

## **SCOTTISH ENTERPRISE AUDIT AND RISK COMMITTEE**

### **TERMS OF REFERENCE**

The SE Board has established an SE Audit and Risk Committee as a Committee of the Board to support them in their responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge.

#### **Membership**

The Committee shall be appointed by the SE Board from amongst the non-executive directors and shall consist of not less than 3 members. At least one member of the Committee shall have recent and relevant financial experience.

The Chair of the Committee shall be appointed by the Board.

All new members shall undertake formal induction covering the role of the Audit and Risk Committee, overview of the organisation's key risks and audit issues. Members will also receive appropriate training in relation to their role as a member of the Audit and Risk Committee.

The Audit and Risk Committee may procure specialist ad-hoc advice at SE's expense, subject to budgets agreed by the Board.

The Audit and Risk Committee will be provided with a secretariat function by SE Corporate Office.

#### **Meetings**

The Audit and Risk Committee will meet at least four times a year. The Chair of the Audit and Risk Committee may convene additional meetings as they deem necessary, including meetings for the Committee to sit privately without any non-members present for all or part of a meeting if they so wish.

A minimum of two members of the Audit and Risk Committee will be present for the meeting to be deemed quorate. Members are required to declare any conflicts of interest arising out of the Committee's agenda.

Audit and Risk Committee meetings will normally be attended by the Chief Executive/Accountable Officer, the Chief People Officer, the Chief Financial Officer, the Director of Audit, a representative of External Audit and a representative from the Scottish Government.

The Audit and Risk Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter. Any other officials of the organisation may also be required to provide written report(s) to the Committee to enable it to fulfil its role.

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.

The Board may ask the Audit and Risk Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

At least once a year the Committee may wish to meet with the External and/or Internal Auditors without any Executive Leadership Team director present.

### **Access**

The Director of Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit and Risk Committee.

### **Reporting**

The Audit and Risk Committee will formally report back in writing to the Board after each meeting.

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

### **Responsibilities**

The Audit and Risk Committee will advise and report to the Board on:

- The strategic processes for risk, control, value for money and governance and the Governance Statement.
- 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, major judgements, large write-offs, changes in accounting treatment, levels of error identified, narrative aspects of reporting and management's letter of representation to the external auditors.
- The effectiveness of the risk management arrangements and the regular review of the Corporate Risk Register.
- The planned activity and results of both internal and external audit.
- Adequacy of management response to issues identified by audit activity, including external audit's management letter.
- The effectiveness of the internal control environment.
- Assurances relating to the corporate governance requirements of the organisation.
- Anti-fraud policies, whistleblowing processes and arrangements for special investigations.
- Proposals for tendering for either internal or external audit services or for purchase of non-audit services from contractors who provide audit services.
- The Audit and Risk Committee will also annually review its own effectiveness and report the results of the review to the Board.

### **Rights**

The Audit and Risk Committee may:

- Co-opt additional members for a period not exceeding one year to provide specialist skills, knowledge and experience.
- Procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board or Accountable Officer.

### **Information requirements**

On a regular basis the Committee will be provided with:

- A progress report from the Head of Audit summarising:
  - Work performed (and a comparison with work planned)
  - Key issues emerging from Internal Audit work

- Management response to audit recommendations
- Progress on implementation of actions arising from internal audit reports
- Significant changes to the Audit Plan.
- The Corporate Risk Register and a report summarising any significant changes to the Register.
- A progress report from the External Audit representative summarising work done and emerging findings.
- Any resourcing issues affecting the delivery of Internal Audit objectives.

As and when appropriate the Committee will be provided with:

- Proposals for the terms of reference of internal audit.
- The Internal Audit Strategy.
- The Head of Audit's Annual Opinion and Report.
- Quality Assurance reports on the internal audit function.
- Details of any changes to the risk management policy, risk management procedure or the overall risk management framework.
- The draft accounts of the organisation.
- The draft Governance Statement.
- A report on any changes to accounting policies.
- External Audit's management letter.
- A report on co-operation between internal and external audit.
- A report on any proposals to tender for audit functions.
- Any latest developments in corporate governance relevant to the Committee.
- Reports from other sources within the "three lines of assurance" integrated assurance framework.

The above list suggests minimum requirements for the inputs which should be provided to the Committee. In some cases, more may be provided.

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