

Committee	UHI North, West and Hebrides Board
Subject	Terms of Reference
Action requested	<input type="checkbox"/> For information only <input checked="" type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input type="checkbox"/> For endorsement <input checked="" type="checkbox"/> For approval
Summary of the paper	The paper provides a note of Committee membership and a copy of the Terms of Reference recommended for approval.
Resource implications	No
Risk implications	No
Date paper prepared	11 August 2023
Date of Board / Committee meeting	16 August 2023
Author	Fiona Sinclair
Link with strategy Please highlight how the paper links to the Strategic Plan	The organisation requires an Audit and Risk Management Committee to comply with the Code of Good Governance
Island communities	The rural and islands college merger may have an impact on the Western Isles and islands covered by West Highland College that is different to other communities. As part of the merger process, the University will undertake an Island Communities Impact Assessment.
Status (e.g., confidential, non-confidential)	Non confidential
Freedom of information	Yes

Recommendation – It is recommended that the Committee agree

1. to recommend to the Board of Management that the draft Terms of Reference be adopted,
2. to note its membership
3. to note the requirements of the Code of Good Governance
4. to note the recommendation that members undertake the training in the short governance module for Audit Committee members

Audit and Risk Management Committee Membership (agreed by Board 1.8.23)

Neil Hope (Chair)

Sarah Fraser

Fiona Kolontari

Ian MacEachern

Lydia Rohmer (in attendance by invitation only)

Derek Bond (in attendance)

At the 26th April meeting of the Transition Board, the Transition Board agreed in relation to Committees:

Pre-Vesting Roles

Between now and vesting date, the committees will work informally and with a relatively light touch, with the following preparatory tasks:

1. To agree the proposed remit of their committee for approval by the board pre-vesting, using the template included in the last board papers as a starting point
2. To consider with the Principal Designate the appropriate regular executive attendance
3. To consider whether the membership needs to be expanded to secure particular knowledge or expertise for the committee
4. To develop a preliminary work plan for the first year of the new college

In addition, each of the committees will review key areas of work being undertaken by the workstreams in preparation for merger which would include:

A&RMC: merger risk register and mitigating actions.

Operating mode

It is anticipated that the committee meetings will take place virtually to minimise cost and the demands on members time, other than in exceptional circumstances.

Prior to vesting the committees will operate informally but are asked to keep very brief notes of the conclusions of their meetings for inclusion in the book for the next meeting of the Transition Board. Post vesting the committees will be required to operate in accordance with the Code and will be supported in the relevant requirements such as fuller minutes. The Audit Committee met informally on one occasion prior to vesting and a note of that meeting is attached as Appendix One.

The Committee is invited to agree the Terms of Reference of the North Highland Audit and Risk Management Committee as recommended when members met informally on 5th July.

What the Code of Good Governance says about the Risk Management and Audit Committee:

“Risk Management

C.11 The board of a college or a regional body is responsible for the overall management of risk and opportunity. It must set the risk appetite of the body and ensure there is an appropriate balance between risk and opportunity and that this is communicated via the principal to the body's management team.

C.12 The board must ensure that sound risk management and internal control systems are in place and maintained. It must ensure there is a formal on-going process for identifying, reporting, evaluating and managing the body's significant risks and review the effectiveness of risk management, business continuity planning and internal control systems.

Audit Committee

C.13 The Audit Committee must support the board and the principal by reviewing the comprehensiveness, reliability and integrity of assurances including the body's governance, risk management and internal control framework. The Scottish Government Audit and Assurance Committee Handbook promotes the development of an assurance framework to aid the Committee in fulfilling this role. See Audit and Assurance Committee Handbook [Audit and Assurance committee handbook - gov.scot \(www.gov.scot\)](http://www.gov.scot/Audit-and-Assurance-committee-handbook)

C.14 The scope of the Audit Committee's work must be defined in its terms of reference and encompass all the assurance needs of the board and the principal. The Audit Committee must have particular engagement with internal and external audit, and must work with management and auditors to resolve any issues in relation to financial reporting.

C.15 The Audit Committee must promptly pursue recommendations arising from audit reports and must monitor their implementation.

C.16 The membership of the Audit Committee cannot include the board chair or the principal and, in line with the Audit and Assurance Committee Handbook, 'executive members of the organisation should not be appointed to the Audit and Assurance Committee', and the majority of members must be non-executive. The role of the college executive is to attend meetings at the invitation of the committee chair and to provide information for particular agenda items.

C.17 The Audit Committee terms of reference must provide for the committee to sit privately without any non-members present for all or part of a meeting if they so decide. The Audit Committee members should meet with the internal and external auditors without the executive team present at least annually. 9

C.18 At least one member of the Audit Committee should have recent relevant financial or audit experience."

Terms of reference

The draft Terms of Reference for the merging partners' Audit and Risk Management Committees read as follows:

Sample Terms of Reference

1. North Highland

Audit and Risk Management Committee - Terms of Reference

General

The Audit Committee shall exercise an appropriate degree of independence and operate within the framework of duties listed below. It shall have sufficient authority and resources to fulfil its responsibilities in respect of corporate governance compliance and legislative requirements and will report to the Board of Management (the Board) on:

- the effectiveness of financial and non-financial internal control systems and provide an annual written report to the Board prior to the signing of the financial statements;
- proper financial management, safeguarding the assets of the College, its subsidiaries and public funds;
- the economy, efficiency and effectiveness of the College and its activities;
- corporate governance and conduct of the College and its operations.
- The College wide Risk Register, with all amendments or recommendations for risk grading being brought forward for approval by the Audit and Risk Management Committee.

The terms of reference and membership of the Committee shall be disclosed in the Board's annual report and accounts.

Constitution and Membership

The Committee and its Chair will be appointed by the Board of Management and will consist of members with no executive responsibility for the management of the College. The Chair of the Board, Staff representatives or other appointed representatives will not be members of the Audit Committee. No connected party such as an employee or partner of the College's solicitors, bankers, auditors, insurers or other professional advisers shall be a member. There shall be not less than three members. A quorum shall be no less than half the voting members. At least one member shall have a background in finance, accounting or auditing but membership need 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. The Principal as Accountable Officer shall be authorised to attend meetings in an advisory capacity only. It is normally the responsibility of the Director of Finance and Audit to supply the Committee with appropriate documentation. Other members of the Executive Group will be expected to attend meetings on request.

Authority

The Committee is authorised by the Board to investigate any activity within its list of Duties as outlined below. 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.

Proceedings

The Committee shall normally meet four times per year, but must meet at least three times a year. The timing and content of the meetings shall follow, as far as possible, the planning and reporting cycles of internal and external audit. The internal auditor shall normally be invited to attend Audit Committee meetings, together with other staff as appropriate. The external auditor must attend any meetings where relevant matters are being considered. The

Committee shall, whenever it is satisfied it is appropriate, go into a confidential session and exclude any, or all, of the executive team or observers.

Duties

The duties of the Committee shall be to:

- review the processes for auditing the effectiveness of all internal control and financial systems;
- advise the Board on the criteria for the selection and appointment of the internal auditor;
- review the scope and effectiveness of internal audit work including planning and operation of the work and the internal audit annual report;
- ensure the College has systems and procedures to promote economy, efficiency and effectiveness and that activities are managed in accordance with legislation and regulations - this may require identifying specific value for money studies;
- consider the College and its subsidiaries' annual financial statements after review by the Finance & General Purposes Committee and prior to submission to the Board, focussing in particular on any changes in accounting policy, major judgmental areas, significant audit adjustments, the going concern assumption and compliance with accounting standards and the Accounts Direction;
- review the external auditor's Management Letter and management's response having direct access to the external auditor;
- review relevant reports from the SFC, Audit Scotland and other organisations;
- monitor the performance and effectiveness of external and internal audit;
- carry out an audit needs assessment for the College and draw up a risk register and, from that, determine the audit programme;
- ensure a system of risk management has been established and is being maintained.
- Monitor the arrangements by which staff can raise concerns about possible improprieties in matters of financial reporting or other matters, in confidence (Public Interest Disclosures Act 1998 -Whistleblowing), ensuring that proportionate and independent investigation of such matters can take place and the appropriate follow-up action taken.
- monitor the implementation of the College's ICT Security Policy;
- provide such advice to the Board as the Committee considers appropriate.

For additional guidance, see Annex B of the SFC 'Code of Audit Practice', the FRC Combined Code on Corporate Governance and the ASC Guide for College Board Members. The Audit Committee shall ensure that all significant losses have been properly investigated.

2. Outer Hebrides

Audit Committee

Constitution & Membership

122. The Membership will comprise no fewer than five Non-Executive Members of the Board of Management. For the avoidance of doubt, the Chair of the Board, Staff or Student Members or other appointed representatives will

not be Members of the Committee. No Member of the Finance and General Purposes Committee can be a Member of the Audit Committee.

123. At least one Member will have a background in finance, accounting or auditing but Membership need not be drawn exclusively from people with such a background.

124. Membership of the Committee should satisfy the requirements of the SFC Code of Audit Practice, and/or other appropriate guidance, as may be directed by the Board of Management.

125. The Chair and any Vice-Chair will be appointed by the Board of Management.

126. If appointed, the Vice Chair of the Committee which failing another nominated Member of the Committee, may deputise in the absence of the Chair.

127. The Chair of the Board may be invited to attend meetings.

128. The Director of Finance & Resources (or their nominee) will attend all meetings.

129. The Principal as Accountable Officer for the College is authorised to attend meetings in an advisory capacity only. A Member of the Executive Leadership Team may deputise in the Principal's absence.

130. The Internal Auditor should normally attend meetings of the Audit Committee.

131. The External Auditor should attend meetings where external audit reports are being considered

132. The Committee may co-opt Members with particular expertise as set out in Section D.

133. No connected party such as an employee or partner of the College's solicitors, bankers, auditors, insurers or other professional advisers may be a Member or co-opted.

Authority, Accountability & Reporting

134. The Committee is authorised by the Board to investigate any activity within its list of duties as outlined below. It is authorised to obtain independent professional advice and seek any information it requires subject that the Committee should make such arrangements through the Board Secretary & Governance Professional and/or the Principal & Chief Executive as appropriate including any requirement for attendance by external persons or a specific Member of Staff (who would not otherwise be in attendance) at meetings of the Committee.

135. It is the responsibility of the Director of Finance and Resources (or their nominee) to supply the Committee with appropriate documentation.

136. The Committee will meet jointly with the Audit Committee to receive the Annual Accounts to make a recommendation on these to the Board and receive the report by the External Auditor (see (e) below). The Chair of Audit will chair the meeting and a quorum for each of the Committees will require to be established. In the event of one Committee not securing a quorum then the meeting may go ahead with one Committee so as not to delay the submission of the Accounts to the Board. In the event of both Committees not achieving a quorum the matter will be referred directly to the Board.

137. The Audit Committee reserves the right to refer any item within its duties to the Board, if considered necessary.

138. The Committee will circulate the minutes of its meetings to the Board and provide advice directly to the Board.

Quorum

139. One half or 50% of the Membership of the Committee.

Frequency of Meetings

140. The Committee will normally meet three times a year as well as meeting jointly with Members of the Audit Committee as set out above at paragraph 136.

141. The timing and content of the meetings will follow, as far as possible, the planning and reporting cycles of Internal and External Audit.

142. The Committee will, whenever it is satisfied it is appropriate, go into a confidential session and exclude any, or all other Board Members in attendance, Staff including the Principal & Chief Executive, coopted Members or observers. Duties

143. The Audit Committee will exercise an appropriate degree of independence. It will have sufficient authority and resources to fulfil its responsibilities in respect of corporate governance compliance and legislative requirements and will report to the Board on:-

- the effectiveness of financial and non-financial internal control systems and provide an annual written report to the Board prior to the signing of the financial statements;
- proper financial management;
- safeguarding the assets of the College, its subsidiaries and public funds;
- the economy, efficiency and effectiveness of the College and its activities;
- corporate governance and conduct of the College and its operations; and
- the comprehensiveness, reliability and integrity of assurance of the risk management and business continuity of the College.

144. In compliance with legislation, the Code of Governance, any advice provided by Ministers, the SFC, RSB and all other provisions set out in this Scheme, the Committee's duties are to:-

- a) review the processes for auditing the effectiveness of all internal control and financial systems;
- b) ensure that the College has systems and procedures to promote economy, efficiency and effectiveness and that activities are managed in accordance with legislation and regulations – which may require identifying specific value for money studies;
- c) produce an annual report to the Board, a copy of which must be submitted to UHI for submission to the Accounting Officer of the SFC within one month of being presented to the Board. Where an annual report has not been submitted to the Board by 31 December, following the end of the College's financial year to which it relates, a draft copy of the report must be submitted to UHI by that date;
- d) ensure that it meets all deadlines agreed in consultation with the External Auditors to ensure the timely presentation of the Board's annual accounts by Audit Scotland to the Scottish Parliament;
- e) consider the College and its subsidiaries' annual Financial Statements and Accounts and liaise with the External Auditors to ensure that Annual Accounts show a true and fair view and exhibit regularity of spend prior to submission for approval by the Board, focussing in particular on any changes in accounting policy, major judgmental areas, significant audit adjustments, the going concern assumption and compliance with accounting standards and the Accounts Direction;
- f) review relevant reports from the SFC, Audit Scotland and other organisations; and conduct its business in accordance with the requirements of any guidance and/ or codes of practice issued from time to time by the SFC and/ or any other relevant statutory or regulatory authority, including the External Auditor's Management Letter and Management's response having direct access to the External Auditor;
- g) ensure that RSB/UHI's information requirements are fulfilled;
- h) recommend the appointment and the remuneration of Internal Auditors for appointment by the Board;

- i) review and monitor the independence and objectivity of the External Auditors appointed by Audit Scotland;
- j) promote co-ordination between Internal and External Audit appropriate to their respective remits; ensuring that lines of reporting between internal and external audit are effectively used and duplication of effort is avoided;
- k) review the Internal Auditors' audit risk assessment, strategy and programme; consider major findings of internal audit investigations and management's response and seek to ensure that the resources made available for internal audit are sufficient to meet the institution's needs (or make a recommendation to the Board as appropriate);
- l) develop in consultation with management and the Internal Auditors, an annual Internal Audit plan for approval by the Board;
- m) monitor the implementation of agreed audit-based recommendations, from whatever source;
- n) keep under review the effectiveness of the Board's risk management, control and governance arrangements, and, in particular review the external auditors' management letter, the internal auditors' annual report, and management responses and make recommendations to the Board on any aspect of these as appropriate;
- o) undertake an annual review of the Board's Risk Register and make arrangements for an annual assessment of the Board's Risk Appetite by the Board;
- p) ensure that all material losses have been properly investigated and that the internal and external auditors, and where appropriate the funding council's accounting officer, have been informed;
- q) monitor arrangements for dealing with any litigations and claims made against the College;
- r) monitor the arrangements by which Staff can raise concerns about possible improprieties in matters of financial reporting or other matters, in confidence (Public Interest Disclosures Act 1998 -Whistleblowing), ensuring that proportionate and independent investigation of such matters can take place and the appropriate follow-up action taken;
- s) monitor the implementation of the College's Information, Communication & Technology Security Policy, Freedom of Information, and Data Protection arrangements; and
- t) meet privately with the Internal and External Auditors at least annually.

145. For additional guidance, see Annex B of the SFC 'Code of Audit Practice', the Financial Reporting Council Combined Code on Corporate Governance, the ASC Guide for College Board Members, the SPFM and the Audit Scotland website.

3. West Highland Terms of Reference

Audit Committee

General

The Committee shall report to the Board of Management at each meeting.

The Committee shall act in partnership with the Audit Committee of the UHI.

The Committee shall observe the Standing Orders in all its business.

The Committee shall conduct its business in accordance with the requirements of any guidance and/ or codes of practice issued from time to time by the SFC and the regional strategic body and/ or any other relevant statutory or regulatory authority, as directed by the Board of Management. The Committee may direct the College Secretary to the Board of Management to report to other committees or the College Principal on behalf of the Audit Committee.

Membership

The Committee should comprise not less than six members.

At least one member of the Committee should be financially qualified or have considerable financial experience.

Membership of the Committee should be in compliance with the Code of Audit Practice (as approved by Audit Scotland and the Auditor General for Scotland), and/or other appropriate guidance as directed by the Board of Management.

The following persons, who may serve on the Board, are excluded as members of the Committee:

the Principal

members of the College Executive acting on behalf of the Principal the Chair

of the Board of Management the student member

an employee or partner of the College's solicitors, bankers, auditors, insurers or other professional advisors or other similarly connected person any current member of the Finance and General Purposes Committee (or its equivalent).

Quorum

A quorum shall consist of three members of the Committee who have an entitlement to vote on committee business.

Attendees

The following persons should normally be invited to attend meetings:

any member of the senior management team including the Principal the Head of Internal Audit UHI (or equivalent position)

the External Auditor (who should attend, as a minimum, any meetings of the Audit Committee where relevant matters are being considered, such as planned audit coverage, the audit report on the College's financial statements, or the audit management letter the Internal Auditor.

The Chair of the Board of Management may be invited to attend meetings of the Committee

The Vice Principal Finance and Corporate Services and the College Secretary to the Board, or their equivalent positions, shall normally be in attendance.

The Committee may, whenever it is satisfied it is appropriate, go into confidential sessions and request that any, or all, non-members leave.

Frequency of Meetings

The Committee will meet no less than four times each year.

Responsibilities

The Committee's main responsibility is to review and monitor the following aspects of the College's operations, and to advise the Board appropriately:

x Governance and management of the College.

- x Risk management. x Adequacy of the College's financial management. x Adequacy of the internal control and non-financial management systems. x Adequacy of, and support for, the internal and external audit processes.
- x Effectiveness of arrangements for safeguarding the assets of the College and the public funds at its disposal.
- x Economy, efficiency and effectiveness of the College's activities. x Whistle-blowing (public interest disclosure) arrangements.

Terms of Reference

Specifically, the Audit Committee will:

Internal and external auditors' reports

1. review the reports submitted by the College's Internal Auditors and receiving progress reports from College Management on the Internal Audit recommendations;
2. jointly with the Board's Finance and General Purposes Committee, review the annual report of the College's external auditors and the associated College financial statements on which that report is based;

Risk

3. receive updates to and review the contents of the risk register maintained by the College;
4. establish a framework for the monitoring and controlling of risk, subject to direction from the Board of Management;
5. in conjunction with other committees, keep the risk register under review and recommend any changes or mitigation to the Board;

Policies

6. review relevant new and revised policies of the College and recommend approval to the Board (as appropriate);

Reporting to and advising the Board of Management

7. present an annual report for the Board of Management;
8. assume authority from the Board to investigate any matters within its remit to which purpose full access to any information and personnel required will be granted.

APPENDIX ONE

NOTE OF INFORMAL MEETING OF AUDIT AND RISK MANAGEMENT COMMITTEE

5TH JULY, 2023 at 4.15 PM

Present: Neil Hope (Chair), Fiona Kolontari, Ian MacEachern

In attendance: Fiona Sinclair, Governance Professional

Apologies for absence were intimated on behalf of Sarah Fraser, Derek Bond (another meeting) and Lydia Rohmer (on leave).

It was agreed:

1. GP will circulate the list of future meeting dates to all members;
2. GP will obtain confirmation that the Principal Designate will maintain ownership of the risk register;
3. GP will report that the Committee is of the view that to ensure a quorum the Committee will require more than four members;
4. The Director of Finance and the Principal Designate will both receive a standing invitation to attend all meetings of the Committee except when the Committee state that they intend to meet alone without any member of the Executive Team;
5. The internal auditors will also be invited to send a representative to all meetings of the Committee;
6. In advance of the next meeting of the Committee, the Chairs of the Audit Committees of the three merging partners will be invited to send a note to the GP setting out key risks, other issues and any concerns which the Audit Committees of the merging partners would like to bring to the attention of the Audit Committee of UHI North, West and Hebrides;
NB - successes as well as concerns should be highlighted.
7. The Chairs of the Audit Committees of each of the merging partner colleges will be invited to give a five-minute address to the NWH Audit Committee at its first formal meeting following Vesting, on issues, concerns and key risks considered by the merging partner Audit Committee pre-merger;
8. The Committee will adopt the UHI North Highland Terms of Reference
9. Risk appetite must be clearly defined and must be fixed by the Board as a whole, not by this Committee.
10. The Board should hold a session soon after vesting to discuss and decide strategy and Risk Appetite. David Archibald of Henderson Loggie may be a suitable facilitator for such a session. Earlier in the day on 13th September, the date of the September Board meeting was suggested as a suitable time.
11. An Audit Workplan for the year ahead needs to be agreed. The best starting point for that is the key strategic priorities of the Board for the first year, and the matters decided at the last meeting of the Boards of the merging partners.
12. Six meetings of this committee from August to June should be sufficient but there should be provision for decisions to be made by written procedure in the event that an urgent decision is required between meetings.
13. The risk register could be streamlined making a short list of key strategic risks. The ARM Committee can also consider operational risks and external risks. Mitigations should be constantly reviewed, and should change over time.

DATE OF NEXT MEETING – next meeting is scheduled for 16th August at 4.15 pm.