



SCOTTISH LAND COMMISSION  
COIMISEAN FEARAINN NA H-ALBA

## **AUDIT AND RISK COMMITTEE TERMS OF REFERENCE**

**November 2017**

**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.**

**The members of the Audit and Risk Committee are:**

Non-executive directors: Lorne MacLeod and Megan MacInnes;

Independent external members: Yvonne McIntosh (Date of co-opted appointment 26/06/2017; Date when the appointment is due to end/become eligible for renewal 26/06/2020)

The Audit Committee will be Chaired by: Lorne MacLeod

The Audit Committee will be provided with a secretariat function by a member of the Chief Executive's office

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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 of the commission 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 Chair plus 2 ARC members. No business shall be dealt with at any ARC Meeting unless a quorum is present.

2.2 In the case that only the Chair and one ARC member attends a meeting, the Chair may decide to carry on with the ARC meeting and hold a homologous event with the missing member post meeting to make the meeting quorate.

### 3. Frequency of meetings

3.1 The ARC will meet at least four 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. The Chair of the Audit Committee may convene additional meetings, as he/she deems necessary; A meeting will usually take place expressly for the purpose of considering the annual accounts.

3.2 The Board or Accountable Officer may ask the Audit Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

3.3 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 The Audit Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter;

4.3 The Audit 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;

4.4 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.

4.5 Members of the ARC are expected to attend no less than 100% of ARC meetings throughout one year. If attendance does not meet the expected requirements membership of the ARC 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. Information requirements**

6.1 For each meeting the Committee will normally be provided with:

- A progress report from the Internal Audit representative summarising:
  - Work performed and a comparison with work planned
  - Key issues emerging from Internal Audit work
  - Management response to audit recommendations
  - Any significant changes to the audit plan

- Any resourcing issues affecting the delivery of Internal Audit objectives
- A progress report from the External Audit representative summarising work done and emerging findings
- A summary of outstanding audit recommendations (audit tracker)
- A finance report
- Corporate Risk Register

#### 6.2 The committee will receive on an Annual basis

- External Audit Plan and any relevant management letters and performance audit reports
- Draft accounts of the organisation
- Certificates of assurance
- Draft Governance Statement
- Annual Fraud report
- Internal Audit Plan
- internal Audit's annual opinion and reports
- Committee's terms of reference

#### 6.3 As and when required, the Committee will also be provided with the following:

- Internal Audit strategy
- Internal Audit charter
- Report on any changes to accounting policies
- External Audit's review of Internal Audit

### 7. Access

7.1 Representatives of Internal and External Audit will have free and confidential access to the Chair of the Audit Committee.

### 8. Duties and responsibilities

8.1 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.

8.2 The ARC will have the following duties and responsibilities:

#### 8.2.1 Financial Reporting

- The ARC will advise the commission and accountable officer on the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and managements letter of representation to the external auditors.
- 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

#### 8.2.2 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.

#### 8.2.3 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.

#### 8.2.4 Internal Audit and External Audit

- Advise on proposals for the tendering and appointment of the Commission's internal audit or for purchase of non-audit services from contractors who provide audit services.
- Agree and approve annual assurance work programmes, including subsequent revisions and monitor progress against plans and agreed KPIs.
- Monitor and review the 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.
- Review the adequacy of management's responses to issues identified by audit, including external audits management letter/ report.
- Assess internal audit's annual report and assurance opinion.
- Receive and consider the findings of external reviews of the effectiveness of internal audit activity
- Advise the Commission on the appointment of external auditors.
- A progress report will be produced summarising work done and emerging findings.

8.3 The Audit committee will also periodically review its own effectiveness and report the results of that review to the commission and Accountable officer. All members of the ARC are issued with a 'self-assessment' questionnaire, which upon return are evaluated and tabled in to commission meeting papers for discussion

## **9. Reporting responsibilities**

9.1 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.

9.2 The ARC will provide an annual report to the Commission, timed to support the finalisation of the annual accounts 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.

## **10. Conflicts of interest**

10.1 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.