



Scottish Public
Pensions Agency
Buidheann Peinnseanan
Poblach na h-Alba

Audit and Risk Committee Terms of Reference September 2025

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, quorum and agenda of its meetings.

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1. 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](#)' which outlines best practice for governance and advisory functions.

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 separate committee to the MAB and has delegated authority in relation to the activities/functions set out in this Terms of Reference.

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

2. Responsibilities

The ARC provides independent advice and assurance to the Accountable Officer but does not hold executive decision-making authority. The ARC will support and advise the Agency's Accountable Officer and MAB on:

- the processes and management 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;
- the observation of corporate governance requirements for the organisation, e.g. providing feedback on first draft of Agency Governance Statement and supporting AO's signing of the Agency Accounts and Schemes' Accounts;
- the Agency and Schemes' Annual Report and Accounts process
- appropriate and transparent management of strategic activities affecting the whole Agency
- 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 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 the Committee to the MAB – see section 6.

3. Membership

Membership of the ARC shall consist of three or more non-executive members appointed by the Accountable Officer, in line with SG public appointments recruitment guidelines, to meet the range skills and experience required on the ARC, such as financial or audit experience.

Additionally, when recruiting and appointing non-executive members, SPPA will ensure compliance with Scottish Government and Agency equality and diversity requirements and commitments. On appointment, members will receive induction material to fully understand their responsibilities including specific training to understand the Agency's risk and control environment, where necessary.

The standard term of appointment is for a period of four years and the maximum number of full terms should be limited to two. Alternatively, depending on the originally agreed term of appointment, and where this departs from the standard, it is permissible for members to serve for the maximum period of eight years.

The Accountable Officer will appoint a Chair for ARC, who will also be a non-executive member of MAB. The other non-executive members of the ARC may or may not be on the Management Advisory Board.

Additional non-executives may be co-opted to the Audit and Risk Committee by the Accountable Officer. In order to operate in an independent and competent manner, the committee should possess the requisite knowledge and skills to effectively engage with and challenge the organisation, however co-opted members do not hold Board member status and must never constitute a majority of the membership.

The following officials will attend meetings but are not members:

- Accountable Officer/Agency Chief Executive Officer and/or Deputy Chief Executive Officer, along with Executive members (or deputies) with responsibility for Finance, Strategy, Governance and Risk
- External Audit representative
- Scottish Government Internal Audit representative.

The role of other SPPA officials, such as other members of the Executive Team is to attend when invited, to provide information, and to participate in discussions, either for the whole duration of a meeting or for particular items.

4. Meetings

Meetings will take place 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.

Committee members should attend all meetings unless there are exceptional circumstances. A minimum of two ARC non-executive members must be present, either online or in person, for the meetings to be deemed quorate.

In the absence of the Chair, the remaining members shall elect one of themselves to chair the meeting. If a meeting is not quorate, the meeting should be cancelled and re-scheduled for as soon as possible after the original meeting date.

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 attend ARC meetings where possible.

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

Secretariat for ARC meetings will be provided by SPPA Corporate Governance team. Papers should be circulated to members at least one week prior to the meeting date and an action point tracker will be maintained to monitor progress on key issues raised at meetings.

5. 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.

6. Reporting

Approved minutes of each ARC meeting will be shared with the Accountable Officer and the MAB, along with any update the ARC Chair wishes to provide.

Subject to whistleblowing policy, any significant issues or concerns not covered in ARC meetings should be reported by the ARC Chair to the Chief Executive Officer and the MAB Chair, as well as the Portfolio Accountable Officer with whom the Chief Executive, Chair of ARC and Chair of MAB meet quarterly.

The ARC Chair, and the MAB Chair, will attend agency performance meetings with the Chief Executive Officer and the Portfolio Accountable Officer (three times per year).

The ARC will conduct an annual self-assessment of its effectiveness and report findings to the Accountable Officer and MAB in the form of an annual report, timed to support the Agency's governance statement.

7. Standing Agenda Items and Material

The standing agenda for ARC is outlined in the ARC Agenda Planner and is summarised as follows:

- Register of Interests
- Minutes of previous meeting and review of actions
- Finance reporting
- External Audit Progress Report
- Internal Audit Progress Report
- Risk Management Update (including fraud and whistleblowing cases) and Quarterly review of Risk Register
- Audit Recommendation Tracker.

The agenda for the ARC will remain flexible to suit the strategic and operational demands of the Agency and Scottish Government, however additional discussions may be required with ARC throughout the year if significant issues or incidents occur. Non-executive members can request items be added to the agenda as necessary to support discussion of the organisation's governance, risk management and internal controls, such as:

- Summary of reportable incidents, including reportable breaches of security
- Business Continuity Plan Update
- Review of Draft Agency Accounts process
- Deep Dives on specific subjects

- 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
- Feedback from Disaster Recovery events (real or simulated exercises).

Secretariat will assist with the provision of all reports.