

National Park Authority Board Meeting



Agenda Item 8.2

Terms of Reference - Audit & Risk Committee

Paper for decision

1. Introduction

- 1.1 In December 2017 the Audit Committee approved revised Terms of Reference for that committee. The Terms of Reference had been revised to align them more closely with the model Terms of Reference within the Scottish Government Audit Committee Handbook, including the addition of the word 'risk' to the title.

2. Recommendation

- 2.1 In accordance paragraph 63 of the Board's Standing Orders, the Board shall decide the remit of its Committees. The Board are now therefore asked to (1) consider the revised Terms of Reference for the Audit Committee and (2) thereafter approve them.

3. Background

- 3.1 Terms of Reference for the Audit Committee were previously agreed by the Board in February 2016.
- 3.2 Following "Reviewing the Effectiveness of the Audit Committee" training undertaken in June 2016 the Terms of Reference for the Audit Committee were reviewed. Revisions were made to more closely align them with the model Terms of Reference within the Scottish Government Audit Committee Handbook.
- 3.3 On 5 December 2017 the Audit Committee approved the revised version. Appendix 1 to this Paper contains the revised Audit and Risk Committee Terms of Reference.

Appendix 1 – Revised Audit & Risk Committee Terms of Reference

Author: Melanie Barbour, Governance Manager

Sponsor: Lindsay Morrison, Chair of Audit and Risk Committee

1. Membership and Quorum

- 1.1. The Audit and Risk Committee is covered by the Standing Orders for the National Park Authority Board as well as these Terms of Reference. The Audit and Risk Committee is a standing committee of the Board. The Scottish Public Finance Manual directs that public bodies such as the Park Authority are obliged to have an Audit Committee.
- 1.2. The Committee will comprise up to 6 non-executive Board members, one of whom will be appointed as Chair and one as Depute Chair. The composition and effectiveness of the Committee will be periodically reviewed by the Board. There is no limit on the length of time a member may serve on the Committee, so long as they remain a member of the Park Authority Board. The quorum for a meeting will be any 3 members. At least one member would ideally have recent and relevant financial experience.
- 1.3. In addition to the members, meetings will be attended by the Accountable Officer (Chief Executive), and normally by the Director of Corporate Services and other officers as required, as well as representatives of Internal and External Audit. A note-taker will also attend. None of the non-member attendees have any voting rights.
- 1.4. Other attendance by internal staff and external advisers will be as requested by the Committee. Additional members can be co-opted onto the Committee to provide specialist skills, knowledge and experience¹.
- 1.5. The Committee may ask any or all of the officials who normally attend to withdraw to facilitate discussions on any matter. The note-taker would usually remain.

2. Meetings

- 2.1. The Committee will meet at least four times a year and, although there is no requirement to do so, meetings will usually be held in public unless the Committee wishes to consider confidential matters. The Chair may convene additional meetings of the Committee and the Board or Accountable Officer may ask the Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.
- 2.2. Private meetings should be arranged between the Committee and the internal and external auditors at least once a year.
- 2.3. Internal and external auditors will have free and confidential access to the Chair of the Committee.

¹ The Scottish Government Audit Committee Handbook advises that co-option should not exceed a period of one year.

3. Purpose

- 3.1. The Committee will provide assurance to the Board and Accountable Officer on the strategic processes for risk, control and governance and the Governance Statement. It will also provide scrutiny and oversight of statutory compliance responsibilities by monitoring and reviewing risk, control and corporate governance and provide robust assurance in these areas to the Park Authority Board. The Committee will oversee the conduct of internal and external audit and the process of preparation and approval of the Annual Report and Accounts.
- 3.2. The Committee will report to the Board verbally each quarter, and with a written annual report, summarising its conclusions from the work it has done during the year. The Board remains responsible and accountable for the financial, organisational and business performance of the Park Authority.
- 3.3. The Committee may procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board or Accountable Officer.
- 3.4. The Committee will offer opinions and recommendations on the way the management of risk, control and governance is conducted.

4. Responsibilities

The remit of the Audit and Risk Committee is as follows:

4.1. Corporate Governance and Controls

- 4.1.1. To provide assurance to the Park Authority Board on corporate governance and financial probity, including review of the annual assurance statements.
- 4.1.2. To confirm the adequacy of the internal control systems and to promote good practice in internal control.
- 4.1.3. To receive reports on and advise the Board of any fraud, bribery or corruption, successful or attempted and on relevant policies.
- 4.1.4. To ensure that relevant systems are in place for the effective performance monitoring of Corporate and Operational Plan objectives by the Delivery Group.
- 4.1.5. To oversee the financial reporting process to ensure balance, transparency and integrity of published financial information.
- 4.1.6. To provide assurances to the Board and Accountable Officer that policies/processes are in place for anti-fraud, whistleblowing and arrangements for special investigations.

4.2. Annual Accounts

To provide assurance to the Board and Accountable Officer on accounting policies, the accounts, and the annual report of the Park Authority, 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.

4.3. Internal Audit

- 4.3.1. To recommend the appointment of the internal audit service provider to the Accountable Officer.
- 4.3.2. To oversee the development of internal audit plans and advise the Board of the agreed plans.
- 4.3.3. To review the scope, efficiency and effectiveness of the work of internal audit.
- 4.3.4. To provide assurance to the Board and Accountable Officer on the adequacy of management responses to issues identified by audit activity.

4.4. External Audit and Annual Report

- 4.4.1. To receive and consider the external auditor's annual report and monitor action on the implementation of agreed recommendations.
- 4.4.2. To review the external audit plan.
- 4.4.3. To provide assurance to the Board and Accountable Officer on the adequacy of management responses to issues identified by audit activity.

4.5. Best Value

To oversee the achievement of the duties under the Scottish Government Best Value Guidance to Accountable Officers.

4.6. Risk Management

- 4.6.1. To review and monitor the process of risk management to provide reassurance to the Board corporate risk is being appropriately managed and adequately controlled.
- 4.6.2. To review corporate risks and make recommendations to the Board.

4.7. Whistleblowing

To receive reports on issues raised through whistleblowing and any outcomes and resultant actions.

4.8. Code of Conduct

To oversee the Register of Members' Interests including gifts and hospitality.

The Committee will periodically review its own effectiveness and report the results of that review to the Board and Accountable Officer.

5. Information Requirements

For each meeting the Committee will be provided with:

- 5.1. Minutes of prior meeting for approval
- 5.2. Matters arising for monitoring

- 5.3. An update on the Park Authority's Corporate Risk Register.
- 5.4. An update on Internal Audit work performed including key issues emerging from Internal Audit work and management response to audit recommendations and any resourcing issues affecting the delivery of Internal Audit objectives.
- 5.5. A progress report on the clearance of Internal Audit Recommendations

As and when appropriate the Committee will also be provided with:

- 5.6. The draft and final Internal Audit Plan, and any subsequent significant changes to the plan
- 5.7. Internal Audit's Annual Opinion and Report (annual)
- 5.8. Client satisfaction questionnaires on Internal Audit (annual)
- 5.9. The draft accounts of the organisation (annual)
- 5.10. A report on any changes to accounting policies
- 5.11. A progress report from the External Audit representative summarising work done and emerging findings.
- 5.12. External Audit's management letter/report (annual)
- 5.13. Register of Interests Review including gifts and hospitality (annual)
- 5.14. The Draft Audit and Risk Committee Annual Report to the Board (annual)
- 5.15. A report on any proposals to tender for audit functions
- 5.16. A verbal update on co-operation between Internal and External Audit.
- 5.17. A Best Value progress report (annual)

The above list suggests minimum requirements for the inputs which should be provided to the Audit and Risk Committee; in some cases more may be provided.