
Audit and Risk Committee: Terms of Reference

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Introduction

1. The Scottish Fiscal Commission (the Commission) has established an Audit and Risk Committee as a Committee of the Commission's Governance Board to support it through a process of constructive challenge in its responsibilities for establishing and maintaining a comprehensive framework for risk, control and governance and associated assurance.
2. Guidance on the principles and best practice for the organisation of Audit and Assurance Committees is contained in the Scottish Public Finance Manual.
3. The Committee is subject to the Commission's Standing Orders, in particular as they relate to the operation of Committees of the Commission (section 8) and Decisions which are reserved for the Commission (section 9).

Membership

4. The members of the Audit and Risk Committee are:
 - Justine Riccomini (Chair);
 - Dr Eleanor Ryan; and
 - Two independent, external members:
 - Catriona McConnell (appointed until 1 May 2027)
 - Sarah Pumfrett (appointed until 1 May 2027).
5. The Chair of the Commission may attend meetings of the Audit and Risk Committee but is not a member of the Committee.
6. External members of the Audit and Risk Committee will be required to comply with the principles of the Code of Conduct for Commissioners, in particular Section 4 relating to the Registration of Interests.
7. The Audit and Risk Committee will be provided with a secretariat function by members of Commission staff.

Reporting

8. The Audit and Risk Committee will report orally and/ or in writing to the Governance Board of the Commission after each meeting. A copy of the minutes of the meeting may form the basis of the report. In addition, the Chair of the Committee will report to the Governance Board at least annually any matters of concern identified by the Audit and Risk Committee.
9. A record of positive assurance should be recorded formally within the minutes when the Committee is considering the Annual Report and Accounts and the Committee agreed. That should cover assurances provided by Scottish Government about HR, IT and Finance, as well as assurance provided by the Committee.

Responsibilities

10. The committee should support the Accountable Officer and Governance Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.
11. The scope of the committee's work should be defined in its terms of reference and should encompass all the assurance needs of the Accountable Officer and Governance Board. Within this, the committee should have particular engagement with the work of Scottish Government Directorate for Internal Audit and Assurance, Deloitte LLP (external auditor), risk management, and financial management and reporting issues.
12. The Audit and Risk Committee will advise the Governance Board on:
 - the strategic processes for risk, control and governance, and on the Governance Statement
 - the accounting policies, the Accounts and the Annual Report, 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
 - the planned activity and results of both internal and external Audit
 - the adequacy of management response to issues identified by Audit activity, including external Audit's management letter/ report
 - assurances relating to the corporate governance requirements for the Commission
 - corporate policies of the Commission including counter-fraud policies, whistle-blowing processes and arrangements for special investigations
 - any issues that should be escalated to the Governance Board
 - anything else that is referred to the Committee by the Governance Board.

Rights

13. The Audit and Risk Committee may:
 - co-opt additional members for a period not exceeding one year, and with the approval of the Commission's Chair and/or the Accountable Officer, to provide specialist skills, knowledge and experience
 - procure specialist ad-hoc advice, at the Commission's expense, subject to budgets agreed by the Governance Board and/or the Accountable Officer.

Access

14. The Head or representative of Scottish Government Directorate for Internal Audit and Assurance and the representative of Deloitte LLP (external auditor) will have free and confidential access to the Chair of the Audit and Risk Committee. This will be a two-way process for both parties: the Chair of the Audit and Risk Committee will also have free and confidential access to the Head or representative of Scottish Government Directorate for Internal Audit and Assurance and the representative of Deloitte LLP (external auditor).

Meetings

1.1 The procedures for Audit and Risk Committee meetings are as follows:

- the Committee will meet at least four times a year. The Chair of the Committee may convene additional meetings as the Chair of the Committee deems necessary
- at each meeting, a minimum of two members of the Committee, including at least one member of the Committee who is also a member of the Commission, will be present for the meeting to be deemed quorate.
- apologies for absence by either members of the Committee or the attendees noted below, should be tendered in advance to the Secretariat and will be noted.
- Committee meetings will normally be attended by the:
 - Accountable Officer (Chief Executive)
 - the Head of Strategy, Governance and Corporate Services
 - representative(s) of Scottish Government Directorate for Internal Audit and Assurance
 - representative(s) of Deloitte LLP (external audit)
- the Committee may require any other member of staff of the Commission 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 of the Committee to withdraw to facilitate open and frank discussion of particular matters
- the Governance Board or the Accountable Officer may ask the Committee to convene further meetings to discuss particular issues on which they require the Committee's advice.

Information Requirements

1.2 For each meeting, the Audit and Risk Committee will be provided with either in writing or orally:

- a report summarising any significant changes to the Scottish Fiscal Commission Corporate Risk Cards
- a progress report (either written or oral) from Scottish Government Directorate for Internal Audit and Assurance summarising:
 - work performed (and a comparison with work planned)
 - key issues emerging from Scottish Government Directorate for Internal Audit and Assurance
 - management response to Scottish Government Directorate for Internal Audit and Assurance recommendations
 - significant changes to the Scottish Government Directorate for Internal Audit and Assurance plan
 - any resourcing issues affecting the delivery of Scottish Government Directorate for Internal Audit and Assurance Directorate objectives;
- a progress report (either written or oral) from Deloitte LLP (external auditor) summarising work done and emerging findings.

1.3 As and when appropriate, the Committee will also be provided with other documents including:

- proposals on the Terms of Reference for the Scottish Government Directorate for Internal Audit and Assurance
- the Head of Scottish Government Directorate for Internal Audit and Assurance Annual Opinion and Report
- quality assurance reports on the Scottish Government Directorate for Internal Audit and Assurance function
- the draft Accounts of the Scottish Fiscal Commission
- the draft Governance Statement
- a report on any changes to accounting policies
- Deloitte LLP's (external auditor) management letter and/or report
- a report on any proposals to tender for internal Audit functions
- a report on co-operation between Scottish Government Directorate for Internal Audit and Assurance and Deloitte LLP (external auditor)

- a report on the Counter Fraud and Bribery arrangements and performance
- reports from other sources within the "three lines of assurance" integrated assurance framework (such as Best Value self-assessment Reviews, Gateway Reviews, Health Check Reviews, ICT Assurance Reviews, Digital 1st Service Standard Reviews, Procurement Capability Reviews, Procurement Key Stage Reviews).
- Proposed annual work programme for the Committee.

Decisions and Recommendations

- 1.4 Recognising that some decisions are reserved to the Commission and its Governance Board (Section 9 of Standing Orders), where there are decisions or recommendations to be made (to the Governance Board) they will normally be by consensus of the members of the Committee (see paragraph 4).
- 1.5 If consensus cannot be reached on a particular issue by the Committee members attending, the Chair of the Audit and Risk Committee or another member may ask for a vote to be taken.
- 1.6 Any matter put to the vote is decided by a simple majority of Committee members present.
- 1.7 In the event of a tie, the Chair of the Audit and Risk Committee, or in their absence a nominated deputy, has a second or casting vote. Voting will be by a show of hands.
- 1.8 Only Commission members present at a meeting may vote and proxy voting is not allowed. Commission members departing early will be treated as non-attending for the purpose of any decision taken after the time of departure.
- 1.9 Members of the Committee who are not Commission members are not entitled to vote at meetings of the Committee.

