

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

(Last Updated – August 2021)

1. The Scottish Courts and Tribunals Service (SCTS) Board established an Audit and risk Committee (ARC) to support it in its responsibilities in relation to issues of risk, control, governance and best value by reviewing and challenging the comprehensiveness, reliability and integrity of assurances provided to them by the SCTS Chief Executive (Accountable Officer). In regard to risk management the SCTS Board has the responsibility for setting the overall risk framework. The ARC provides more specific scrutiny of the arrangements for strategic risk management. The Committee also provides advice and support to the Accountable Officer in his responsibility for maintaining a sound internal control regime.

Membership

2. Current members of the ARC are:

- Joe Al-Gharabally (Non-Executive) SCTS Board Member (since June 2014)
- Simon Catto, (Non-Executive) SCTS Board Member (since January 2014)
- Sheriff Principal Turnbull, SCTS Board Member (since August 2019)
- Nigel Paul, Independent External Member (since April 2017)
- Simon Cunningham, Independent External Member (since June 2020)

Joe Al-Gharabally is Chair of the ARC; Simon Catto is Deputy Chair.

3. At least one member of the Committee must hold a professional accountancy qualification from one of the UK's Consultative Committee of Accountancy Bodies (CCAB) or equivalent. The committee is compliant in this requirement.

4. The period of appointment to the Committee shall, in the case of SCTS Board members, be linked to their Board appointment. For other members, appointment will be for a period of four years, renewable once by mutual consent.

5. A secretariat function will be provided by the SCTS Secretariat.

Reporting

6. The ARC will formally report to the SCTS Board through the issue of minutes after each meeting. Draft minutes will be sent initially to the Chair for review before being circulated to other Committee Members for comment. As far as possible, the minutes will be approved at an ARC meeting before they require to be presented to the SCTS Board. In the event that there will be no ARC meeting prior to the next Board meeting, the minutes will be approved by the Committee during the circulation process and be made ready for presentation.

7. The ARC will report to the SCTS Board through an Annual Report. This will be timed to support finalisation of the SCTS accounts and the Governance Statement and will summarise its conclusions from the work it has done during the year.

Responsibilities

8. The ARC provides ongoing assurance that its delegated responsibility is operating effectively. In doing so it will advise the SCTS Board and Accountable Officer on:

- the effectiveness of processes for governance, risk, control and the Governance Statement, taking into account key risks and issues raised by other SCTS Board Committees;
- the accounting policies, the accounts and the annual report, including the process for reviewing 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, taking into account the risks facing the SCTS and ensuring that this work is effectively co-ordinated;
- 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 organisation and delivery of objectives that support best value themes;
- (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;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations;
- the ARC will also periodically review its own effectiveness and report the results of that review to the SCTS Board.

Rights

9. The ARC may:

- co-opt additional members for a period not exceeding a 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 SCTS Board.

Access

10. The Head of Internal Audit and the representative of External Audit (Azets) will have free confidential access to the Chair of the ARC.

Meetings

11. The ARC will meet at least four times a year. The Chair of the ARC may convene additional meetings, as he/she deems necessary.

12. A minimum of **three members** of the ARC will be present for the meeting to be deemed quorate.

13. ARC meetings will normally be attended by:
- the SCTS **Accountable Officer**,
 - the SCTS **Chief Finance Officer**,
 - the SCTS **Director Finance**,
 - the **Head of Internal Audit or delegate (currently Scottish Government)**
- and
- **a representative of External Audit (currently Scott Moncrieff)**;
14. The ARC may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter.
15. The ARC 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;
16. The Board or Accountable Officer may ask the ARC to convene further meetings to discuss particular issues on which he/she seeks the Committee's advice.

Core Work Programme

17. The ARC will have a Core Work Programme to inform the Agenda for its meetings. For each meeting the ARC will be provided with:
- The SCTS Corporate Risk Register – with notification of any significant changes.
 - A progress report from the head of 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.
18. Over the course of each financial year the ARC will
- Review management actions relating to audits, ensuring that they are completed to agreed timescales.
 - Review the corporate risks identified and managed by the organisation, through in-depth scrutiny of high risk areas (in workshop sessions), annual consideration of the corporate risk register (jointly with the Board) and periodic consideration of the corporate risk register to ensure it is comprehensive and up to date.
 - Seek ongoing assurances from the CFO and Director Finance and Procurement around capacity and ongoing systems developments.
 - Agree Internal Audit's work plan, review progress during year and consider final audit opinion.
 - Consider (emerging) External Audit opinion and advise the Accountable Officer on signing the accounts and the Governance Statement.
 - Review and consider the accounts.

- Consider the External Audit management letter for the previous year, any emerging findings from the current interim/in-year work of External Audit, and External Audit's approach to their work.
- Consider any residual actions arising from the previous year's work of both Internal and External Audit.
- Consider the Committee's own effectiveness in its work.
- Review Audit and Risk Committee Remit (Terms of Reference).
- Agree the Audit and Risk Committee's annual report to the Board.
- Consider the External Audit strategy/plan.
- Regular review of data losses and fraud and theft losses.
- Review of the annual update on Whistle Blowing.
- Consider areas in which the Committee will particularly promote co-operation between auditors and other review bodies in the coming year.

19. To support this work the Committee will, as and when appropriate, be provided with:

- update reports from the Accountable Officer;
- the Internal Audit Strategy and annual Internal Audit Plan;
- the Head of Internal Audit's Annual Opinion and Report;
- quality assurance reports on the Internal Audit function;
- the draft accounts of the organisation and 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" framework including the SG Digital Assurance Office (DAO) and Portfolio, Programme and Project Assurance team (PPPA).

The Core Work Plan may be reviewed and updated as the ARC may determine.

SCTS Audit and Risk Committee
August 2021