

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

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1. Background

The Agency's Accountable Officer (AO) has established an Audit and Risk Committee to support the office holder in discharging responsibilities for issues of risk, control and governance and associated assurance through a process of review, constructive challenge and providing relevant advice.

2. Responsibilities

The Audit and Risk Committee will advise the Agency's Accountable Officer on:

- the strategic processes for risk, control and governance;
- the accounting policies and the accounts of the organisation;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity or by Parliamentary Committees where they affect the organisation's overall performance;
- assurances relating to the corporate governance requirements for the organisation, e.g. relating to the Agency AO's signing of the Governance Statement in the Agency Accounts and certificates of assurance where applicable;
- the effectiveness of the internal control environment;
- anti-fraud and bribery policies, whistle-blowing processes, and arrangements for special investigations.

The SPPA Audit and Risk Committee will advise the Accountable Officer, Director General Organisational Development and Operations Portfolio and SG Assurance and Audit Committee of any significant findings or issues that it considers to be of a wider interest when carrying out its duties. The Chair of the ARC will give regular updates on the work of Committee to the Management Advisory Board.

3. Membership

The members of the Audit and Risk Committee are:

Non-Executive Directors:	Stuart Smith (Chair) (to 31.3.2019)
(as at 25 July 2017)	Elizabeth Holmes (to 31.3.2020)
	Sheena Cowan (to 31.12.2017)

4. Attendees

The following officials will attend meetings:

- Accountable Officer /Agency Chief Executive
- Director of Finance
- Director of Operations
- Director of Policy
- Director of Corporate Services
- Director of Digital Transformation
- External Audit representative
- Internal Audit representative

Secretarial support will be provided to the Audit and Risk Committee from the Agency's Finance Directorate.

5. Meetings

- The Audit and Risk Committee will normally meet four times a year although the Agency AO and/or the Chair may ask the Audit and Risk Committee to convene further meetings to discuss particular issues on which they want the Committee's advice;
- A minimum of 2 Audit and Risk Committee members need to be present for the meetings to be deemed quorate;
- The Audit and Risk Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter;
- The Audit and Risk Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters;
- The Agency Accountable Officer will meet Audit and Risk Committee members once a year as a matter of routine; and
- Internal and External Audit representatives will also meet Audit and Risk Committee members separately once a year in private session as a matter of routine.

6. Access

The Director of Internal Audit or his/her representative, the representative of external audit and the Agency Accountable Officer also have the opportunity to free and confidential access to the Audit and Risk Committee Chair (it is expected, however, that exercise of this right would be on an exceptional basis).

7. Reporting

Where the Accountable Officer does not attend meetings, the Audit and Risk Committee will formally report back to the Accountable Officer (and Management Advisory Board members not in attendance) after each meeting (a copy of the minutes of the meeting may form the basis of the report).

Any significant issues should be reported to the Portfolio and/or SG Assurance and Audit Committee.

The Audit and Risk Committee will prepare an annual report, timed to support the governance statement and the finalisation of the annual accounts, summarising the work of the Committee during the year. Minutes of quarterly meetings and the Annual Report will be submitted to the nearest Management Advisory Board meeting in the annual cycle.

8. Information Requirements

The Audit and Risk Committee will be provided with:

For each meeting:

- a progress report from the Scottish Government Internal Audit Directorate summarising, as appropriate:
 - work performed;
 - key issues emerging from internal audit work;
 - management responses to audit recommendations;
 - significant changes to the audit plans;
 - any resource issues affecting the delivery of internal audit objectives.
- a progress report from the external audit representative summarising work undertaken and any emerging findings;
- a report summarising any significant changes to the organisation's Risk Register;
- a report on progress in implementing the recommendations of internal and external audit (the 'audit tracker')
- an exemplar annual reporting timetable is provided in Annex 2.

Examples of other material that may also be provided for meetings, and other matters for consideration, as appropriate (this is not an exhaustive list):

- a report on the organisation's performance relating to risk management, including a summary of any changes to the organisation's Risk Register (this should be submitted at least twice a year);
- proposals for the Terms of Reference of internal audit;

- the Internal Audit Strategy;
- Internal Audit's Plan for approval;
- Internal Audit's Annual Opinion and Report;
- Director's Reports;
- Finance Director's reports;
- any other relevant outputs from other review bodies;
- the major findings of Parliamentary Committee reports where they affect the organisation's management response;
- the draft accounts and scheme statements for the organisation;
- the draft Governance Statements and any issues that emerge from preparing certificates of assurance;
- a report on any changes to accounting policies;
- External Audit's Plans for approval;
- External Audit's management letter and performance audit reports;
- an annual statement on fraud/losses within the organisation;
- a report on any proposals to tender for audit or 'non-audit' functions;
- a review of the Memorandum of Understanding and/or Service Level Agreement between SG Internal Audit Directorate and SPPA;
- a report on co-operation between internal and external audit;
- external Quality Assurance reports on the internal audit function;
- Audit and Risk Committee's annual member self-assessment.

Examples of reports or report extracts appropriate to be taken at meetings

- Extracts from Pension Board, Health and Safety Committee, Security Group minutes where they impact on risk management, internal controls of Agency governance
- Reportable breaches of security
- Reportable health and safety accidents and casualties
- Reportable cases of fraud, bribery or corruption
- Feedback from Disaster Recovery events (real or simulated exercises)

9. Meeting Planner Exemplar

SPPA MANAGEMENT ADVISORY BOARD AND AUDIT & RISK COMMITTEE	
Generic Planner	
January	<p>AUDIT & RISK COMMITTEE</p> <ul style="list-style-type: none"> • Register of Interests • Minutes of previous meeting • Internal Audit Progress Report • Audit Scotland Annual Audit Plan • Director of Finance Report • Business Change Report • Risk Management and Quarterly review of Risk Register and deep dive • Audit Recommendation Tracker
April	<p>AUDIT & RISK COMMITTEE</p> <ul style="list-style-type: none"> • Register of Interests • Minutes of previous meeting • Internal Audit Annual Plan • Internal Audit Progress Report • Audit Scotland Interim Progress Report • Director of Finance Report • Draft Annual Report to the Management Advisory Board • Draft Governance Statement • Business Change Report • Head of Security Report • Risk Management and Quarterly review of Risk Register and deep dive • Audit Recommendation Tracker <ul style="list-style-type: none"> • Private meeting: Annual self-assessment • Private meeting: Members and Chief Executive
July	<p>AUDIT & RISK COMMITTEE</p> <ul style="list-style-type: none"> • Register of Interests • Minutes of previous meeting • Internal Audit Progress Report • Internal Audit Annual Assurance Statement • Audit Scotland ISA 260 Report (Agency) • Review of Draft Agency Accounts • ISA 580 Letter of Representation- Agency • Director of Finance Report • Business Change Report • Risk Management and Quarterly Review of Risk Register • Audit Recommendation Tracker • Private meeting: Members and Internal Audit

September	<p>AUDIT & RISK COMMITTEE</p> <ul style="list-style-type: none"> • Register of Interests • Minutes of previous meeting • Internal Audit Progress Report • Audit Scotland ISA 260 Report (Schemes) • Audit Scotland Final Report on Annual Audit • Review of Draft Scheme Accounts and Annual Report • ISA 580 Letter of Representation- Schemes • Director of Finance Report • Business Change Report • Risk Management and Quarterly Review of Risk Register • Audit Recommendation Tracker <ul style="list-style-type: none"> • Private meeting: Members and Audit Scotland
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Topics to be assigned annually to ARC:

- Annual risk assurance map
- Annual information assurance
- Annual health and safety report
- Annual Business Continuity Plan test results

Topics to be assigned when change occurs:

- Internal Audit Strategic Plan
- New strategy and/or Strategy update and/or Strategic Away-Day progress report
- New policy and/or Policy update (e.g. whistleblowing, fraud response et al)
- Scheme valuations progress report