

sportscotland

Audit and Risk Committee

Terms of Reference

Introduction

- 1 The Scottish Sports Council, trading as **sportscotland**, in 1994 resolved to accept the Scottish Office Code of Best Practice and to establish an Audit Committee (the Committee), which reports to the **sportscotland** Board. Terms of Reference were then adopted in 1995 and have been subsequently reviewed and amended at different times since then. The current version was updated in February 2016 and approved by the Board in April 2016.

Responsibilities

- 2 The responsibilities of the Committee will cover all of the **sportscotland** Group, comprising **sportscotland**, the Scottish Sports Council Trust Company and the Group's activities as the UK (DCMS) Licensed Distributor for the Lottery Sports Fund in Scotland.
- 3 The Scottish Sports Council Trust Company will retain its own Audit Committee. The **sportscotland** Audit Committee will retain an oversight of the work of the Trust Company Audit Committee and the Trust Company in order to inform its annual review of the Group accounts.
- 4 In meeting these responsibilities the Committee has a range of functions as well as a series of specific duties.

Functions

- 5 The main functions of the Committee will be to:
 - 5.1. promote the highest standards of propriety in the use of public funds and proper accountability for the use of those funds.
 - 5.2. review the quality of financial reporting by examination of Group and Lottery financial statements on behalf of the Board and approve their submission to the Board for adoption if appropriate.
 - 5.3. review and comment on (and amend if required) the annual internal audit plan, as well as the quality of internal audit reporting by examination of Group and Lottery company internal audit reports.

- 5.4. promote a climate of financial discipline and control to help reduce opportunity for mismanagement.
- 5.5. review and endorse, on behalf of the Board, the procedures for risk management and advise on any changes in the policies and processes that influence the design and delivery of services and the investments made, and to advise on the consequential changes in the key risks arising.
- 5.6. review and advise management on the organisation's Corporate Risk register before submission to the Board.
- 5.7. promote and advise management on the development of internal control systems, which will satisfy the Board that it is operating in accordance with statutory requirements, authorities delegated by the Scottish Government and internal regulations in order to achieve **sportscotland's** aims and objectives in the most economic and effective manner possible.
- 5.8. receive and review reports on the governance and risk management policies and processes active within the **sportscotland** group of companies. This will allow the **sportscotland** Audit Committee to provide the necessary assurance to the **sportscotland** Board on matters of governance and risk management and to complete Scottish Government's Certificates of Assurance.
- 5.9. consider, comment on and accept on behalf of the Board reports from management and the internal and external auditors regarding internal controls and accounts. In the unlikely event that the Committee has issues with reports from management it may refer these, with recommendations, to the Board.
- 5.10. receive from management and internal and external auditors appropriate assurances on the effective operation of the Trust Company Audit Committee. This will provide assurance that there is reasonable confidence in the Trust Company Audit Committee determining matters of internal control and accounting for the Trust Company, within the **sportscotland** group, without the need for direct intervention of the **sportscotland** Audit Committee.
- 5.11. review the draft final accounts of **sportscotland** and the **sportscotland** group, together with the annual report of internal audit and report on the accounts by external audit, making any comment and suggested amendment as appropriate, and approving final drafts for submission to the Board for formal approval and sign off.

Duties

6 The specific duties of the Committee are to:

- 6.1. consider the remit and approve the appointment of the internal auditor, the internal auditor's fees and any questions of resignation or dismissal. To review and agree the remit of the internal auditor annually.
- 6.2. note the appointment of the external auditor (this is the responsibility of Audit Scotland) and approve the audit fees and consider any questions of resignation or dismissal.
- 6.3. discuss and agree with the external auditor, before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved. As part of the audit scoping exercise, confirm the independence and objectivity of the external auditor and agree any non-audit services to be provided by the auditor.
- 6.4. discuss and agree with the internal auditor, before the internal audit commences the nature and scope of the annual internal audit plan.
- 6.5. review and approve the annual financial statements before submission to Council, focusing particularly on:
 - 6.5.1. any changes in accounting policies and practices;
 - 6.5.2. any significant accounting judgements;
 - 6.5.3. significant adjustments resulting from the audit;
 - 6.5.4. compliance with accounting standards and other legal requirements.
- 6.6. discuss problems and reservations arising from the interim and final audit and any matters the auditor may wish to discuss (in the absence of any senior manager where appropriate) and, if appropriate, make recommendations to the Board.
- 6.7. review and comment on the external auditor's management letter and the SMT response and, if appropriate, make recommendations to the Board.
- 6.8. review and comment on the effectiveness of the Board's internal control systems (including financial, operational compliance and risk management) and, if appropriate, make recommendations to the Board.
- 6.9. review and agree the overall assurance framework for **sportscotland**, identify any gaps in this framework, and, if appropriate, make recommendations to the Board.
- 6.10. review and comment on the results of the internal audit programme, ensure co-ordination between internal and external auditors, consider internal audit reports including value for money reports and arrangements for their implementation, and, if appropriate, make recommendations to the Board.
- 6.11. consider and agree the proposed statement on the review of the Group's system of internal control (including financial, operational compliance and

risk management) prior to making recommendations and proposed approval, if appropriate, to the Board.

- 6.12. consider any other matters when requested to do so by the Board.
- 6.13. report to the Board at least once every year on the discharge of these duties.

Membership

- 7 The Chair and members of the Committee shall be appointed by **sportscotland** and shall consist of not less than five in total, made up of five members of the **sportscotland** Board. A Trust Board member, who is also a member of the Trust Board's Audit Committee, will be invited to the June Audit Committee meeting each year, or as and when required, to discuss the Trust Company year end accounts. A quorum shall be three members.
- 8 The Chair and Deputy Chair of the Committee shall be appointed by the **sportscotland** Board.
- 9 The Committee shall be responsible for making arrangements for Minutes of its meetings to be circulated to **sportscotland** Board members.

Attendance at Meetings

- 10 The Chief Executive, in his role as Accountable Officer, the Director of Corporate Services and the Head of Finance will normally attend. The Chairman and other **sportscotland** members will have the right of attendance, as will **sportscotland's** internal and external auditors. However, at least once a year the Committee shall meet with the external auditors without the Chief Executive or other Officers. Key outcomes/actions from the "in camera" session should be recorded by the Chair.

Frequency of Meetings

- 11 Meetings shall be held up to four times a year. The external and/or the internal auditors may request a meeting at any time they consider such a meeting to be necessary.

Reporting

- 12 The Chair will report back to the **sportscotland** Board on the Committee's proceedings after each meeting.

13 The Committee will make recommendations to the **sportscotland** Board on whatever issues it deems appropriate on any area within its remit where action or improvement is needed.

14 The Committee will contribute to the **sportscotland** Board's annual report in relation to sportscotland's policies and practices regarding all areas of audit and risk.

Authority

15 The Committee is delegated by the Board to fulfil the responsibilities and duties set out in these terms of reference and is authorised by **sportscotland** to investigate any activity within these terms of reference and to seek any information or explanation from staff in respect of its enquiries. Requests for work and reports will be channelled through the Chief Executive. The Committee is authorised to seek independent professional advice if considered necessary for the performance of its duties and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

