



SCOTTISH LAND COMMISSION
COIMISEAN FEARAINN NA H-ALBA

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

December 2016

The Scottish Land Commission has established an audit and risk committee to support it, and specifically the Chief Executive Officer, as accountable officer, in its responsibilities for ensuring the adequacy of risk management, internal control and governance arrangements and that the public funds are used efficiently and effectively. The audit and risk committee will assist in formulating the assurance needs of the Commission and assessing how comprehensive and reliable those assurances are. The audit and risk committee is a committee of the Commission.

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1. Conditions of Membership

1.1 The audit and risk committee (ARC) will have no fewer than two members of the Commission and one external co-opted ARC member.

1.2 The members of the ARC will be appointed by the members of the Scottish Land Commission who will also designate one of these members to chair the ARC.

1.3 The Chair may not be a member of the Audit and Risk Committee.

1.4 At least one ARC member shall be suitably financially qualified and have recent and relevant financial experience. This member will be a Commissioner appointed from the Commission.

1.5 All appointments shall be made with regard to the need to understand the Commission's objectives, structure and culture, and other legislative and accountability contexts within which it operates. ARC members will collectively possess knowledge and skills in accounting, risk management, audit, financial governance and technical issues relevant to the business and strategic management of the Scottish Land Commission.

1.6 The term of service for ARC members can be up to but not exceeding a period of 5 years, but can be extendable at the discretion of the Commission. ARC members who are members of the Commission may stand down with the consent of the Commission and their service will discontinue if they no longer serve as members of the Commission.

1.7 The ARC shall be entitled to co-opt additional members for a period not exceeding three years, to provide specialist skills, knowledge and experience, with approval of the majority of the Commission. At the discretion of the Commission this appointment is renewable after the three years, on a yearly rolling basis.

1.8 The members of the ARC who are Commissioners must always be in the majority on the ARC.

2. Quorum

2.1 The quorum for an ARC meeting shall be a minimum of 3 ARC members. No business shall be dealt with at any ARC Meeting unless a quorum is present. At least one of these members present in the quorum must be a member of the Commission.

2.2 In the case that only 2 ARC member attend a meeting, it will be considered a homologous event, and the quorum will be 2.

3. Frequency of meetings

3.1 The ARC will meet at least three times a year at appropriate times in the reporting and audit cycle, coordinated in advance of the Commission so that it may receive the ARC's report and recommendations from each meeting. A final meeting will usually take place expressly for the purpose of considering the annual accounts.

3.2 No less than ten working days' notice shall be given of every ARC meeting to each member.

4. Attendance at meetings

4.1 In addition to the quorum being present, the Scottish Land Commission's Accountable Officer, the Chair and any of the Commissioners not on the ARC are invited to be present.

4.2 Those attending an ARC meeting who are not ARC members, are not entitled to a vote should the situation arise where a vote is required. If invited to by the ARC members they are able to contribute to discussions.

4.3 Members of the ARC are required to attend no less than 100% of ARC meetings throughout one year. If attendance does not meet the minimum requirements the members post can be terminated at the discretion of the Chair and the Commissioners.

5. Minutes of meetings

5.1 A secretary shall be appointed at each meeting of the ARC by the Chair, and the secretary shall arrange for a record of the proceedings and decisions of each meeting to be made, including the names of those present and in attendance and any declarations of conflict of interest.

5.2 Draft minutes of the meetings shall be circulated within 10 working days of the meeting taking place to the members of the ARC, the Chair of the SLC and the Commissioners.

6. Duties and Responsibilities

6.1 The ARC will agree in advance with the Commission each year an annual programme of activity taking into account the Commission's operating environment, resources and risks.

6.2 The ARC will have the following duties and responsibilities:

6.2.1 Financial Reporting

- The ARC shall review the Commission's proposed budget in advance of each financial year and report its opinion to the Commission prior to the budget being signed off.
- The ARC shall monitor the integrity of the financial statements of the Commission, including quarterly reports on the Commission's financial performance, reviewing significant financial reporting issues and judgments which they contain
- The ARC shall satisfy itself that the annual financial statements represent fairly the financial position of the Commission

6.2.2 Internal control and risk management

- Review the Commission's proposed programme of work in advance of each financial year and report its opinion to the board prior to the plan being signed off
- Review and critically challenge the adequacy and effectiveness of the Commission's financial and non-financial internal control and risk management activities in relation to the organisation's risk appetite.
- Satisfy itself that the system of internal control has operated effectively throughout the reporting period.
- Review and recommend to the Commission the annual governance statement and any other statements to be included in the annual report concerning internal control and risk management.
- Review operational risks and consider risks arising from the impact of high risk activity or casework.
- Consider the Commission's strategic risk register at each meeting of the ARC and make recommendations to the board regarding the Commission's risk framework and risk management activity
- Review the adequacy of governance arrangements.
- Consider the risks and benefits within any significant contracts being considered by the Commission and provide reports to the Commission to assist its decision making
- Scrutinise any other special strategic operations, including cost reductions, change programmes and material projects if they are considered to pose a significant risk, either at its own volition or following a request from the Commission.
- The ARC will review performance against the Commission's key performance indicators, as well as any other relevant indicators relating to high priority or risk activities as may be agreed on an ad hoc basis.

6.2.3 Compliance, whistleblowing and fraud

- Review the adequacy and security of the Commission's arrangements for its employees or contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters
- Review the operation of the Commission's anti-fraud policy.
- Review the Commission's systems and controls for the prevention of bribery and receive reports on non-compliance.
- Receive regular reports of any alleged instances of fraud, theft whistleblowing or bribery occurring amongst Commission staff, Commission or committee members, contractors or any other individuals acting on its behalf and regularly review the operation of relevant policies.
- Receive regular reports on security and any breaches of data protection.

6.2.4 Internal Audit

- Approve the tendering and appointment of the Commission's internal auditor.

- Agree and approve the internal audit strategy and annual assurance work programmes, including subsequent revisions and monitor progress against plans and agreed KPIs.
- Monitor and review the independence and effectiveness of the Commission's audit and assurance programmes.
- Consider the skills and adequacy of internal audit and assurance resources and ensure that they are sufficient to provide an appropriate level of assurance.
- Agree performance measures for the delivery of internal audit and business assurance review programmes and monitor performance against them.
- Review the adequacy of management's responses to issues identified in assurance assignments.
- Assess internal audit's annual report and assurance opinion.
- Approve the chief executive's quality assurance and improvement programme and monitor performance against it.
- Receive and consider the findings of annual reviews of the effectiveness of internal audit activity, including an independent external review at least once every 5 years.

6.2.5 External Audit

- Advise the Commission on the appointment of external auditors.
- A progress report will be produced summarising work done and emerging findings.

7. Reporting Responsibilities

7.1 The chair of the ARC will formally report in writing to the Commission after each meeting. This will usually be done by submitting a copy of the draft minutes with the ARC highlighting any significant matters which the ARC considers relevant to draw to the Commission's attention.

7.2 The ARC will provide an annual report to the Commission, timed to support the preparation of the annual report produced by the SLC, summarising its conclusions from the work it has done during the year. A copy of the final annual report will be presented to Scottish Ministers and the Scottish Parliament.

8. Conflicts of interest

8.1 The ARC members are obliged to inform the other members of any conflicts of interest at the start of all meetings. Declarations such as this should be recorded in the minutes.