

Introduction

1. The Scottish Fiscal 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. Guidance on the principles and best practice for the organisation of Audit and Assurance Committees is contained in the Scottish Public Finance Manual (SPFM)¹

MEMBERSHIP

2. The members of the Audit and Risk Committee are:

Professor David Ulph (Chair);
Professor Alasdair Smith;
Professor Francis Breedon; and
Gillian Carty, an independent, external member.

3. 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.
4. The Audit and Risk Committee will be provided with a secretariat function by members of Commission staff.

REPORTING

5. 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. 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

Principle 3: Role and Scope

6. 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.

¹ <https://www.gov.scot/publications/audit-assurance-committee-handbook/pages/1/>

7. 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 SGIAD, risk management, Audit Scotland, and financial management and reporting issues.
8. 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; and
 - anything else that is referred to the Committee by the Governance Board.

RIGHTS

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

ACCESS

10. The Head or representative of Scottish Government Internal Audit Directorate (SGIAD) and the representative of Audit Scotland 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 SGIAD and the representative of Audit Scotland.

MEETINGS

11. 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 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;
- Committee meetings will normally be attended by the Accountable Officer/ Chief Executive, the Head of Strategy, Change and Corporate Services, a representative of SGIAD and a representative of Audit Scotland;
- 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; and
- 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

12. 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 Score Cards;
- a progress report from SGIAD summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from SGIAD work;
 - management response to SGIAD recommendations;
 - significant changes to the SGIAD plan; and
 - any resourcing issues affecting the delivery of SGIAD objectives;
- a progress report from the Audit Scotland representative summarising work done and emerging findings.

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

- proposals for the Terms of Reference of SGIAD;
- SGIAD Strategy;
- the Head of SGIAD Annual Opinion and Report;
- quality assurance reports on the SGIAD function;
- the draft Accounts of the Scottish Fiscal Commission;
- the draft Governance Statement;
- a report on any changes to accounting policies;
- Audit Scotland’s management letter/ report;
- a report on any proposals to tender for internal Audit functions; and
- a report on co-operation between SGIAD and Audit Scotland;
- a report on the Counter Fraud and Bribery arrangements and performance;
- reports from other sources within the "three lines of assurance" integrated assurance framework (eg 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.

Scottish Fiscal Commission

Reviewed and approved

	Approved	Next Review
Audit and Risk Committee	6 November 2019	November 2020
Governance Board	7 November 2019	November 2020