board) to provide specialist skills, knowledge and experience which the committee requires at a particular time;
 - d) to invite any person to a meeting of the committee as and when required;
 - e) to have the right to publish in the directors' annual report details of any issues that cannot be resolved between the committee and the Board; and
 - f) to seek any information from its colleges which it may reasonably require for the purposes or in connection with the exercise of any of its functions.

3. MEMBERSHIP

- 3.1** The committee shall be appointed by the Board from amongst its members and shall consist of not less than three members, at least one of whom shall have recent and relevant financial experience.
- 3.2** Members must be non-executive or independent.¹
- 3.3** The Chair of the committee shall be appointed by the Board.
- 3.4** The Chair of the Board shall not be a member of the committee.

¹ Full committee members must be non-executive members of the Board. The separate reference to independent members allows for the inclusion of co-opted members who are not non-executive members of the Board but are nonetheless independent of the organisation.

3.5 Appointments to the committee shall be for a period of up to two years, which may be extended for further periods of up to two years, provided the member still meets the criteria for membership of the committee.

3.6 The Board Secretary is Secretary to the committee.

4. ATTENDANCE AT MEETINGS

4.1 The quorum necessary for the transaction of the business of the committee shall be at least two committee members.

4.2 Only members of the committee and other members of the Board have the right to attend committee meetings. However, other individuals such as the Chair of the Board, members of the Board's staff, Assigned College Principals and Assigned College staff may be invited to attend all or part of any meeting, as and when appropriate. If other members of the Board attend a meeting of the Committee, they do not have voting rights.

4.3 At the request of the committee a representative of the external and internal auditors shall attend meetings.

5. FREQUENCY OF MEETINGS

5.1 Meetings shall be held at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

6. NOTICE OF MEETINGS

6.1 Meetings of the committee shall be called by the Secretary at the request of any of its members or at the request of the external or internal auditors if they consider it necessary.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the committee, any other person required to attend, no later than five working days before the meeting.

7. MINUTES OF MEETINGS

7.1 The Secretary shall arrange for a minute to be taken of the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.

7.2 The draft minutes of committee meetings shall normally be considered at the Board meeting immediately following the committee meeting.

8. RESPONSIBILITIES

8.1 The Audit Committee shall advise the Board and Executive Director on:

- a) the strategic processes for risk, control and governance and the governance statement;
- b) the accounting policies, the accounts, and the annual report of the Board, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- c) the planned activity and results of both internal and external audit;
- d) the adequacy of management response to issues identified by audit activity, including external audit's management letter/report;
- e) the effectiveness of the internal control environment;
- f) assurances relating to the corporate governance requirements for the organisation;
- g) proposals for tendering for internal audit services or for purchase of non-audit services from contractors who provide audit services; and
- h) anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

8.2 The Audit Committee shall:

- a) review the adequacy and security of arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- b) review procedures for detecting fraud;
- c) review systems and controls for the prevention of bribery and receive reports on non-compliance;
- d) review arrangements proposed for special ad hoc investigations; and
- e) monitor the effectiveness of external audit and report its findings to the Board.

8.3 In relation to internal audit, the Audit Committee shall:

- a) monitor and review the effectiveness of the internal audit function in the context of its overall risk management system;
- b) make recommendations to the Board for the appointment and removal of the internal auditor;
- c) review and assess the annual internal audit plan;
- d) review reports from the internal auditor;
- e) review and monitor the executive's responses to the findings and recommendations of the internal auditor;

- f) meet the internal auditor at least once a year, without the executive being present, to discuss the remit and any issues arising from the internal audits carried out. The internal auditor has the right of direct access to the Chair of the Board and to the Audit Committee.

8.4 In relation to the assigned colleges the Audit Committee will advise the Board and Executive Director on:

- a) The annual reports received from the assigned colleges' heads of internal audit;
- b) Any notification in relation to the appointment, removal or resignation of an internal auditor; and
- c) Any enquiries or monitoring of the assigned colleges including but not limited to situations where access to the colleges' external auditors may be required or where reports from the assigned colleges internal audit function are being considered.

8.5 The Audit Committee will also periodically review its own effectiveness and report the results of that review to the Board and the Executive Director.

9. REPORTING PROCEDURES

9.1 The committee shall receive a report on GCRB compliance with the Code of Good Governance annually from the GCRB Secretary and report findings as necessary to the Board.

9.2 The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 A report of the committee's discussions shall be considered at the Board meeting following the committee meeting. A copy of minutes of the meeting may form the basis of the report.

9.4 The committee will provide the Board with an Annual Report, timed to support finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year.

9.5 The committee shall inform the SFC audit committee if it considers that it has identified a significant problem that may have wider implications for the FE sector or public sector.

10. OTHER MATTERS

10.1 The committee shall:

- a) have access to sufficient resources to carry out its duties, including access to the board secretariat for assistance as required;
- b) 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;
- c) oversee any investigation of activities which are within its terms of reference;
and
- d) review its constitution and terms of reference, at least annually, to ensure it is operating at maximum effectiveness and report the results including recommendations of any changes it considers necessary to the board for approval.