Audit and Risk Assurance Committee Terms of Reference

The Board of the Scottish Housing Regulator (SHR) has established an Audit and Risk Assurance Committee 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. The Committee also provides specific assurance to the Accountable Office as part of the internal control framework.

Membership

The membership of the Audit Committee will be at least three Non-Executive Members appointed by the SHR Board.

The Committee Chair will be appointed/reappointed by the Board at a properly constituted Board meeting.

At least one Member should have significant, recent and relevant financial experience, for example as an auditor, accountant or senior financial manager/director.

The Board Chair is explicitly excluded from being a member of the Audit Committee. The Board Chair has the right to attend all meetings of the Audit Committee; other Board members may attend meetings and have access to papers.

Appropriate training and development will be provided to ensure that members of the Audit Committee have the skills and knowledge to carry out this role.

The Committee will be provided with a secretariat function by the Corporate Governance Manager.

Reporting

- The Committee will formally report in writing to the Board and Accountable Officer after each meeting. A copy of minutes of the meeting may form the basis of the report. The Audit Committee Chair will also provide additional verbal or written updates to the Board as necessary, to reflect any significant changes or issues between Committee meetings.
- The Committee will provide the Board and Accountable Officer with an Annual Report, timed to support finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year.

Responsibilities

The Committee will advise the Board and Accountable Officer on:

- the strategic processes for risk, control 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, 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 the organisation;
- (where appropriate) proposals for tendering for either internal or external audit services or for purchase of non-audit services from contractors who provide audit services; and
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The Committee will also annually review its own effectiveness and report the results of that review to the Board and Accountable Officer. It will also annually review its Terms of Reference and submit it for Board approval.

The Audit Committee will promote the highest standards of financial stewardship and accountability in the use of public resources. It will support the SHR in its objective to be a transparent, responsive and Best Value organisation, with a clear alignment between resources and priorities.

At least every year, the Committee will carry out a strategic review of the previous internal audit programme, and assess the audit resources required for future programmes.

The Committee will review the Board's Standing Orders and advise the Board of the outcome immediately ahead of the Board's planned three-yearly review, or sooner if deemed necessary.

Rights

The Committee may:

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

Access

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

The Audit Committee has authority to investigate any activity within its Terms of Reference, and will have access to relevant information from SHR staff.

Meetings

The procedures for meetings are:

- the Committee will meet at least four times a year. The Chair of the Committee (or two or more other members of the Committee) may convene additional meetings, as he/she deems necessary;
- a minimum of two members of the committee will be present for the meeting to be deemed quorate;
- the Chair, if unable to attend, will require another Non-Executive ARAC Member to chair the meeting.
- Committee meetings will normally be attended by the Accountable Officer, the Director of Digital & Business Support, the Business Manager and representatives of Internal and External Audit;
- the Committee may ask any other officials of the organisation 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 to withdraw to facilitate open and frank discussion of particular matters;
- 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;
- the Committee Chair, in conjunction with the Business Manager, will set the agenda for meetings.
- papers for meetings will be provided five working days in advance (or seven calendar days where there are public holidays).

- all papers will clearly state the agenda reference, the author, the purpose of the paper and the action the Audit Committee is asked to consider.

- a formal Minute of the proceedings of the Committee will be taken. The draft Minute will be provided to the Chair within 10 working days of each meeting and subsequently distributed to the Members within 20 working days of the meeting. Members will then propose any significant amendments to the Minute by correspondence to the Chair, for discussion and possible inclusion in the draft. The draft Minute will then be formally approved by the Committee at its next meeting.

- the draft Minute will be presented to the next available Board meeting and will form part of the Committee Chair's report to the Board. Should the Committee agree changes to the draft after that, the final version will be presented to a subsequent Board meeting.

- the Committee should meet individually with internal auditors and external auditors at least once a year, without any members of the Executive Team present. Exceptionally, a note of the business of such meetings will be taken for the record.

- the Chair of the Committee may periodically meet with members of the Executive Team.

- staff are invited to observe Committee meetings and may be invited to attend and present certain agenda items.

Information Requirements

For each meeting the Committee will be provided with:

- a report summarising any significant changes to the organisation's Risk Register;
- a progress report from Internal Audit summarising:
  - work performed (and a comparison with work planned);
  - key issues emerging from Internal Audit work;
  - management response to audit recommendations;
  - 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.

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

- business update reports from the Accountable Officer;

- the Charter / Terms of Reference of the Internal Audit Directorate;

- the Internal Audit Strategy;

- the annual Internal Audit Plan;

- the Internal Auditor's Annual Opinion and Report;

- quality assurance reports on the Internal Audit function;

- the draft accounts of the organisation;

- the draft governance statement;

- a report on any changes to accounting policies;

- External Audit's management letter/report;

- a report on any proposals to tender for audit functions;

- a report on co-operation between Internal and External Audit;

- a report on the Counter Fraud and Bribery arrangements and performance;

- reports from other sources within the "three lines of assurance" integrated assurance framework (e.g. 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).

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

Approved by SHR Board 26 March 2019