



Scottish Public  
Pensions Agency  
Buidheann Peinnseanan  
Poblach na h-Alba

## **Audit & Risk Committee**

### **Terms of Reference**

**December 2020**

**Purpose:**

This document outlines the need for and objectives of the SPPA Audit and Risk Committee (ARC), its role in the governance of the Agency, the role of its members, frequency and quorum of meetings.



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## 1. Version Control

Date Created	June 2016	v 1.0
Revision Date	July 2017	v 1.1
	October 2018	v 2.0
	December 2020	v 2.1
	August 2021	v 2.2 (current) – links updated

## 2. **Background**

The functions and responsibilities of the SPPA are set out in the publication '[Scottish Public Pensions Agency Framework Document](#)'. The Scottish Government publication [On Board: A Guide for Members of Management Advisory Boards](#)' informs the arrangements at SPPA for its own Management Advisory Board (MAB).

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

The ARC is a sub-committee of the MAB and has delegated authority in relation to the activities/functions set out in this ToR.

The Scottish Government publication [Audit and Assurance Committee Handbook](#) helps to inform the governance arrangements of the Agency's ARC.

## 3. **Responsibilities**

The ARC will monitor and advise the Agency's Accountable Officer on:

- the processes for risk, control and governance;
- the accounting policies and the integrity of the financial reporting/statements of the organisation;
- the effectiveness and objectivity of activity and results from 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 assessment of enterprise risks and the determination of risk appetite;
- the effectiveness of the internal control environment; and,
- anti-fraud and bribery policies, whistle-blowing processes, and arrangements for special investigations.

The SPPA ARC 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 MAB.

#### **4. Membership and Attendees**

Membership of the ARC shall consist of three non-Executive members from the MAB. One of the three non-Executive members will act as the Independent Chair. In the absence of the Chair, the remaining members shall elect one of themselves to chair the meeting. The Chief Executive will consider the skills and experience required on the ARC when deciding which non-executive MAB members should serve as ARC members.

The following officials will attend meetings but are not members:

- Accountable Officer/Agency Chief Executive
- Head of Finance
- Head of Customer Services
- Head of Business Affairs
- Head of Business Management
- Head of Digital Transformation and IT Operations
- External Audit representative
- Scottish Government Internal Audit representative
- Scottish Government Director General Organisational Development and Operations or their nominated representative

Secretariat will be provided by the Agency's Governance Team.

#### **5. Meetings**

Meetings will take place a minimum of four times a year. There may be a determination by the Chair or Chief Executive that more frequent or longer meetings should be convened to discuss particular issues on which they want the Committee's advice.

A minimum of 2 ARC non-Executive members must be present for the meetings to be deemed quorate.

The ARC may ask any other officials of the organisation, or other non-executives who are not ARC members, to attend to assist it with its discussions on any particular matter.

The 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.

Internal and External Audit representatives will also regularly meet Audit and Risk Committee members separately, usually in advance of ARC meetings.

## **6. Access**

The Head of Internal Audit or their representative and the representative of External Audit will have free and confidential access to the Audit and Risk Committee Chair.

## **7. Reporting**

The ARC will formally report back to the Accountable Officer (and MAB members not in attendance) after each meeting. The approved minutes of the ARC will be presented to the MAB for noting.

MAB meetings are planned to take place within a few days following the ARC. The last approved minutes of the ARC will be shared at each meeting of the MAB and an oral update shall be provided of the preceding meeting by the Chair of the ARC.

The information shared with the MAB should summarise the business undertaken by the ARC including advice and opinion on matters within its remit.

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

The ARC will prepare an annual report, timed to support the Agency's governance statement and the finalisation of the Annual Report and Accounts, summarising the work of the Committee during the year.

## 8. Standing Agenda Items and Material

For each meeting the ARC will be provided with:

- 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 the Agency's performance relating to risk management and any significant changes to the organisation's control environment, including a summary of changes to the Agency's Risk Register;
- a report on progress in implementing the recommendations of internal and external audit (the 'audit tracker').

This can be summarised into the following standing agenda:

<b>Rolling Agenda</b>	<ul style="list-style-type: none"><li>• Register of Interests</li><li>• Minutes of previous meeting and review of actions</li><li>• Internal Audit Progress Report</li><li>• External Audit Progress Report</li><li>• Head of Finance Report</li><li>• Risk Management Update and Quarterly review of Risk Register</li><li>• Audit Recommendation Tracker</li></ul>
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The agenda for the ARC will remain flexible to suit the strategic and operational demands of the Agency and Scottish Government, however the table below provides a basis for the additional discussions of the ARC throughout the year. Non-executive members can request items be added to the agenda as necessary to ensure fulfilment of their role.

<b>January</b>	<ul style="list-style-type: none"><li>• Audit Scotland Annual Audit Plan</li></ul>
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<b>April</b>	<ul style="list-style-type: none"> <li>• Internal Audit Annual Plan</li> <li>• Audit Scotland Interim Progress Report</li> <li>• Draft ARC Annual Report to the Management Advisory Board</li> <li>• Draft Governance Statement</li> <li>• Head of Security Report and Business Continuity Plan Update</li> <li>• Review of Annual self-assessment</li> </ul>
<b>July</b>	<ul style="list-style-type: none"> <li>• Internal Audit Annual Assurance Statement</li> <li>• Audit Scotland ISA 260 Report (Agency)</li> <li>• Review of Draft Agency Accounts</li> <li>• ISA 580 Letter of Representation – Agency</li> </ul>
<b>September</b>	<ul style="list-style-type: none"> <li>• Audit Scotland ISA 260 Report (Schemes)</li> <li>• Audit Scotland Final Report on Annual Audit</li> <li>• Review of Draft NHS Scotland and Scottish Teachers Scheme Accounts and Annual Report</li> <li>• ISA 580 Letter of Representation – Schemes</li> </ul>

A pre-meet takes place as required before ARC meetings, between ARC members and representatives of both Scottish Government Internal Audit and External Audit

A broad range of material may be required for meetings, especially when additional matters are brought to the ARC for consideration which are not routinely on the agenda. For example (this is not an exhaustive list):

- 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;
- Deep Dives on specific subjects;
- Head of Department reports;
- Human Resources Updates;
- Extracts from the agency's strategic plan showing aspects pertinent to risk management or other responsibilities of the ARC, for example revisions to the agencies risk strategy and appetite;
- 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 Statement 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 where applicable;
- 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.
- 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; and,
- Feedback from Disaster Recovery events (real or simulated exercises)