



## **Audit and Risk Committee**

### **Terms of Reference**

<b>Document Management:</b>	
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## **1. Introduction**

The Board of Community Justice Scotland (CJS) has established an Audit and Risk Committee (ARC) as a Committee of the Board to support it in its responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge.

## **2. Role**

The Role of the ARC is to support the Board and the Accountable Officer by reviewing the comprehensiveness and reliability of assurance on governance, risk management, the control environment and the integrity of financial statements and the annual report.

## **3. Responsibilities**

3.1 The Audit and Risk Committee will advise the Board and Accountable Officer on:

- the strategic processes for risk, control and governance and the Statement on Internal Control;
- the accounting policies, the accounts, and the annual report of Community Justice Scotland, 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;
- the effectiveness of the internal control environment;
- assurances relating to the corporate governance requirements for Community Justice Scotland;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

3.2 The Audit and Risk Committee will also review annually its own effectiveness and report the results of that review to the Board and Accountable Officer. In carrying out its role and in conducting its self-assessment the Committee will have regard to the Scottish Government Audit and Assurance Committee Handbook.

## **4. Reporting**

4.1 The Audit and Risk Committee will formally report to the Board and Accountable Officer after each meeting. A copy of minutes of the meeting will form the basis of the report along with a verbal update provided by the Chair of the Audit and Risk Committee.

4.2 The Audit and Risk Committee will provide the Board and Accountable Officer with an Annual Report, timed to support finalisation of the accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year.

## **5. Membership**

5.1 The Audit and Risk Committee will comprise three Members of CJS, one of whom will be appointed as Chair. Appointments to the Audit and Risk Committee will be made by the Chair of Community Justice Scotland.

5.2 In consultation with the Chair of Community Justice Scotland and Accountable Officer the Committee may co-opt an additional Member to provide independence, specialist skills, knowledge and experience. These arrangements will be reviewed periodically between the Chair of ARC and Chair of Community Justice Scotland. Co-opted Members are not able to vote in accordance with the provisions of the governing legislation.

5.3 The Chair of Community Justice Scotland may attend meetings of the ARC but is not a member of the Committee.

5.4 The Audit and Risk Committee will be provided with a secretariat function by the CJS Board Secretary.

## **6. Rights**

The Audit and Risk Committee may:

Obtain specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board and in consultation with the Accountable Officer.

## **7. Access**

The Head of Internal Audit or representative and External Auditor will have free and confidential access to the Chair of the Audit and Risk Committee.

## **8. Training**

The Committee will consider on a rolling basis any training requirements it has to enable it to perform its role effectively and will work with the Chair of Community Justice Scotland and Accountable Officer to identify appropriate opportunities and solutions to meet these requirements.

## **9. Meetings**

The procedures for meetings are:

- the Audit and Risk Committee will hold four quarterly business meetings a year and will agree additional meetings based on need. The Chair of the Audit and Risk Committee may convene additional meetings as he/she deems necessary, or at the request of the Chair of Community Justice Scotland or Accountable Officer;
- a minimum of two members of the Audit and Risk Committee will be present for the meeting to be deemed quorate;
- Audit and Risk Committee meetings will normally be attended by the Accountable Officer, the Director of Operations, the Head of Corporate Services, the Head of Internal Audit (or appropriate representative), and a representative of External Audit;
- members will be required to declare any potential conflict of interest arising out of business on the committee's agenda or from changes in the member's personal circumstances;
- at least once per year the Audit and Risk Committee will meet privately with the External and Internal Auditors;
- the Audit and Risk Committee may ask any other officials of Community Justice Scotland to attend to assist it with its discussions on any particular matter;
- the Audit and Risk 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.

## **10. Information Requirements**

For each quarterly business meeting the Audit and Risk Committee will be provided with:

- a report summarising any significant changes to Community Justice Scotland's Risk Register;
- a financial report, including relevant information about financial performance and achievement against budget;
- a report summarising the Performance of CJS delivery against the current Business Plan;

- A report indicating any fraud or security incident or concerns;
- a progress report from the Head of Internal Audit summarising work done and emerging findings;
- a progress report from the External Audit representative summarising work done and emerging findings;
- a review of any reports issued by Audit Scotland which may have relevance for CJS.

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

- proposals for the Terms of Reference of Internal Audit
- the proposed Internal Audit Strategy and work plan
- the Head of Internal Audit's Annual Opinion and Report
- quality assurance reports on the Internal Audit function
- the draft Statement on Internal Control
- a report on any changes to accounting policies
- a report on co-operation between Internal and External Audit

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.

## **11. Audit and Risk Committee Work Programme**

At each business meeting ARC will:

- Review the updated risk register, financial and performance reports and report on fraud and security
- Review updates of CJS policies and governance documents
- Consider any Internal Audit reports and management responses
- During its deliberations ARC will bear in mind the requirement for assurance on the delivery of best value and compliance with SPFM

In addition, ARC will at its:

Spring Business Meeting

- Review Internal Audit strategy and proposed work plan for coming year
- Consider External Audit plans for the coming financial year

Summer Business Meeting

- Consider the Committee's effectiveness in discharging its duties and agree the CJS ARC Self-Assessment Checklist

- Consider and agree an annual report of ARC to the Board and Accountable Officer
- Consider Internal Audit opinion for the financial year just finished
- Consider an annual report on fraud and security
- Meet privately with the internal and external auditors

#### Autumn Business Meeting

- Review and consider the draft accounts of Community Justice Scotland for the financial year just finished
- Based on all audit opinions, provide advice to the Accountable Officer on signing the accounts and Statement on Internal Control
- Consider the External Audit Management Letter covering review of key financial controls and areas of interest
- Consider the Accountable Officer's Letter of Representation
- Consider External Audit opinion for the financial year just finished

#### Winter Business Meeting

- Review and discuss the assurance framework and performance management arrangements of CJS and any timetable for reviewing such arrangements
- Review the Committee's Terms of Reference

Further information on the role of Audit and Risk Committees and good practice guidance is available in the Scottish Government's [Audit and Assurance Committee Handbook](#) from which these terms of reference have been abstracted. Each committee member is provided with a copy of the handbook on appointment to ARC.